

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

Of the

COMMITTEE ON FINANCE

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April 10, 2018
Start: 10:18 a.m.
Recess: 11:16 a.m.

HELD AT: Committee Room - City Hall

B E F O R E: DANIEL DROMM
Chairperson

COUNCIL MEMBERS:

- ADRIENNE E. ADAMS
- ANDREW COHEN
- VANESSA L. GIBSON
- BARRY S. GRODENCHIK
- ROBERT E. CORNEGY, JR.
- LAURIE A. CUMBO
- RORY I. LANCMAN
- STEVE GIACHETTIN MATTEO
- FRANCISCO P. MOYA
- KEITH POWERS
- HELEN K. ROSENTHAL
- JAMES G. VAN BRAMER
- KALMAN YEGER

A P P E A R A N C E S (CONTINUED)

Chuck Brisky

Deputy Director for Expense and Capital Budget
Coordination at the New York City Mayor's Office
Of Management and Budget

Ken Godiner

First Deputy Budget Director at the New York City
Mayor's Office of Management and Budget

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[gavel]

CHAIRPERSON DROMM: Okay, good morning and welcome to today's Finance Committee meeting. My name Daniel Dromm and I'm the Chair of the committee. We're joined today by Council Member Robert Cornegy, Council Member Adrienne Adams, Council Member Andy Cohen, Council Member Rory Lancman, Chair of the Subcommittee on Capital Council Member Vanessa Gibson and Council Member Barry Grodenchik as well and we will be joined by other members as we move along. Today's hearing will examine two budget modifications recently submitted by the administration to the council for consideration. The New York City Charter vests the council with the authority to adopt the budget for the city for the ensuing fiscal year. The adopted budget approves appropriations at the unit of appropriation level for every agency. However, throughout the year operational or programmatic shifts may require funding to be moved within or between units of appropriation or agencies. In certain instances, the charter requires that the Mayor return to the council to seek approval to effectuate these midyear changes for our two appropriations. These approvals are sought through

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2 budget modifications. Today we are considering both
3 an expense budget modification and a revenue budget
4 modification. Both modifications seek council
5 approval to implement the fiscal 2018 changes
6 reflected in the most recent November and preliminary
7 financial plans and the expense budget modification
8 also reflects changes made at the council's request
9 to effectuate certain discretionary funding
10 designations as set forth in the transparency
11 resolutions passed by the council. Before we ask
12 question of Ken Godiner, First Deputy... First Deputy
13 Budget Director at OMB and Chuck Brisky, Deputy
14 Director at OMB I'll briefly describe the specific
15 actions contained in the two modifications. The
16 budget... the, the revenue budget modification, MN-7
17 would recognize 783.8 million dollars in new revenues
18 for fiscal 2018. This includes 493.7 million in tax
19 revenues, 190.1 million in miscellaneous revenue and
20 100 million in reduced disallowances. These new
21 revenues combined with a 400-million-dollar reduction
22 in prior year payables and a 1.4-billion-dollar
23 reduction of the general reserves for a total of 2.58
24 billion dollars will be added to the budget
25 stabilization account to prepay debt services for

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2 fiscal 2019. After these actions 300 million dollars
3 will remain in the general reserve for fiscal 2018 as
4 historic... as is historically customary for this time
5 of year. The expense budget modification, MN-6 would
6 transfer 970.3 million dollars between various units
7 of appropriation in fiscal 2018. The net effect of
8 these transfers on the budget will be zero. Some of
9 the major actions in this modification that we look
10 forward to hearing about today are the homeless
11 shelter re-estimate that would add 169.9 million
12 dollars to the budget of the Department of Homeless
13 Services and in addition 41.8 million dollars for the
14 school bus grant program administered by the
15 Department of Small Business Services. Today's
16 hearing is a departure from business as usual when
17 the council would hold a brief hearing on budget
18 modifications immediately before we voted on them.
19 However, the budget modifications that are before us
20 today contain a very large... contain very large
21 movements of funding, had they been included at the
22 budget adoption would have been received... would have
23 received more public scrutiny and oversight than has
24 historically been given to budget modification
25 actions. Moving forward the council contends that

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2 significant new spending particularly that which
3 represents important policy decisions such as shelter
4 operation funding should be part of the adoption
5 process. The intention of today's hearing is
6 therefore to gather information from OMB about why
7 these new needs in funding shifts are being made mid-
8 year and have a public discussion about their impact
9 on the city's budget and the administration's
10 priorities. Now I'd like to welcome the
11 administration who is here, I mentioned their names
12 already and I'm going to ask Council to swear them
13 in.

14 COMMITTEE CLERK: Do you affirm that your
15 testimony will be truthful to the best of your
16 knowledge, information, and belief?

17 KEN GODINER: I do.

18 CHUCK BRISKY: I do.

19 CHAIRPERSON DROMM: Okay, so for this
20 hearing we're not going to have testimony from the
21 administration, we're going to go directly to
22 questioning. And let me start off a little bit
23 talking about homeless shelter, the homeless shelter
24 re-estimate. The modification would provide 152
25 million dollars to the Department of Homeless

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2 Services as a result of a re-estimate of funds needed
3 to support shelter operations for fiscal 2018. This
4 is not the first time that the shelter operation's
5 budget has been readjusted mid-year. The recent
6 increase between the adopted budget and actual
7 spending related to shelter spending was 15 percent
8 in 2014, 23 percent in fiscal 2015, 21 percent in
9 fiscal '16 and 40 percent in fiscal '17 so as you can
10 see it continually goes up in terms of the
11 percentage. While the council recognizes that the
12 shelter population fluctuates, and some re-estimates
13 will be needed mid-year, why has the variance between
14 the adopted budget and the amount that is modified
15 mid-year been so large and increase so much?

