DAILY NEWS

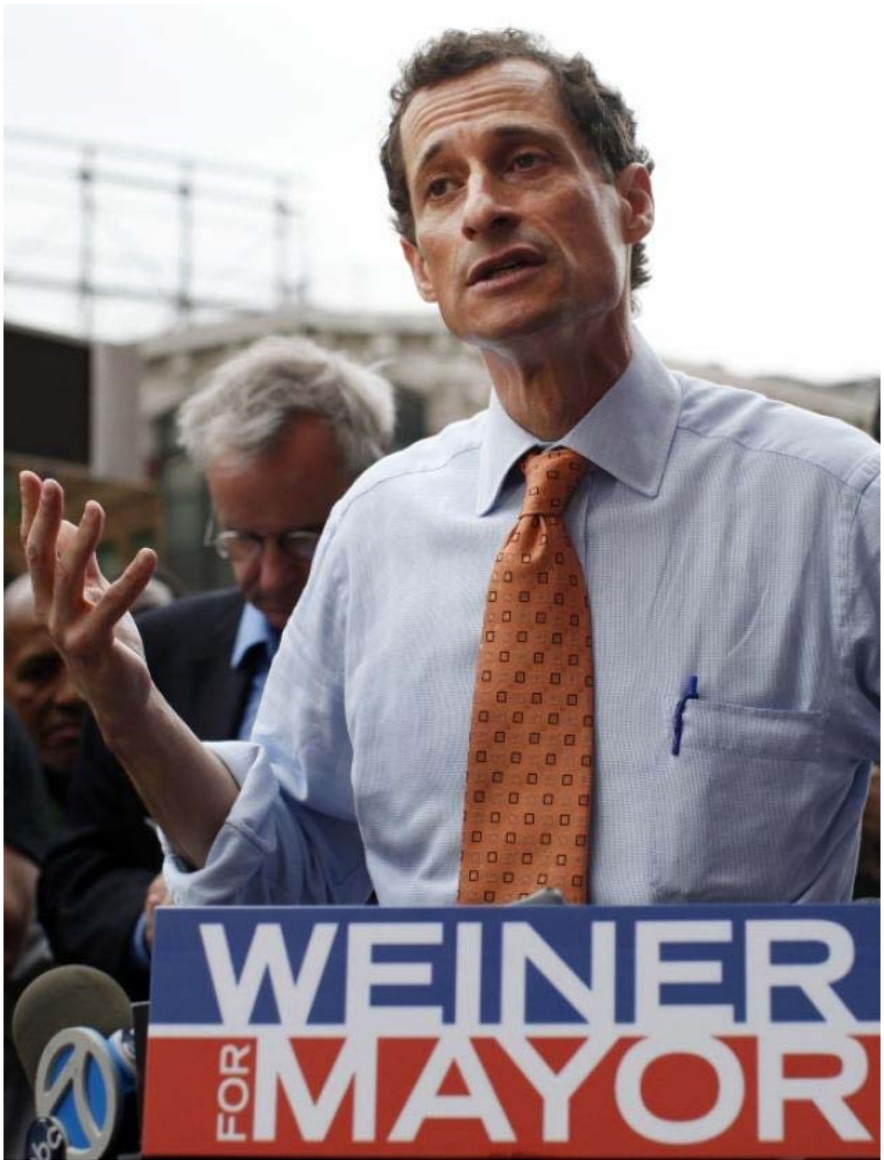
New York

Next NYC Mayor facing $7.8B fiscal cliff from unions who haven't received a raise in years

Disaster looms in 2014 as city faces tax hikes, service cuts or both as next mayor inherits bill and one epic challenge.

BY RICH SCHAPIRO , TINA MOORE AND JONATHAN LEMIRE / NEW YORK DAILY NEWS

MONDAY, MAY 27, 2013, 11:00 PM



JASON DECROW/AP

If elected as NYC Mayor, Anthony Weiner will confront huge unpaid bills whose payment requires dramatically raising taxes, slashing spending or both.

Be warned, New York: The next mayor will face an epic challenge in protecting you from paying a whole lot more to get a whole lot less.

On Inauguration Day, Jan. 1, Michael Bloomberg's successor will confront huge unpaid bills whose payment would require dramatically raising taxes, slashing spending, or both.

