

With stock market drop, council president tells town manager to find savings for 2012-13

Monday, August 15, 2011

Town Council President David Rosow predicted Tuesday that the stock market upheaval on Wall Street will cause the town's property values to "plummet," thus reducing tax revenue and squeezing town government even harder.

Rosow told Town Manager Peter Elwell to plan for a smaller budget for the 2012-13 fiscal year, and to look for savings that would include pay cuts for town staff.

"It's time to take another look at the budget for savings, including potential salary reductions," Rosow said at Tuesday's council meeting. "I would hate to see us have to lay people off."

The Dow Jones Industrial Average fell 635 points on Monday as investors reacted to the first downgrade of the U.S. government's debt rating by Standard & Poor's, and as fears of another recession intensified. It was the steepest one-day point loss since December 2008.

On Tuesday, after the Federal Reserve said it would retain its low-interest rate policies for two more years, the Dow regained 439 points, closing above 11,000.

But Wednesday, that gain was erased as the Dow dipped below 11,000, partially in response to concerns about European debt.

"This is going to be a very traumatic period," Rosow said Tuesday. "This is going to be 2008 all over again, I'm afraid."

Since he joined Town Council in 2008, the year the fall financial crisis kicked off the so-called Great Recession, Rosow is one of three members who has repeatedly called for spending cuts and leaner government, and has opposed property tax increases.

The council has adopted budget cuts throughout town operations since the bust in the real-estate market caused property tax revenues to dive over the past two to three years.

The town has not cut salaries or laid off employees. But wages have been frozen for two years, and town staff has been reduced through attrition to fewer than 370, the smallest level since 1991.

The council did not vote or comment on Rosow's instruction to Elwell Tuesday. Elwell said during a meeting break that he already was focused on ways to reduce the cost of town government for the fiscal 2012-13 year.

The council is considering Elwell's proposed \$58.8 million operating budget for 2011-12, which begins Oct. 1. That budget proposal would reduce spending by nearly \$5 million, making it 7.7 percent leaner than this year's \$63.7 million budget. Most of the spending reduction will be achieved through deep cuts to employee pension plans.

Bill Hardin, a professor of real estate at Florida International University, says it's too early to predict any long-term effects on Palm Beach's housing market that may stem from this week's news from Wall Street. He sees Rosow's dire prediction as a symptom of a broader uneasiness in the wake of the economic turbulence of the past few years.

"I think, in a statement like that, you see that people are worried about the uncertainty in the world today," Hardin said. "People today can't see with a crystal ball where the economy's going to go. There are no easy options. No one knows what the next thing is going to be."

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'Daily News' real estate writer Darrell Hofheinz contributed to this report.