16 KEN GODINER: Thank you Chairman. It's
17 important to remember that for the first time we've
18 baselined these adjustments, as we've done in the
19 past we continuously monitor the shelter budget and
20 do re-estimates as necessary to meet spending
21 obligations. The cost of shelter depends on several
22 factors including the number of people in the system,
23 the composition of the household types, cost of
24 shelter units, security needs among other things. As
25 you know one year ago we announced our turning the

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2 tide plan to transform the city's approach to
3 providing shelter. We've eliminated the use of...
4 largely eliminated the use of shelter sites, you know
5 hotel facilities as our goal and opened smaller
6 number of new... of 90 new more efficient and
7 traditional shelters.

8 CHAIRPERSON DROMM: So, what are you
9 doing to improve those estimates moving forward
10 because, you know fiscal '14 was... 15 percent in
11 fiscal '14, 23 percent in '15, 21 percent... those
12 numbers keep going up, why is that... I don't
13 understand why that's getting so much larger, so what
14 are you going to do to improve this situation?

15 KEN GODINER: We're constantly looking at
16 the forecast attempting to, to produce the best
17 numbers possible at the time given the number of
18 factors that control the, the cost of providing
19 shelter. Remember one of the reasons for increasing
20 cost in this program is that we have moved away to
21 the extent we can from clusters which are our least
22 expensive method of providing shelter towards
23 shelters and, and hotels which are more expensive.
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CHAIRPERSON DROMM: So, why does the administration continue to invest in the shelter programs rather than in actual permanent housing?

KEN GODINER: I think it's important to remember that this administration has made an unprecedented investment in affordable housing offering new programs to help finance 300,000 affordable homes. In fact, last year the city financed more... the most affordable homes since 1989. Over the past year we've also made significant investments to prevent homelessness, rehousing people who've become homeless and bringing people in from the streets. While we invest in prevention, rental assistance, and housing programs the city is still mandated to provide shelter to all homeless people and our investments meet this mandate as well as ensuring that we have high quality and safe shelters which I know is a shared goal for everyone here.

CHAIRPERSON DROMM: What type of investment is being made in permanent housing?

KEN GODINER: Well as I said we have been running a number of programs, a total of which helped to finance 300,000 affordable homes and a combination

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2 of those programs we financed the most affordable
3 homes since 1989.

4 CHAIRPERSON DROMM: Okay, well it's the
5 council's position if I can say that we continue to
6 find solutions to providing permanent housing rather
7 than continuing to increase support for shelters so
8 will you in the future work with us to... inform us or
9 to work with us on future modifications to the
10 homeless shelter allocations?

11 KEN GODINER: Yes, we are... we are pleased
12 to work with the council on this and to go through
13 our plans including affordable housing plans.

14 CHAIRPERSON DROMM: Okay, because we
15 really want to be a full partner in that decision-
16 making process. Let me talk a little bit about
17 disallowances for federal and state aid, the reserve
18 for disallowances of federal and state aid is a type
19 of reserve to cushion any shortfall in expected
20 federal and state aid, recognizing that the city has
21 socked away more than needed for this contingency the
22 administration has begun to reduce the cushion. So,
23 from fiscal '18... '16 to '17 the reserve for
24 disallowances of federal, state and other aid was
25 reduced from roughly 1.1 billion to around 550

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2 million, the modification reduces the reserve again
3 this time by about 100 million dollars. Considering
4 that these funds represent a one-shot infusion to the
5 budget why is the administration comfortable pulling
6 a further 100 million dollars from the reserve?
7 Should it be... should it be held for a rainy day?

8 KEN GODINER: Let me explain to everyone
9 here generally what the disallowance reserve is, so
10 this reserve is designed to cover any major callbacks
11 from federal or state grants that are... that were
12 disallowed under audit, when we make the... when we
13 calculate the value of the reserve disallowances are,
14 are, are calculated each year based on the amount of
15 federal and state grants reported for the previous
16 five years. In the current fiscal year, the release
17 in the disallowance reserve is a result of a reduced
18 risk for disallowances attributable to prior years so
19 we're looking back at the grants that we've received
20 over the prior five years, the audits that have been
21 conducted and the likelihood that there might be some
22 kind of disallowance of previously granted funds. At
23 this point based on those calculations we've lowered
24 what our... what we believe is a reasonable reserve for
25 that contingency.

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CHAIRPERSON DROMM: So, does balancing the budget on these one shots mean that effectively we're unable to balance the budget on, on reoccurring resources and, and if so are we spending outside of, of our means?

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KEN GODINER: Re-estimating the disallowance reserve is appropriate and it would be inappropriate to hold funds in that reserve in excess of what we thought represented a reasonable risk for the contingency of a federal or state call back under one of their grant programs.

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CHAIRPERSON DROMM: Okay, let me go to something on the school bus grant program. The expense budget modification includes an additional 41.8 million dollars for fiscal 2018 for the school bus grant program, this program provides additional funding for school bus operators for increased cost for experienced workers as a result of changes that the DOE made to busing contracts at the end of the 2013/14 school year and I remember being in the room, in the hearing when it was quite a contentious situation regarding the EPP and protection for school bus drivers and workers. The program was authorized at one... at one point for one year by Local Law 44 of

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2 2014 and continued by agency rules as of the
3 legislative authority expired. In terms of funding
4 for the program the administration spent 28.1 million
5 dollars in fiscal '15, 32.9 million dollars in fiscal
6 '16 and 38 million dollars in fiscal '17. Now given
7 that the administration has consistently spent tens
8 of millions of dollars on this program each year why
9 was the need for fiscal '18 not included in last
10 year's executive budget and why was it first included
11 in the November plan?

12 KEN GODINER: First I'd like to just say
13 that, you know this, this program is very important,
14 we trust these drivers to get our children to school
15 safely every day and that they deserve to be paid a
16 fair wage. We assess the grant program each school
17 year and make a determination based on the
18 circumstances at the time including the legal
19 situation at DOE. Part of this process includes our
20 constant effort every year to request a change in
21 state law which in the long term would obviate the
22 need for the program.

