

**Remarks by  
NYC Comptroller William C. Thompson, Jr.  
at a Meeting of the  
Financial Control Board  
Monday, July 23, 2007  
1:30 PM**

Governor Spitzer, Mayor Bloomberg, Comptroller DiNapoli, Mr. Sommer, private members and observers, good afternoon. I am pleased to have an opportunity this afternoon to comment on New York City's finances.

Since I last appeared before you, an expanding national economy, Wall Street profits and a local real estate boom, combined with prudent fiscal management by the Mayor, have continued to bring an historic level of prosperity to New York City.

The Adopted Budget for FY 2008 and the FY 2008-2011 Financial Plan reflect that prosperity. Indeed, in 2007 all three major bond rating agencies upgraded their ratings of the City's general obligation bonds to their highest point ever.

The issuance of bonds is a responsibility I share with the Mayor and we take great pride in ensuring that the City's GO bonds are issued in a prudent, cost-effective way.

By our count the City is using 6.52 billion dollars in operating surpluses accumulated over several years to reduce expenditures in fiscal years 2008, 2009 and 2010. That figure alone approaches the level of general fund expenditures for the entire state of Alabama.

This multi-year expense reduction is truly unprecedented and we must give the Mayor much-deserved credit for making it happen.

The reduction was achieved in part by the calling of bonds and debt defeasance, which cost 1.254 billion dollars in FY 2007 and will save nearly 1.4 billion dollars in Fiscal Years 2008 through 2010.

As a result of the City's actions in FY 2007 and more optimistic revenue projections, budget gaps in fiscal years 2008 through 2010 have been either eliminated or significantly reduced.

A review by my office of the Financial Plan suggests that these gaps could be much lower due to stronger revenue collections than the City is now anticipating. The revenue adjustments to the Financial Plan by my office reflect a slightly more optimistic economic forecast than that adopted by the City.

We project that the gap in FY 2009 could be as low as 553 million dollars, and the FY 2010 gap could be cut to approximately 3.1 billion dollars.

While we agree with the City that local economic growth will follow the lead of a slowing national economy, the Comptroller's Office expects that the local housing market will not soften as much as the City's forecast suggests.

Our review suggests that tax revenues for this year and next could total \$1.4 billion more than the City's forecast.

On the expense side, we forecast risks related to overtime spending, new education spending and collective bargaining, but they are manageable.

Recently settled contracts with several uniformed employees unions, if applied to all uniformed employees, will increase wage expenses by 65 million dollars in FY 2009, 200 million dollars in FY 2010 and 370 million dollars in FY 2011.

Pensions, health insurance, debt service and judgments and claims continue to drive spending growth, although pension contributions are slated to level off after FY 2009 and the City is addressing its debt burden through additional pay-as-you-go capital financing and other measures.

While we have been able to successfully reduce our budget gaps in recent years by rolling large surpluses to subsequent fiscal years, mostly in the form of pre-payments, we could do even more to ensure stability in the City's finances.

For the past few years, we have been advocating for the creation of a Rainy Day Fund, which would provide a more formalized mechanism to transfer surpluses into an account that could be used to stabilize City services in a downturn.

As you know, the creation of a Rainy Day Fund would likely require amendments to both state and local laws. The Financial Emergency Act, or FEA, in its current form constrains the creation of such a fund.

Amending the FEA raises the larger issue of the future of this body. The FCB has met at least annually since it was created in 1975 and has served the City well.

Through the period in which the Board has existed, the City has successfully resisted any impulse to use the fiscal gimmickry that defined our distant history.

Recent changes to the New York City Charter have assigned stringent fiscal requirements to the City that were previously encoded in the Financial Emergency Act and enforced by the FCB.

With the Financial Control Board scheduled to sunset in one year, we must determine whether it continues to provide a unique check on the City's fiscal management that is not provided through other mechanisms.

However the future role of the FCB is resolved, we in the office of the New York City Comptroller look forward to continuing to play our own vital oversight role in the fiscal management of our city.

Thank you very much.