



June 19, 2016

Dear Fellow East Siders:

I hope you are enjoying a beautiful Father's Day. This week's Letter offers a framework from which to view the budget and the City's fiscal prospects.

At the end of 2014, I met with outgoing Mayor Taveras to thank him for his service and learn from his experience. I asked him whether it would be easier for the next administration to succeed without the pressing fiscal emergency that greeted him when he took office. While noting the significant pressures that constrained his initiatives, he said he benefited from the sense of urgency the "Category 5 fiscal hurricane" created and the unity of purpose that formed around the City's response. While noting that the successful resolution of the City's 2011-12 fiscal crisis provided time and space for reflection and broader thinking, he foresaw a major challenge for the next administration in convincing people to focus on the hard work necessary to close the balance of the City's structural deficit and address its other long-term financial needs.

Earlier this Spring, the Elorza administration announced it would address the City's long-term fiscal issues with a 10-year plan. It presented a consultant's report with extensive data and proposals. While some of its elements already have been rejected, the report began an important conversation about solving the City's longstanding challenges. The Mayor announced the formation of working groups to address these issues. (I was pleased to accept an invitation to serve on the working group that will develop a capital funding plan.) Careful and thoughtful planning will provide a solid foundation for addressing the City's long-term problems.

With that said, the successful execution of such a plan will depend critically upon a shared sense of urgency and purpose. Any feasible and sustainable solution to the City's issues will require a number of stakeholder groups (active and retired employees, taxpayers, tax-exempt institutions and the State) to make a contribution that they have been reluctant to make to date. In the dark days of late 2011, the City was waiting to hear from some non-profits and retirees, and the possibility of bankruptcy loomed as an iceberg coming closer and closer into view. The plan was sound, and many had bought into the "shared sacrifice" they were asked to make, but the holdouts could have sunk the ship. Fortunately, after relentless dialogue, negotiation and, to borrow from the Yiddish, "noodging," everyone gave enough to make the project succeed.

Mayor Taveras's key first move was to lead by example, cutting his own pay by 10% and reducing his department's budget by 13%. He cut other government positions to the maximum possible extent, prior to seeking concessions from the unions and greater revenues from taxpayers. I remember how many people wanted to find someone else to blame for the City's difficulties, so they could avoid their own role in contributing to a solution. By taking the lead in accepting personal reductions, Mayor Taveras helped blunt this effort. He reinforced this message of urgency and seriousness with austere budgets. They gave the State confidence that increased aid to the City would be used prudently, and convinced the tax-exempt organizations to voluntarily increase payments to the City even as they postponed or curtailed programs they believed more essential to their primary charitable mission.

Recent budgets have been less austere. Over the past two years, the Mayor's office personnel budget has increased by over 40% and the City Council's budget by over 30%. The current budget creates a new \$1 million "neighborhood infrastructure grants" program. Whatever benefits result from these additional resources, they complicate any message of urgent financial needs, and do not help promote a sense of unified purpose. Instead, some stakeholders may ask why they should be expected to contribute more when the City is creating new programs it did not previously have. While a \$1 million program and \$1.5 million in excessive budget increases amounts to a "rounding error" in a budget that exceeds \$700 million, the symbolism is an issue. The grant program also has an accountability issue, as individual City Council members will have the discretion to choose which projects are funded. In a political season that has seen a General Assembly member resign and a City Council member arrested on felony charges related to misuse of public money and legislative grants, I believe this "small" \$1 million program may prove to be an impediment to the City's more important long-term goals. With that said, these issues have been decided, and I will do my best to serve you and support the Mayor's goal of developing and adopting of a feasible and sustainable 10-year plan for the City over the next 12 months.

Sincerely,