23 CHAIRPERSON DROMM: So, the preliminary
24 budget for fiscal '19 includes only about 140,000
25 dollars in administrative costs so if the program's

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2 being included or continued next year why isn't this
3 need reflected in the preliminary plan?

4 KEN GODINER: Well first remember that
5 the issue of next year's grant program is not
6 included in the... in the mod that's before us today
7 but we're going through the budgeting process and
8 will share information with the council when the
9 executive budget is issued.

10 CHAIRPERSON DROMM: So, we can expect to
11 see it in the exec budget?

12 KEN GODINER: We are preparing the exec
13 budget now and we'll address those issues when
14 they're released.

15 CHAIRPERSON DROMM: So, what is the
16 rational for continuing the program moving forward?

17 KEN GODINER: Well again, you know it's
18 important to remember that, that, you know these are
19 the people, men and women who drive and escort our
20 children to school every day, we believe they deserve
21 to be paid, paid a fair wage and we... this program is
22 the best way that we have right now to continue that
23 to be the case.

24 CHAIRPERSON DROMM: And when will you be
25 making that decision about whether to include it?

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KEN GODINER: The decisions are under review right now, I can't give you a definite time when, when we'll, we'll have that decision but obviously once we do we'll, we'll report that to the council.

CHAIRPERSON DROMM: Will... I'm sorry, I couldn't hear you?

KEN GODINER: We'll, we'll, we'll share that with the council.

CHAIRPERSON DROMM: Okay. Let's talk a little bit about state and federal reimbursement for fringe benefits. The state and federal government pay for a good deal of the personnel service cost at a number of agencies as these agencies carry out certain state and federal programs and services. This modification includes a number of reimbursements from the state and feds for fringe benefits including over 50.7 million dollars this year at ACS. Can you explain how those fringe rates are negotiated?

KEN GODINER: So, each year the city negotiates the fringe rates with the federal government related to certain... with the federal and state government related to certain federal and state grants, the rates are, are based upon prior year

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2 costs and take into account factors like pensions,
3 social security taxes, health insurance, and other
4 fringe benefits costs, the budget been increased
5 because in this most recent negotiation the city was
6 able to obtain a higher than projected level of
7 reimbursement for those fringe benefit costs.

8 CHAIRPERSON DROMM: Okay, another item
9 that is in the mod is the general corporation tax,
10 the budget mod includes reducing OMB's forecast of
11 the GCT revenue for fiscal '18 by 480 million or 12
12 percent from what... from what it was at adoption. This
13 is now the third year in a row where OMB's GCT
14 forecast ended up being 400 million dollars over what
15 is actually collected, can you explain why taking
16 down the for... the forecast so much is in this
17 modification?

18 KEN GODINER: The tax receipts for FY
19 2018 have fallen behind the collection plan
20 throughout the plan period, tax payments through
21 December declined 11 percent and the weakness is
22 likely to continue through the remaining quarters of
23 the fiscal year. In terms of the difficulty of
24 forecasting this particular tax the economics of
25 doing this is, is rather difficult, taxpayers have up

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2 to three years to have their final settlement or, or
3 filing done and New York City relies on for this tax
4 a, a large portion of it from a few large payers so
5 accurately predicting the final outcomes of those
6 filings especially when you're dealing with in... you
7 know a few... a few large filers is more difficult than
8 a broader based tax.

9 CHAIRPERSON DROMM: Is this an area of
10 concern for us?

11 KEN GODINER: We continue as always to
12 review all of the economic data and refine our
13 forecast and attempt to, to write the best numbers
14 possible.

15 CHAIRPERSON DROMM: Alright, let me... let
16 me go to some school support service issues. The
17 budget modification includes 51 million dollars in
18 addition... additional money for New York City school
19 support services or NYCSSS which is the nonprofit
20 that supplies custodial services to schools, can you
21 explain the 51 million dollars in additional funding
22 for us?

23 KEN GODINER: Sure. The funding that
24 we're adding in the mod for this covers the cost for
25 new buildings and expanding programs such as U Pre-K,

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2 3-K and other services that where we've expanded
3 them... the number of, of facilities that we're
4 covering.

5 CHAIRPERSON DROMM: So, the fiscal '19
6 preliminary budget has not in... does not include any
7 additional funding for this, how are you going about
8 making a decision about what to include in '19 and
9 the out years?

10 KEN GODINER: Okay, so you remember that,
11 that New York City school support services was
12 created in response to our reform of the school
13 custodial system under that system and as part of
14 that reform the DOE and the city committed themselves
15 to a series of, of reforms and savings to be obtained
16 through efficiencies in the way in which we deliver
17 the service, it's our expectation that between the
18 work of DOE and, and, and New York City school
19 support services that there will be no additional
20 cost in '19 for, for, for these services as they'll
21 be subsumed in the savings from the efficiencies that
22 I just discussed.

23 CHAIRPERSON DROMM: On March 19th the DO..
24 the DOE sent a circular to all custodial engineers
25 notifying them of changes to custodial budgets for

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2 the current fiscal year and the council wasn't made
3 aware of the recent circular because school staff
4 shared it with Council Members so will OMB work with
5 the DOE to post each school's custodial budget and
6 any related circulars online just as the DOE does
7 with the school allocation memos?

8 KEN GODINER: So, that question is not
9 really covered under the mod, I believe the, the
10 current budget supports the, the budgets that have
11 been given to the custodians and it's not effected by
12 the mod.

13 CHAIRPERSON DROMM: So, right so you're
14 coming to us to ask for more money and we want to
15 understand what you need that additional dollars for.

16 KEN GODINER: Well as I indicated before
17 these... the costs that we're requesting money for
18 primarily cover the cost of the new DOE buildings
19 plus the expansion of programs such as Pre-K and 3... U
20 Pre-K and 3-K. We've also transferred some... [clears
21 throat] sorry, we've also transferred some DOE costs
22 that, that... to, to NYSAIS formerly funded through the
23 old ABM and Temco contracts and they're now in, in...
24 they're now in New York City school support services
25 as we've ended those contracts. And we're happy to,

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2 to work with the council if you want to, to look into
3 these issues.