Failure to avert them would mean everything from fewer cops on the street to fewer teachers in classrooms — and a New York that is even less affordable for the middle and working classes.

Simply put, New York's quality of life is hanging in the balance.

Yet you wouldn't know it from the mayoral campaign.

None of the candidates, neither Democratic nor Republican, has alerted New Yorkers to the crisis bearing down on the city — or presented plans to overcome it.

Fiscal experts are unanimous that New York is marching toward a cliff, with the sole question being how sharp the plunge will be. The most dire projection foresees a sudden hit of $7.8 billion in new costs a single year, equivalent to 11% of the budget.

RELATED: HAMILL: ANTHONY WEINER'S MAYORAL GAMBLE ASKS FOR SECOND CHANCE

ENID ALVAREZ/NEW YORK DAILY NEWS

Mayoral hopeful Christine Quinn will soon realize the dangers of the city's fiscal cliff would mean less teachers in the classroom and fewer cops on the streets.

For perspective, when the city suffered a hole of a similar proportion after 9/11, the climb out required special state permission to borrow to pay bills, along with an 18.5% hike in the property tax.

“Disaster looms if we continue down the road we're going,” said James Parrott, chief economist at the liberal-leaning Fiscal Policy Institute.

The fear is shared by New York's business leaders.

“They don't want to see a repeat of the 1970s in terms of the deterioration of the city and the exodus of the middle class,” said Kathryn Wylde, president of the Partnership for New York City, an association of executives.

New Yorkers approach a reckoning because most of the city's nearly 300,000 unionized employees have been working without a contract for as long as four years. Unable to strike deals with Bloomberg, the union chiefs will push the next mayor to settle up, including payment of retroactive raises.

Bloomberg says this could cost the city as much as $7.8 billion; the Citizens Budget Commission pegs the figure at $7.2 billion. Coming up with either sum could tear the fabric of the city's life.

“You would have to hike several taxes, and that would only get you halfway there,” said Maria Doulis, director of New York City studies for the budget commission.

RELATED: BLOOMBERG BUYING UP REAL ESTATE AHEAD OF EXIT: REPORT

JEFFERSON SIEGEL FOR NEW YORK DAILY NEWS

Mayor Michael Bloomberg will be releived on January1, 2014 when he steps down and allows his successor to deal with the financial nightmare.

“Then you would have to cut spending. You would have to go to the big agencies like schools, police, fire and santitation. You would have to talk layoffs.”

And those would translate into direct service reductions.

“The first thing everyone would look at is closing firehouses,” because each closure would produce $6 million in annual savings, said former Fire Commissioner Nicholas Scoppetta.

“You’d see an increase in civilian fatalities. Response times would be slower, and you’d have less units responding. The consequences are you’re going to put neighborhoods in danger.”

Although a rising economy and skillful management could ease the worst-case scenario, a wallop of even half the size would be a body blow. Consider that just $1 billion of the budget equals:

l *Almost as much as the city spends in a year on the Sanitation Department, and roughly what it lays out for the Department of Corrections or the Department of Homeless Services.

l *The salaries of about 10,000 cops or 14,800 teachers.

RELATED: LABOR UNIONS SPLIT ON MAYORAL ENDORSEMENTS

MARCUS SANTOS /FOR THE NEW YORK DAILY NEWS

Deputy Mayor Cas Holloway recently called on the unions to accept zero raises for outstanding contracts.

l *A 13% across-the-board increase in the income tax.

l *A hike in the city's sales tax to a rate of 5.3% from 4.5%.

l *About one-third of the money generated annually by the real estate tax on one-, two- and three-family houses.

For Jason Griffiths, principal of Brooklyn Latin, an A-rated high school in Bushwick whose budget has already been cut 13%, further reductions would eliminate teacher training, extracurricular activities and then books and supplies.

"I can't imagine not giving students books and materials they need to learn," Griffiths said.

For Edith Zgardowski, 92, and her husband, Edward, 85, slashing the Department for the Aging's budget could end the visits the couple gets every other day from a social worker.

"We're all alone. I'm grateful for all the help we can get," Edith said. "I'm telling you, I see a halo around his head when I think about him."

