

City Budget Looking Up But Firehouses Targeted Again

By DAVID SIMS | Posted: Monday, February 6, 2012 5:00 pm

The city would refrain from layoffs under Mayor Bloomberg's proposed budget for the fiscal year starting July 1, but he took aim at the city's rising pension costs and endorsed Governor Cuomo's Tier 6 proposal as the model for a new citywide pension tier, prompting an angry pushback from the Municipal Labor Committee.

Calling city pension costs, projected at \$8 billion for Fiscal Year 2013, a "ticking time bomb," he praised the Governor's proposal of a Tier 6 for state and municipal workers as the model for the city to follow. "We just cannot afford to pay such costs for future city workers...the bottom line is, we just can't afford to keep doing this," he said at a Feb. 2 City Hall press conference.

MLC: Earnings Booming Again

MLC Chairman Harry Nespoli said that the Mayor was being alarmist about pension costs. "The fact is that in 2010 and 2011 the returns were very high: 14 percent in 2010 and 23 percent in 2011," he said in a phone interview. "The city does not retrieve that money overnight; it goes in over a period of 10 years. But that's why the Comptroller is saying pension costs will go down in future years."

Tier 6 would require all new non-uniformed hires to work until 65 to retire at full pension, contribute between 4 and 6 percent of salary (the current rate is 3 percent) based on their pay levels, and would give employees the option of a portable defined-contribution plan, similar to a 401(k).

The Mayor estimated that it would save the city \$30 billion over the next 30 years, although he admitted the great majority of the savings would not be realized until at least 10 years later.

Any pension change would require action by the State Legislature and likely would be predicated on an agreement with the city's unions. In recent years, only the United Federation of Teachers agreed to a modified version of the Tier 5 pension now in place for state workers. The Governor's Tier 6 proposal has not been embraced by state unions.

Dim View of 401(k)

"We've been through tough times before, and we got through it," Mr. Nespoli said. "I feel like we're through it now. If he wants to concentrate on the years we got slammed, yes, it's costing more now, but in the future, costs will go down."

He disdained the concept of Tier 6, saying he was particularly upset at the idea of a 401(k) option for workers. "It's a destruction of municipal workers and the middle class. He's talking about offering a 401(k). That was not designed for a pension, it was designed for savings," Mr. Nespoli said.

“People who had 401(k)s, after what happened on Wall Street in 2008, those people had to go back to work in their mid-70s,” he continued. “I think that the defined benefit as we have it went through tough times, and we got through it. I think that Tier 6 is not the cure for the pension system at all. And it’s definitely an attack on the middle class.”

The Mayor’s budget was largely free of the draconian proposals of recent years, where he has proposed thousands of Teacher layoffs before finding the savings during negotiations with the City Council to preserve the jobs down the line.

Fire Cos. Back on Block

But his proposed budget would shutter the same 20 fire companies that were saved by the City Council last year.

Uniformed Firefighters Association President Steve Cassidy said in a statement, “On the heels of the 10 busiest years in history of the FDNY, both the Mayor and the City Council have to know that closing firehouses will compromise the public and firefighter safety.”

There is also a reduction in day-care slots and social-services spending, although the Mayor said much of the money the Administration for Children’s Services was losing would be made up for in Federal dollars. Libraries and other cultural institutions, which are typically kept afloat with Council funds, would also see service reductions.

The Mayor said that the slowly-improving economy would probably mean a rise in tax revenues in future years, but cautioned that the city was using the last of its rainy-day money to plug the holes in this budget.

“We put away \$6 billion in the good years, and this year we are using up the last of those good years,” he said.

One unexpected benefit for the city came from the City Actuary’s adjustment of the expected rate of return from pension funds, down to 7 percent from 8 percent. While that means the city will have to contribute more, the Actuary is spacing out the change gradually, which means it does not require as large a financial commitment as previously anticipated.

Quinn Concerned About Cuts

City Council Speaker Christine Quinn offered praise for the city’s fiscal prudence during the economic downturn, but she said that “there remain a number of troubling elements in today’s budget proposal.”

“The Council is concerned that the proposed budget would again result in the closure of 20 firehouses, along with major cuts to public libraries and cultural institutions, to after-school programs, and to the Chief Medical Examiner’s crime-fighting resources, among other areas,” she said in a statement.

Councilman Domenic Recchia, who chairs the Finance Committee, added, “The City Council and I need to look more closely at the cuts proposed in the Mayor’s November plan and ensure that the public receives adequate, uninterrupted municipal services from our Firefighters, Sanitation Workers, and others.”

Public Advocate Bill de Blasio also concentrated on fire-company closings in his statement, calling them a “dangerous gamble.” But he hailed other aspects of the budget, saying, “I applaud Mayor Bloomberg’s decision to maintain current NYPD force levels.”

Liu: Just Deferring Costs

City Comptroller John C. Liu offered a more-cryptic statement, saying, “We commend the Mayor on a balanced budget that avoids layoffs in this difficult environment. However, the use of short-term financial maneuvers doesn’t reduce real cost but simply defers costs to future administrations.”

Manhattan Borough President Scott Stringer, another potential candidate for Mayor along with Ms. Quinn, Mr. de Blasio and Mr. Liu, was the most forceful in his criticism, calling for a change to the city’s tax code similar to the changes enacted at the state level last year.

He would adjust the city income tax to lower rates for couples earning less than \$300,000 or individuals making less than \$200,000. Those earning more than \$1 million would see a tax increase; those earning between \$300,000 and \$1 million would see no change.

“As the budget dance once again begins, let’s change the tune and have an honest conversation about available resources and policy priorities,” he said in a statement.