4 CHAIRPERSON DROMM: So, we would, and we
5 would like to see some more transparency on that
6 issue as it applies to each individual school, it is
7 an area of concern for us. In addition will OMB
8 provide a copy of the DOE's contract with the New
9 York City SSS to the council?

10 CHUCK BRISKY: Yeah.

11 KEN GODINER: I will... I will check on
12 that, I, I believe it's already publicly available
13 but if, if not we'll, we'll look into it and let you...
14 get back to you on that.

15 CHAIRPERSON DROMM: Okay and can OMB
16 provide a cost benefit analysis showing the rational
17 for the decision to create the NYCSSS as well as
18 provide details on the actual cost savings realized
19 since the custodial restructuring was implemented?

20 KEN GODINER: I think that we're, we're...
21 we've drifted fairly far from the... from the context
22 of the mod that decision was reached a year and a
23 half ago but we're always happy to work with the
24 council on sharing information.

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2 CHAIRPERSON DROMM: Okay, we look forward
3 to working with you on that. A question on fair
4 student funding. On multiple occasions including at
5 the preliminary budget hearing on March 5th and in
6 our follow up letter to OMB the council has requested
7 that OMB provide a list of all schools with their
8 allocations and including fair student funding
9 formula entitlement and percentage, the, the
10 responses that we've received and we're grateful for
11 the responses has been that we should look up the
12 information for 1,800 schools, it's impossible for us
13 to, you know go, go on, online and click on 1,800
14 schools, is this information, you know held together
15 in one spot where we can view it overall and is that...
16 if it's not is that something that you can provide us
17 with in the future on a spreadsheet... [cross-talk]

18 KEN GODINER: We'll look... we'll look into
19 how the... I know the information is available on a
20 school basis on the DOE website and we'll look into
21 whether it's available in some sort of more
22 aggregated form.

23 CHAIRPERSON DROMM: Because it's, it's,
24 it's just so work intensive for us to go through that
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2 and to try to make decisions based on 1,800 different
3 schools.

4 KEN GODINER: Yeah, we'll, we'll, we'll
5 look into seeing if there's a way that... to, to get
6 the information in a way that's easier for you to
7 look at and aggregate.

8 CHAIRPERSON DROMM: Alright, audit and
9 property tax reserves forecast. OMB seems to
10 chronically underestimate some revenues year after
11 year and maintaining projections that are seemingly
12 un beholden to past trends. So, for example, OMB's
13 audit revenue forecast, forecasts have generally been
14 about 710 million dollars in the adopted budgets for
15 fiscal 2014 through '17 and finally this year you
16 brought up the forecast to 850 million dollars.
17 However, this is still well below the amount of audit
18 revenue we get. Since fiscal '14 we have consistently
19 brought in over one billion dollars in audit
20 revenues. In fact, last year we brought in over 1.3
21 billion dollars almost twice what OMB had forecasted
22 at adoption. Similarly, OMB's projections for the
23 property tax reserve have also been consistently off
24 averaging around 468 million dollars in
25 underestimates since fiscal 2014. With this current

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2 modification it appears that OMB will have recognized
3 about 268 million dollars of that typical under
4 forecast so presumably we should expect another 200
5 million dollars by the end of the year. While it
6 makes sense that our revenue forecast should err a
7 bit on the side of portion, the scale and consistency
8 of these underestimates go beyond conservative
9 forecasting. So, it's not conservative forecast... if
10 it's not conservative forecasting why have the
11 numbers for these two revenue items consistently been
12 so far off?

13 KEN GODINER: A significant amount of the
14 revenue comes from large corporations and they have
15 an incentive to minimize the revenue or tax they pay
16 to the city; the city uses the audit process to
17 recoup these revenues. The forecasting methodology
18 hasn't changed, the baseline is updated for... on
19 specific guidance from the Department of Finance
20 based on current audit pipeline. The audit process is
21 lag relative to current economic conditions which
22 makes it harder to forecast in advance to the amount
23 of audits we'll receive. Bear in mind that these are
24 actually results of individual by individual
25 negotiations with, with single large taxpayers so

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2 it's somewhat difficult to determine the amount of
3 revenue we'll ultimately receive from the audits that
4 are out there. OMB constantly communicates with the
5 Department of Finance, talks about the status of the
6 audits, the numbers and where they are in the process
7 but the amount of time also that each audit takes is
8 a variable that's unknown because ultimately these
9 audits generally end when there's a settlement.

10 CHAIRPERSON DROMM: And what about the
11 property tax reserve?

12 KEN GODINER: So, the, the property tax,
13 we monitor collections, refunds, delinquencies and
14 adjust the numbers by the changes in, in year to
15 year... as... oh, yeah, we, we change it as, as the year
16 goes on we look at the actual collections on all
17 these items, update our, our forecast based on the
18 actuals we receive and constantly refine our forecast
19 to make it closer and closer to the actuals.

20 CHAIRPERSON DROMM: Okay, so we're going
21 to go to Council Member questions and Council Member
22 Gibson.

23 COUNCIL MEMBER GIBSON: Thank you so much
24 Chair Dromm and good morning to all of you, thank you
25 so much for being here and you know certainly this

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2 council and in the hearing before us today we really
3 want to get as much information as we can. We're
4 talking about an incredible amount of money that the
5 city is investing in a multitude of services and the
6 Chair talked a little bit about DHS, Homeless
7 Services and the 152,169 million dollars that we're
8 talking about and I specifically wanted to ask about
9 cluster sites where we started at a little over
10 3,000, many of them have predominately been in Bronx
11 and Brooklyn and I represent many of those remaining
12 cluster buildings in my district in the Bronx and so
13 over the next three years as we phase out these
14 clusters I joined the Mayor and Commissioner Banks
15 last year when we talked about a plan to work with
16 all of the existing landlords in terms of the future
17 operations of these buildings as a potential use of
18 eminent domain to purchase these buildings and so
19 what I'd like to know is within this re-estimate that
20 we're looking at there's money that focuses on
21 families with children, adult families, single adults
22 but what I'm not seeing is anything related to
23 cluster housing and phasing those out. Are we looking
24 at acquiring these buildings and if so what does that
25 cost, so has there been any estimates in terms of

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2 cluster phasing out and how this estimate is a part
3 of that or if it's not please let me know what we're
4 doing with cluster phase outs?

