THE CITY OF NEW YORK
OFFICE OF THE MAYOR
NEW YORK, NY 10007

FOR IMMEDIATE RELEASE
July 28, 2008
No. 290
www.nyc.gov

MAYOR MICHAEL R. BLOOMBERG PRESENTS CITY FINACIAL PLAN TO THE NEW YORK STATE ANNUAL FINANCIAL CONTROL BOARD MEETING

The following is the text of Mayor Bloomberg's written testimony. Please check against delivery.

"Thank you, Governor Paterson, and good morning everyone. Over the past six years, I've appeared before the members of this board during robust economic times and during the city's deepest fiscal crisis in a generation. Today, we've begun a new fiscal year amid much uncertainty about the national economy but confident that the underlying factors which make New York the greatest place to live, work, and do business are strong and growing stronger.

"Crime, too often the stumbling block for economic growth, has dropped nearly 30 percent over the past seven years, solidifying our reputation as the undisputed safest big city in the nation. Our public schools – which are developing tomorrow's leaders, are making big strides: graduation rates are up 20 percent; and more students in every grade are meeting or exceeding State standards in Math and English.

"Our streets are cleaner than they've been in 30 years, and pedestrians and motorists are as safe as they've been since records were first kept nearly a century ago. At the same time, tourism – a vital industry that supports more than 350,000 jobs in our city – continues to break records, thanks to our investments in cultural institutions and our success in attracting marquee events, like this month's All-Star Game at Yankee Stadium. However, all of us know, there are many reasons to be concerned about the months ahead.

"Our financial sector – the backbone of our local economy and the engine of our nation's – is clearly struggling. For the first quarter of 2008 Wall Street firms posted $22.8 billion in losses, and the big investment banks are laying off thousands of people –Wall Street lost 4,300 jobs during the month of June alone.

"The local real estate market – which so far has held up well in comparison to the national markets – is now beginning to slow down, as well. Collections for commercial real property transfer taxes and commercial mortgage recording taxes are down almost 50 percent in the first six months of this year compared with the same period last year. Residential sales have

also been declining. Co-op and Condo listings during the first quarter of this year rose by 30 percent, as sales dropped by 20 percent.

"The good news is that we are as prepared for this downturn as we possibly could be. When the economy was booming, we did not squander our revenues on politically-popular projects and giveaways. Instead, we ran surpluses and used that money to pay down debt early. We created a trust fund – one of the first in the nation – that begins to cover the City's long-term obligations of paying health benefits to retirees. We have also applied almost $1 billion from prior year resources to help close the budget gaps we face in FY 2010 and FY 2011. And last fall, when it was clear the economy was headed for trouble, we immediately acted by implementing a temporary hiring freeze and directing agencies to reduce City-funded spending – which resulted in savings of 2.7 percent in FY 08.

"In the months ahead, we'll have to keep a close eye on the economic indicators and take whatever steps necessary to keep our budget for Fiscal Year 2009 in balance and keep our city moving forward. And it's not just this year that we have to worry about. The projected gap in next year's budget has increased by more than $1 billion since just May 1st – due to the recent arbitration award regarding police salaries. Even with the prudent steps we're currently taking to manage the FY 2010 budget gap, it's now in the neighborhood of $2.3 billion.

"If the city's economy was still booming, increased tax receipts might be a possible answer to this problem. But unless economic conditions improve quickly and dramatically – and no one is predicting they will – then we're going to have to find other solutions. With so much uncertainty in the local and national economy, our first duty is to continue to show fiscal restraint – just as families are doing.

"That's why we've put the lid on City-funded spending; it's been kept virtually flat for this year compared to last year. In fact, the budget's spending increase of 1.6 percent in City funds is well below the projected 2.7 percent annual rate of inflation. We've directed City agencies to be very judicious in identifying where and how to save, in order to maintain our essential services and our economic competitiveness.

"By cutting City-funded spending by 5.6 percent, these agency actions will produce more than $1.1 billion in savings in FY 2009. They will also result in recurring out-year savings of about $1 billion annually. To reduce costs even further, we are slowing down the City's rate of capital spending. We will do that by stretching the current four-year capital plan for an additional fifth year, to Fiscal Year 2013. The result of this 'spacing out' of spending will be a 20 percent reduction in capital outlays through Fiscal Year 2012.

"By keeping spending virtually flat, we've been able to extend help to homeowners who are struggling to balance their own budgets – many of them because they've been caught in the sub-prime mortgage meltdown and the credit crunch that followed. We're doing that by extending for the fifth consecutive year our $400 homeowner property tax rebate. This will ease the burdens on homeowners and pump money back into neighborhood economies.

"The budget we adopted for this year also currently includes the 7 percent property tax rate reduction we first approved 12 months ago but continuing this reduction in the current year will depend on the City's economic performance over the next few months. And as the FCB staff's recent report noted, our budget does not continue this rate reduction after this year.

"The gaps are simply too large. Our most recent forecast estimated that – even after rescinding this property tax cut – we'd face deficits of $2.3 billion in Fiscal 2010, $5.2 billion in 2011 and $5.1 billion in 2012 – and I know the FCB's more recent forecasts are even higher.

"Maintaining fiscal prudence is our number one priority but we also have a duty to continue making the investments – in infrastructure and core services – that are essential to our long-term economic health. History reminds us of the dire consequences when those services are sacrificed to fill immediate budget gaps. I assure you: That mistake will never be made on our watch. We can, and must, continue to 'do more with less' to safeguard the city's future.

"The good news is, we know very well how to do this, and do it right. We showed that in the way that we managed the City budgets during the recession that followed 9/11. We maintained a quality of life that kept New York a place where people want to live and businesses want to expand. And the result was that our city came back stronger than ever. Today, because we've managed our financial resources responsibly - because we've diversified our economy - because we've made bold investments in our city's future, we are even better prepared for whatever lies ahead.

"Before I close, I want to make a final point about the importance of the Financial Control Board. The Board's great work started with the extraordinary circumstances which prompted its creation: The grave fiscal crisis that drove the greatest city in the nation to the brink of bankruptcy.

"The FCB's steady leadership and hard work helped pull New York through what was, up until then, its very worst days. And the continued thoughtful and diligent service shown by FCB board members and staff has made an enormous difference in keeping our city on a sound financial footing. The FCB's staff should take great pride in the fact that we have incorporated many of its fiscal reforms into our budgetary practices and policies – and into our City Charter.

"Time and again, the City has benefited from the Board's existing structure, and I would hope to see it continue. That's why I am supporting proposed legislation in Albany which would continue the FCB's role in the City's finances – with all of its powers intact. I know future administrations at City Hall would gain enormously from the sound advice and guidance that the Board has given us.

"Working together, we can make sure that the city we love continues to grow and prosper, and that the brightest days for all of us are still ahead."

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