RELATED: NEW YORK HAS LOVE FEST WITH ANTHONY WEINER

JIN LEE/BLOOMBERG

James Parrott, chief economist at the Fiscal Policy Institute, says 'disaster looms if we continue down the road we're going.'

For Victoria Hofmo, a Bay Ridge, Brooklyn, co-op owner, taxes are the fear. Rising property assessments combined with Bloomberg's 18.5% rate hike have pushed her share of her building's real estate taxes up by $1,800 a year. She wants to be spared further pain.

"The property is worth more, but it's not like I got a raise to go with it," said Hofmo, who runs an after-school program at a church.

Bottom line: "The next mayor will be close to broke," said E.J. McMahon, a senior fellow at the fiscally conservative Empire Center for New York State Policy.

The top Democratic contenders — City Council Speaker Christine Quinn, Public Advocate Bill de Blasio, Controller John Liu and former Controller Bill Thompson — have clashed over mandating paid sick leave and establishing a Police Department inspector general, but none of their websites mentions the fiscal peril overshadowing the mayoralty.

Thompson calls for hiring 3,000 more cops at an annual cost of a quarter-billion dollars while holding the line on taxes; Quinn proposes putting an iPad in the hands of every public school student; de Blasio promises full-day preschool programs, funded by higher taxes on the wealthy, and Liu has called for a general tax hike on the rich.

In his first days on the campaign trail, former Democratic Congressman Anthony Weiner, also has been silent on the gathering fiscal storm.

In the Republican field, businessman John Catsimatidis' website is similarly silent, while former MTA Chairman Joe Lhota promises "a government that provides effective services every day while approaching the city's budget and its debt with discipline."

RELATED: I HATE BIKE LANES, BUT LIKE MIKE'S BIKES

JON BOYES/GETTY IMAGES

It costs $7.8B to run the Police, Fire and Sanitation departments in NYC, which is 11% of the total city budget at $71.8B.

Whoever wins, he or she will confront an immediate financial challenge that dwarfs the more-routine difficulties of balancing the budget of a government whose costs have been rising faster than its revenues.

A decade ago, New York enjoyed the start of a roaring, six-year post-9/11 economic rebound. City revenues grew an average of 9% a year from 2002 to 2008, allowing Bloomberg to boost spending far beyond the rate of inflation, accumulate budget surpluses that grew to an astronomical $8 billion and agree to generous wage hikes.

Then, in 2008, the housing bubble burst, Lehman Brothers collapsed and America plunged into a paralyzing recession. Over the next four years, revenue growth slowed to an average of 1.4% a year while expenses rose about 3% annually.

That produced a series of budget deficits. Bloomberg filled the holes by depleting his pot of surpluses, draining money from a health care reserve fund and ordering agencies to trim spending.

At the time the economy melted down, he had granted most of the workforce 4% raises in each the two years roughly covered by 2009 and 2010. The deals left out the United Federation of Teachers because its contract expired last among the city's unions.

Under financial strain, the mayor offered the UFT zero raises and has stuck with it. Union President Michael Mulgrew has in turn demanded that Bloomberg retroactively award the same 4% hikes the mayor gave to others - an outcome that many experts see as likely. The price tag would be $3.2 billion for the UFT and $500 million for a handful of smaller unions.

Additionally, all the unions have gone without raises from 2011 to 2013. While Bloomberg again offers zero, the price even for retroactive hikes that simply track inflation would be $4.1 billion more.

Combine all the sums, and the new mayor faces a devastating one-time payout, plus still more billions in higher personnel costs every year after. Delay a deal for a year, and the bill would be an additional $2.7 billion. Negotiate smaller raises, and the cost would decline.

"It is the biggest challenge that will confront the new mayor," said Doulis of the Citizens Budget Commission. "If you are the next mayor and you want to consider giving a wage increase for that period, it is going to be huge payment."

Speaking for Bloomberg, Deputy Mayor Cas Holloway recently called on the unions to accept zero raises for outstanding contracts, relinquish back wages and help finance future raises by having workers contribute to health care coverage.

"In any scenario, granting retroactive contractual salary increases for the period covering the recession would open multibillion-dollar budget gaps and force a dramatic reduction of city services," Holloway warned, while the unions declared that they would make their demands on the next mayor come New Year's Day.