5 KEN GODINER: So, as you know our plan is
6 over time to reduce our reliance on clusters, there
7 is no... at, at this point there is no money in this
8 mod to pay for the acquisition of, of former cluster
9 sites, I think that's something that, that, that's
10 still under consideration but there's no money in the
11 mod for that.

12 COUNCIL MEMBER GIBSON: Okay, so on
13 average we're spending about two million dollars a
14 month to operate cluster sites, right? Okay, so
15 where, where my concern is, is DHS is spending an
16 incredible amount of money to provide the services
17 that we're mandated as a city to provide for homeless
18 families and individuals but my concern is when you
19 look at a budget like HPD who's budget is
20 predominately federal dollars there's no match in
21 terms of the number of affordable housing units that
22 we're creating so if you look at HPD's budget and
23 maybe HDC compared to DHS we're spending more money
24 to house homeless individuals and families than we
25 are to create the affordable housing that families

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2 need to provide stability. So, what I'd like to
3 understand is in this mod how are we presenting to
4 the public that there's an actual priority given the
5 Mayor's housing and why and all of the efforts we
6 have talked about, supportive housing, senior
7 housing, how are we going to explain and justify this
8 amount of money in a mod for DHS and not have the
9 same level of attention given to create affordable
10 housing?

11 KEN GODINER: Well as I stated earlier
12 the administration really has made unprecedented
13 efforts in terms of creating affordable housing, you
14 know offering new programs to help finance 300,000
15 affordable housing units. In addition, as you know we
16 have an obligation to provide housing... shelter for
17 all those who, who come and, and, and seek. As a
18 result, we are obliged to spend the amount of money
19 that we do on providing that shelter in the mod and
20 we're talking about the, the additional money we're
21 adding here in this mod reflects the, the reality
22 that we have to provide shelter for those families
23 and individuals.

24 COUNCIL MEMBER GIBSON: Right, so while I
25 agree, and I give credit to the Mayor and the

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2 administration for the unprecedented investments I
3 would also say that we have an equal obligation to
4 create affordable housing and long-term opportunities
5 for families. So, while the law mandates that we
6 provide housing for homeless families we also should
7 hold ourselves accountable for creating the long term
8 affordable housing units, it's just a, a big
9 difference in numbers and I'm just having a really
10 difficult time wrapping my head around understanding
11 169 million dollars of, of funds for DHS when we
12 don't see that same level of commitment when you talk
13 about creating affordable housing opportunities. So,
14 I'm, I'm happy to talk offline because I did want to
15 ask a question in the same vein of DHS, 116 million
16 dollars of this mod focuses on single adults, is that
17 related to the recent articles that we've heard and
18 seen about individuals that are coming home on parole
19 from state prison that are being sent directly to
20 single adult shelters in our city where we are
21 obligated to provide housing for them? So, this is an
22 incredible amount of money to expend on single adults
23 and housing them but is there a correlation and if
24 the city has recognized that what are we doing to
25 work with the state to ensure that there's a greater

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2 partnership so individuals coming home on parole are
3 not sent directly to shelters, it's never been that
4 way? Its never been that way, I served in Albany,
5 we've never had a process where we've done that so to
6 me that's something new and I don't know if DHS is
7 aware of that but what is OMB doing to draw down on
8 things of that nature where state programs and state
9 agencies are adding to our burden of homeless
10 individuals?

11 KEN GODINER: The, the, the re-estimate
12 we're doing here, you know deals with the, the
13 reality of, of the census and, and the right to
14 shelter, I don't know that... you know you're correct
15 that we're... about 116 is for adults and, and about 34
16 is for families whether that, you know has a strong
17 correlation with people being.. who are being released
18 from incarceration I don't know.

19 COUNCIL MEMBER GIBSON: Okay, so I, I
20 certainly would ask this administration and OMB to
21 work with the state on identifying where these
22 numbers are coming from, there are root causes to the
23 homelessness crisis that we face and we've identified
24 many in domestic situations, eviction and that's why
25 this council has supported measures like Right to

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2 Counsel but if we're seeing numbers that are that
3 high where individuals are coming home from prison on
4 parole and they're coming into our shelter system we
5 have a problem and it is on us and our responsibility
6 to make sure that we work with our counterparts in
7 the state to figure out how we can address this so
8 that the numbers don't continue to rise otherwise you
9 guys are going to return to us with budget mods that
10 continue to increase and increase and increase and
11 we're going to have greater problems here at this
12 council. So, I would appreciate having a further
13 conversation and implore my Chair to really talk
14 about single adults that are coming home from prison
15 specifically and how we can work with the state in
16 addressing that.

17 KEN GODINER: I'd be happy... [cross-talk]

18 COUNCIL MEMBER GIBSON: Thank you very
19 much, thank you Chair.

20 CHAIRPERSON DROMM: Thank you and, and
21 just to add to it, a lot of problems in those
22 shelters too, I mean it's incredible that people are
23 sent to them but anyway it... we'll deal... well that's
24 not what this purpose of the hearing is. We're now
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2 going to go to questions by Council Member Lancman,
3 Grodenchik, Cohen and, and then others.

4 COUNCIL MEMBER LANCMAN: Thank you, good
5 morning.

6 KEN GODINER: Good morning.

7 COUNCIL MEMBER LANCMAN: So, I have a
8 question on the school support services and custodial
9 operations and the, the memo that the Chair
10 referenced earlier. My understanding the school
11 support services, the 50 million dollars that's,
12 that's an obligation that the city has to, to pay,
13 right, I mean you've, you've got to... if, if somehow
14 this mod didn't happen you've, you've still got to
15 come up with that 50 million dollars, right?

