



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

**TO:** Agency Heads

**FROM:** Mayor Michael R. Bloomberg

**DATE:** September 6, 2007

**RE:** Fiscal Prudence

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As you are aware, the City's economy depends in no small measure on the profitability and success of Wall Street and the financial services industry. Recent events in the financial markets are, therefore, a subject of deep concern. Capital market losses mean fewer tax revenues for our budget and fiscal plan. A slower real estate market means fewer transaction tax revenues – again, hurting our bottom line.

While we can take confidence in the resilience and increased diversity of our economy, we recognize we have enjoyed a period of extraordinary economic growth and that good times do not last forever.

Since the beginning of our first term, when we needed to make difficult decisions to close record deficits and bring the City back from 9/11, we have managed the City's finances responsibly. This is one of the reasons our bonds are rated in the double-A category by all three major rating agencies for the first time in the City's history. By maintaining and increasing that commitment to fiscal prudence at this time, we can mitigate potential difficulties on the horizon.

Therefore, I have asked Office of Management and Budget Director Mark Page to closely scrutinize all agency hiring over the next period of time, with an eye toward ensuring that only critically necessary hires are made. Our workforce is the foundation of the services we provide and a major part of our expenditures. It is easier and more prudent to tightly manage headcount now, rather than face staff reductions in the future. I also ask that you avoid entering into non-critical additional spending commitments at this time; keep in mind that, once made, these are hard to pull back.

The City's budget is cushioned in the short-term by reserves we built into the plan during the current budget cycle. This is one of a number of efforts our Administration has undertaken to use the good times to prepare for long-term stability. Even still, we face multi-billion dollar budget gaps beginning in the next fiscal year and in the out-years of the plan that we will not shy away from facing directly.

We expect to reflect any changes in the City's budget outlook in the first quarter modification of the City's budget and financial plan in November. Although budget reductions are not being directed at this time, such reductions may be necessary in the coming months. We will continue working together closely to ensure we leave the City's finances on solid ground for the future.

**cc:** Patti Harris, First Deputy Mayor  
Dan Doctoroff, Deputy Mayor for Economic Development and Rebuilding  
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Carol Robles-Roman, Deputy Mayor for Legal Affairs  
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