



## **OFFICIAL STATEMENT FROM MAYOR C. RAY NAGIN REGARDING THE 2010 BUDGET FOR THE CITY OF NEW ORLEANS**

Dear Fellow New Orleanian:

Each year since I entered office, I have presented budget proposals that were designed to ensure the financial stability of our city and to ensure that we would be buffered from downturns in the financial markets and unforeseen costs. Today our entire nation is grappling to recover from a recession. Although New Orleans has been named one of the best cities to “ride out” the recession, as I predicted, we will face significant budget gaps in 2010.

At the last Revenue Estimating Conference, the City Administration announced that we expected to face a \$43 million shortfall. More recent estimates have increased our shortfall to \$68 million. This new reality is the result of lower than expected tax collections, additional unforeseen pension increases, additional worker’s compensation costs, court ordered salary increases for firefighters, and the accelerated use of the remaining \$10 million in Federal Community Disaster Loans.

I have begun meetings with the City Council to review cost saving and fee enhancing initiatives that have the potential to reduce this deficit. We have made some progress but still have a long way to go. Together, we must make some more difficult decisions in order balance this year’s budget so that we can be compliant with the City Charter.

Although we have seen an increase in the flow of recovery dollars to New Orleans, these federal dollars are primarily for capital expenditures only, and may not be used for daily operating expenses. As many of you know, since Hurricane Katrina we have reduced staffing by nearly 50 percent, implemented other cost saving measures, and have been rebuilding financially in order to regain a sound financial structure. As part of these efforts, we developed the City’s first five-year financial plan to include a reasonable rainy day fund. Wall Street responded and our bond rating has rebounded.

For the past two years, I have proposed unsuccessfully that the City renew already existing taxes to ensure that we could avoid this type of fiscal crisis. The City’s Chief Financial Officer also warned that the absence of adequate recurring revenue would pose a potential \$18 million deficit for 2010. I also expressed my concern about the repayment of the 2000 Pension Bonds, which could have a \$26 million negative impact on the Operating Budget of the City.

No final decisions have been made at this point. However, the City will preserve critical public safety services and our intention is to avoid employee layoffs. Discussions have centered on extending the hiring freeze implemented in 2009. We also are proposing targeted furloughs for employees at all levels, freezes in retirement contribution increases, a 10 percent reduction in the



Mayor's Office staff and another 10 percent reduction in spending for all departments, agencies, and contractors.

This is the third major budget challenge our city has faced during my Administration. When I entered office seven years ago, we had only two days of cash in the bank. Through sound financial management, we persevered. Then after Hurricane Katrina, our entire economy was shut down. We avoided bankruptcy and put the City on stable financial ground and today, all three major credit rating agencies have raised our bond rating to investment grade. As we have proven before, together, we will make it through this challenge.

C. Ray Nagin  
Mayor

October 9, 2009