16 KEN GODINER: In order to provide the
17 services at the level that, that we would want to see
18 we, we would need the 51 million dollars.

19 COUNCIL MEMBER LANCMAN: Okay, so give me
20 some more information about the 21 million dollar cut
21 to custodial operations, I, I see that it's divided
22 into two; 9.9 million in savings associated with
23 custodial engineers taking on additional assignments
24 following their transition to the New York City
25 school support services and then 10.6 million dollars

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2 in savings from custodial service contracts that have
3 ended, can you just explain those, those, those two
4 pieces of it and then I want to ask about the memo?

5 KEN GODINER: As part of the efficiencies
6 we sought in reforming the custodial services at the
7 Department of Education we, we saw it to have changes
8 in the labor contracts with the custodial engineers
9 that allowed us to reduce their amount of what are
10 called temporary cares in place of that what the
11 labor contract allowed us to do was to merge schools
12 that were in reasonably close proximity and of a
13 certain square footage so instead of paying a
14 custodian essentially double salary to cover two
15 schools we would merge the schools for custodial
16 purposes into one plant, combine the square footage
17 and pay the single custodian to manage both buildings
18 more than they would have received in either of the
19 two buildings but less certainly than we were paying
20 under the system of temporary care. So, as was... as
21 those opportunities present themselves to merge
22 schools we're able to obtain savings, this 9.9
23 million reflects a decrease in those temporary care
24 positions and a net of the cost of paying the, the,
25 the single custodian more and to cover both schools.

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2 COUNCIL MEMBER LANCMAN: And the 10.6
3 million?

4 KEN GODINER: The 10.6 million represents
5 the savings from the, the ending of the Temco ABM
6 contracts where we used to have outside vendors
7 provide the services and now combination of our own
8 custodial engineers and New York City schools support
9 service employees provide those services.

10 COUNCIL MEMBER LANCMAN: Got it. So, I
11 know that you had said to the Chair that the, the
12 memo or the circular that was sent out in March to
13 the custodians about cuts to their present budget
14 that it's your position or your view that that's not
15 part of the modification but for me as a Council
16 Member and having to consider whether to support all
17 the elements of the modification I, I can't look at
18 it in, in isolation, I have to look at it in, in
19 context and the context seems to be that there are
20 going to be cuts in addition to the cuts that are in
21 the mod that custodians are school... custodians are
22 going to have to, to deal with so I have to ask you
23 about the cuts that are in this memo and if you can't
24 explain them to me and put them in the context of, of
25 the cuts that are in the mod I, I don't see how I

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2 could support that aspect of, of, of the
3 modification. What's particularly troubling to me
4 about the, the circular is the cuts to supplies and
5 equipment, this is a budget as you know custodians
6 are given a budget at the start of the year, they
7 plan throughout the year, they literally sit down
8 with a principal and come up with a plan which is
9 part of what they are going to be evaluated on as
10 custodians and now in March with a few months left in
11 the fiscal year they're told that they need to make
12 cuts so could you explain to me what these cuts are
13 and how much money is being saved by them and why the
14 savings that are in modification can't cover these
15 cuts without disrupting what the custodians are doing
16 in the schools? Did you get that or want me to reread
17 it... [cross-talk]

18 KEN GODINER: No, I, I, I did. We'll get
19 back to you with some more detail on this. Generally
20 speaking this is a question of the custodial budgets
21 being rightsized to... for their buildings, all part of
22 our plan that we discussed and announced when we...
23 when we announced the, the reform of the custodial
24 system.

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2 COUNCIL MEMBER LANCMAN: But you would
3 agree, right that the time to right size the budget
4 is when you enact the budget and then custodians can
5 plan for that year or agency can plan for that, that
6 year and now you are putting them in a difficult
7 position where in, in mid to late April they've got
8 to figure out well how are they going to manage this
9 cut over the next few months. My time is expired but
10 I, I do want to say, and I don't want it to be a
11 surprise to the administration unless you can get me
12 an answer to that and to these questions by the time
13 that we're called upon to vote on this modification
14 it'd be difficult for me to support including that
15 aspect of the mod in, in, in our... in our vote.

16 CHAIRPERSON DROMM: And Council Member...
17 [cross-talk]

18 COUNCIL MEMBER LANCMAN: Thank you very
19 much... [cross-talk]

20 CHAIRPERSON DROMM: ...just, just also
21 state some of these are agency specific questions
22 that need to, you know get further details from the
23 agency themselves so I don't know that the
24 administration was fully prepared to answer that,
25 they were specifically just here to answer why the

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2 cut is needed in, in that particular area or why
3 there's an increase in another area but we will
4 follow up with you on... [cross-talk]

5 COUNCIL MEMBER LANCMAN: Yeah, I know...
6 listen, I understand you can't come and be prepared
7 to answer every single question under the sun and so
8 I don't criticize you for that but you are asking me
9 to vote on a... on a... on a substantial cut in, in the
10 budget as it relates to the custodians in, in, in
11 their operations and, and it's impossible for me to
12 separate this cut in the mod and these reductions in
13 the mod from, from the other cut, I... it has to be... I
14 have to understand it in the whole. Thank you.

15 CHAIRPERSON DROMM: Okay, thank you. We
16 have been joined by Councilman Steve Matteo, Laurie
17 Cumbo, Council Member Francisco Moya, Council Member
18 Jimmy Van Bramer, Council Member Helen Rosenthal, and
19 Council Member Kalman Yeger and now we will go to
20 questions from Council Member Cohen followed by
21 Cornegy.

