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New Priorities for Mayor Bloomberg's Third Term

Mayor Michael Bloomberg is right when he says that, in the current fiscal crisis, it's crucial to avoid the mistakes of the 1970s. At that time, the City of New York continued to spend beyond its means and then was forced to dramatically cut the services and infrastructure maintenance that are critical to the city's competitiveness and appeal.

But if Mayor Bloomberg is to preserve the legacy of his first two terms, of which he is especially proud - declining crime rates and improvement in public education - then he must adopt fiscal policies different from those he has followed thus far. He must reduce the immense and escalating cost of the municipal payroll, as well as the enormous burden of municipal debt.

The Payroll. From fiscal year 2000 to 2009, the cost of compensating City employees, including pension and fringe benefits, skyrocketed by \$15 billion or 80 percent. A recent report by the Citizens Budget Commission revealed that the average compensation of a New York City municipal worker exceeds \$100,000.

To reverse this trend, the Mayor must adopt a two-fold strategy:

First, wage increases, which exceeded inflation in the past eight years, must be kept below inflation. Fringe benefits, which are exceedingly generous, must be reformed to be more in line with those of other public and private-sector entities. Every employee should contribute to his or her health insurance premiums; the retirement age should be increased for new employees, and they should contribute more to their pensions.

Second, the Mayor must find ways to do as much or more with fewer workers. During the fiscal crisis of the 1970s, the number of City workers was cut by nearly 20 percent through layoffs and attrition. From 2000 to 2009, the number of full-time municipal workers grew by 6,838 or about 2.5 percent. This trend must be reversed. A shift from a 35- to a 40-hour workweek is one way to start; there are scores of work rule changes and

technological innovations that can be adopted to enable the City to operate as well as it does today while eliminating positions, largely through attrition.

The Debt Burden. The City also needs to borrow less money and reduce the amount of debt service paid out of its operating budget. Unless that debt is reduced, by 2013, interest on the debt will be \$6.5 billion, or about 9 percent of the budget.

Debt is essential for making capital investments. Following the fiscal crisis of the early 1970s, the City's capital budget was practically shut down, and key infrastructure components were allowed to deteriorate.

The City should continue to invest in the maintenance of sewers, roads, bridges and schools. But current capital plans for less essential undertakings, such as poorly justified economic development projects, will have to be sacrificed. A smarter, rather than bigger, capital budget will focus on better use and maintenance of existing assets rather than ambitious plans for expansion.

Restoring the City's long-term fiscal health will require tough decisions. Mayor Bloomberg made the case during his re-election campaign that his unique management skills would be crucial in this economic down-turn - which is unlike anything experienced in nearly four decades. Now is the time to prove that.

In this economy, keeping New York City a vital and competitive place in which to live and work requires a relentless commitment to controlling both payroll and borrowing. Those whose interests lie in increased spending must be resisted in favor of the larger public interest of living within our means.

The author is President of the Citizens Budget Commission (www.cbcny.org)

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