22 COUNCIL MEMBER COHEN: Thank you Chair,
23 good morning...

24 KEN GODINER: Good morning.
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2 COUNCIL MEMBER COHEN: I think my
3 question is... you know its process oriented so, you
4 know sort of along the lines of what Council Member
5 Lancman was asking like for instance like the law
6 department we're going to add 9.8 million dollars
7 like is that money already spent or are you coming
8 and saying we would like to move it and spend it, I
9 mean is it an existing liability, where is that money
10 going and again I don't mean to specifically and you
11 may not be prepared to answer specifically but I
12 really want to know is like it's, it's April if we...
13 if we allocate... you know if I made an allocation or
14 tried to make an allocation now to a group they... had...
15 they wouldn't be able to spend the money, we wouldn't
16 be able to get the money to them, have you... so I
17 guess what I'm trying to ask are we... are we approving
18 changes that have already been made or, or, or we
19 would like to make these changes and then we'll spend
20 the money?

21 KEN GODINER: So, I think that the, the
22 question depends a bit about how specific you are,
23 some, some of the items that are... that are in the,
24 the mod some money may have been already spent, in
25 many cases there were... we're still have... you know if

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2 you think about even your question about the law
3 department and ten million dollars relative to the
4 size of their budget it's not as though they, they,
5 they haven't... don't have ten million dollars unspent
6 at this point. We, we... and generally the spending
7 that we've done is because we have to meet legal
8 mandates or other things that are absolute
9 obligations.

10 COUNCIL MEMBER COHEN: I, I get... again,
11 you know the law department, no it's... you know
12 nobody... there's no passions about it one... [cross-
13 talk]

14 KEN GODINER: We just... [cross-talk]

15 COUNCIL MEMBER COHEN: ...way or the other,
16 yeah, I did but it... there is an existing liability
17 that you want to pay, there's a new program you want
18 to do like... and I get... you may not... you may not know
19 what the money is for... [cross-talk]

20 KEN GODINER: And, and I think the
21 answer, you know if you look at the details in... of,
22 of the spending is that they're, they're all
23 different things, right, there are legal mandates
24 where money may have already been spent, there are
25 new programs that we're, we're looking to, to launch

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2 but there are also, you know re-estimates of the cost
3 of, of running a current program or maybe more people
4 came for a service or, or in some cases where we, we
5 were reducing or less people may have availed
6 themselves to a service.

7 COUNCIL MEMBER COHEN: I, I, think that...
8 you know and, and I understand that there have been
9 oversight hearings and... the agencies and you know I
10 don't even know... I don't even know what committee
11 would cover the law department to be perfectly honest
12 so... it's, it's... you know it's a little hard in this
13 context to understand but I, I appreciate giving it a
14 try. Thank you Chair.

15 KEN GODINER: Thank you very much.

16 CHAIRPERSON DROMM: Thank you and I think
17 what Council Member Cohen is trying to get at is that
18 if the money is not in the U of A then it should not
19 really be spent before they come to us to ask to
20 spend it so that is something that we're trying to
21 get at here at the heart of, of this hearing and
22 we're going to work on that and improve that process.
23 Thank you, Council Member Cornegy.

24 COUNCIL MEMBER CORNEGY: Good morning.

25 KEN GODINER: Morning.

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COUNCIL MEMBER CORNEGY: In an attempt not to beat a dead horse statistically it's been shown that it's four times as expensive to temporarily house a family in transitional housing than it is to provide long term sustainable housing, my question is has there been a, a plan as it relates to the budget to transition families into long term sustainable housing? With the numbers that you're asking for here and what the budget already exists at we're, we're clear that we could put, you know families... and I understand this is programmatic but it's also fiscal, we can actually put families in a long term pathway to sustainable housing, are we prepared to transition with the same monies and not start a whole new pot for long term sustainable housing, are we looking at every family and when they get into a position once they're sustained in the system and moving them relatively quickly into long term housing with some of the programs that are available whether it's Section 8, whether... I mean whatever programs can we shift these dollars relatively quickly, pivot them if you will quickly to sustainable housing?

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KEN GODINER: You know our, our... obviously our goal is to, to move people out of shelter and into housing. In general, we've rehoused over 71,000 new Yorkers in the past four years. We're actually rehousing 200 families with children every week, there's' no question like you we share a commitment, try to move people out of temporary shelter and into permanent housing. We, we spend a, a considerable amount of money on, on doing those activities but people have a right to shelter and that's' why we need to continue to, to spend the, the amount of monies we're, we're looking to seek in this... in this mod to provide shelter for those people who seek it.

COUNCIL MEMBER CORNEGY: And just lastly how much of the dollars that you're asking for us to commit are for long term improvements to facilities like hotels, like temporary, temporary shelter facilities that are requiring long term commitments of money?

KEN GODINER: So, on the expense portion that we're looking for here we don't have it broken out, but it does include the, the cost for

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2 maintenance, security and those type of things at our
3 existing facilities.

4 COUNCIL MEMBER CORNEGY: Alright, thank
5 you, I, I think my colleagues have been ask, ask
6 pretty, pretty poignant questions and I'm just hoping
7 that we can get the answers before this commitment is
8 made. Thank you.

9 CHAIRPERSON DROMM: And we have a
10 question from Council Member Adams.

11 COUNCIL MEMBER ADAMS: Good morning..

12 KEN GODINER: Good morning.

13 COUNCIL MEMBER ADAMS: It's just a, a
14 little feeling of incompleteness with me with the line
15 of questioning so just if you will in, indulge me
16 just a little bit more, along the lines of
17 questioning from Council Member Lancman and Council
18 Member Cohen as far as the spending that, that has
19 already taken place, is there a way of knowing or do
20 you know whether or not the... whether or not a
21 majority of this spending has already taken place or
22 not?

23 KEN GODINER: So, we, we don't have a, a
24 clear break out, you know to answer your question, a
25 lot of that has to do with the... this, this being

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2 ongoing programs that have ebbing and flowing demand
3 so we're, we're spending money when demand is there
4 and we don't have necessarily a clear bright line
5 distinction about, you know how much is already
6 versus the rest of the year however we will try to do
7 something to come up with a... with a reasonable
8 estimate of that.

9 COUNCIL MEMBER ADAMS: Okay and, and as
10 my colleagues have already stated I, I would also
11 suggest that we really get a handle on this... on this
12 because this exercise for me in particular this
13 morning is a little bit disconcerting to see these
14 items coming before this council at this late stage
15 of the game but I thank you very much for your time
16 this morning.

17 KEN GODINER: You're welcome.

18 CHAIRPERSON DROMM: Okay, Council Member
19 Yeger.

20 COUNCIL MEMBER YEGER: Thank you Mr.
21 Chairman, thank you for indulging me, I'm not a
22 member of this committee, I appreciate it. I, I don't
23 want to beat a dead horse but I'm going to ask the
24 same question that Council Member Cohen and Council
25 Member Adams asked but in a different way. If the

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2 council does not approve the budget mod would you not
3 be able to spend for example the 152 million dollars
4 that you have listed here as going to the Department
5 of Homeless Services?

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KEN GODINER: So, I think a failure to,
7 to, to pass the mod would mean in some cases a
8 significant impact on the ability for the city to
9 continue to provide services... [cross-talk]

10

COUNCIL MEMBER YEGER: Okay... [cross-talk]

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KEN GODINER: ...I know there's a, a large
12 number of items in addition that the council has
13 expressed interest in moving money around, all of
14 that presumably would not be able to happen.

15

COUNCIL MEMBER YEGER: So, if the... if
16 there are currently homeless people who are being
17 housed, you've made accommodations for them and the
18 Department of Homeless Services has put them up
19 somewhere and is paying for it and the city stops
20 writing a check I assume that that means that there
21 are some people who are going to be rehomelessed, I
22 know that's not a word but it's a thing, would that
23 happen?

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KEN GODINER: You know I don't... I don't
25 want to think about that being an actual outcome, but

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2 I mean clearly there, there, there are risks that,
3 that take place if we were unable to pay our vendors.

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COUNCIL MEMBER YEGER: Okay, thank you I
5 have nothing further. Thank you, Mr. Chairman.

6

CHAIRPERSON DROMM: Council Member
7 Grodenchik.

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COUNCIL MEMBER GRODENCHIK: Thank you Mr.
9 Chairman, it's still morning, right? Still morning,
10 good morning.

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KEN GODINER: Morning.

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COUNCIL MEMBER GRODENCHIK: I am going to
13 beat that horse a little more and it's just not so
14 much that I want an answer but, you know you're
15 coming to us this morning and asking us to spend 152
16 million dollars more and I know that nobody in this
17 room is the Commissioner of Homeless services or Mr.
18 Banks is not here, Commissioner of Social Services,
19 it's a staggering amount of money and I know that OMB
20 are the numbers people in the administration so I
21 hope you will go back and talk to Miss Hartzog and
22 the other people in the administration and say that
23 we're spending a lot more money for the same amount
24 of people, it's not that homelessness has risen in
25 this city, it's, it's held fairly steady at or around

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2 60,000 its just below 60,000 this morning according
3 to the DHS website but the amount of money that we're
4 spending on this problem is going into the
5 stratosphere and I think some of my other colleagues
6 have touched on this and I don't think that anybody
7 here wants to see people living in the streets, it
8 bothers me too a, a great deal but I do not believe
9 that we are getting a sufficient bang for our buck
10 and I will leave it at that. My question is really
11 about miscellaneous and I'm looking down this long
12 list that I have here that's been prepared by the
13 council staff and miscellaneous out of 970 million
14 dollar mod if 513 million dollars which is nearly 53
15 percent and if my staff came to me and they said they
16 needed to spend 53 percent of a budget mod on
17 miscellaneous I'd have a lot of questions so my
18 question, I'll give you one, what the hell is in
19 here, that's a lot of money?

20 KEN GODINER: Sure, you know the, the
21 type of miscellaneous is always sort of... sounds like
22 well what, what is all that, in, in this case though
23 what you're seeing, the, the big item in the
24 miscellaneous budget is the reduction of the general
25 reserve by 500 million dollars, typically this time

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2 of year we take down the, the reserve by that amount
3 and that's, that's what driving that big number...

4 [cross-talk]

5 COUNCIL MEMBER GRODENCHIK: And where,
6 where's that reserve... where's that 500 million going,
7 is it going into next fiscal year?

8 KEN GODINER: That money is, is, is no
9 longer an expense, right, in, in the current year and
10 it's supporting the... it's, it's... yeah, it's, it's
11 supporting the, the current budget that... you know the
12 preliminary budget including the prepayment you saw
13 that was forecasted in that.

14 COUNCIL MEMBER GRODENCHIK: So, where's
15 it... where, where is it... so, it's coming from the
16 reserve?

17 KEN GODINER: We're, we're reducing the
18 general reserve which we generally do at this time of
19 year and that supports current spending, that current
20 spending includes the, the prepayment from this year
21 into next.

22 COUNCIL MEMBER GRODENCHIK: Alright, Mr.
23 Majewski is nodding so I guess its okay. Okay, okay
24 alright. Thank you, Mr. Chairman, thank you.

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2 CHAIRPERSON DROMM: Okay. So, we would
3 like to see if we could get a breakdown of the mod
4 about what has been spent prior to the hearing today,
5 prior to us voting on this and we'll be following up
6 with you on that.

7 KEN GODINER: Okay.

8 CHAIRPERSON DROMM: Okay and with that
9 we'd like to say thank you for coming in and for
10 answering our questions on this request for a budget
11 modification.

12 KEN GODINER: Thank you Chairman.

13 CHAIRPERSON DROMM: Thank you. And with
14 that this hearing is adjourned at 11:18 in the
15 morning.

16 [gavel]
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C E R T I F I C A T E

World Wide Dictation certifies that the foregoing transcript is a true and accurate record of the proceedings. We further certify that there is no relation to any of the parties to this action by blood or marriage, and that there is interest in the outcome of this matter.



Date

April 29, 2018