

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

Of the

COMMITTEE ON FINANCE

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June 10, 2015
Start: 11:03 a.m.
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HELD AT: COUNCIL CHAMBERS - CITY HALL

B E F O R E:
JULISSA FERRERAS-COPELAND
Chairperson

COUNCIL MEMBERS:
Ydanis A. Rodriguez
James V. Van Bramer
Vanessa L. Gibson
Robert E. Cornegy, Jr.
Laurie A. Cumbo
Corey D. Johnson
Mark Levine
I. Daneek Miller
Helen K. Rosenthal
Vincent M. Ignizio

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

Elaine Klaus
Treasurer
City of New York

Jeff Shear
Deputy Commissioner
Department of Finance

1 COMMITTEE ON FINANCE

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2 [sound check, pause]

3 [gavel]

4 CHAIRPERSON FERRERAS-COPELAND: Good
5 morning and welcome to today's Finance Committee
6 hearing. I'm Council Member Julissa Ferreras-
7 Copeland and I chair this committee. We've been
8 joined by my colleagues, Council Member Johnson,
9 Miller, Gibson, Van Bramer and Ignizio. Before we
10 begin, I want to thank all the Finance Committee
11 Members who sat with me over the last three weeks to
12 hear testimony from over 34 city agencies to hear how
13 the Executive Budget affect agencies' operations.
14 Your participation, your questions, and your input
15 will surely facilitate our budget negotiations, and
16 help us adopt a budget that we can all be a part of.
17 I am proud to chair this committee because I have you
18 all as members. You truly make my job easier, and
19 thank you so much for that.

20 Now, let's get started. Today, we have
21 six items on the agenda. We have a Land Use Item and
22 five Banking Commission resolutions. [child
23 speaking] Let's start with the Land Use Item. And
24 this is Julian Copeland, who's Council Member for the
25 day. This LU Item is the Rose Ellen Smith MBD HDFC

2 located in Council Member Arroyo's district in the
3 Bronx. This project provides 47 units of housing to
4 low-income senior citizens, and will receive a
5 partial 35-year property tax exemption through the
6 City's HDFC program. Council Member Arroyo supports
7 this project.

8 Now, we will move onto the five Banking
9 Commission recommendations. Every year the Banking
10 Commission provides recommendations to the Council
11 relating to the discount for property owners who pay
12 their property taxes early. And the interest rate
13 for property owners who pay their property taxes and
14 water charges late. This year pursuant to
15 legislation passed by the committee and the Council
16 sponsored by Council Member Rosenthal, the Banking
17 Commission also provided [child speaking]
18 justification allowances for their recommendations.
19 Which went a long way in helping the Council
20 understand the rationale for the rates proposed by
21 the Banking Commission for properties with an
22 assessed value of less than \$250,000. Which account
23 for 97% of all Class 1 properties in the city, and
24 90% of all property in the city. [child speaking]
25 The Banking Commission has recommended a 9% interest

2 rate of property taxes and water charges that are--
3 that are paid late. For properties with an assessed-
4 -[child speaking] Yes--assessed value of \$250,000 or
5 more the Banking Commission recommended [child
6 speaking] an 18% [laughs] excuse me--Yes, Julian.
7 Hello--rate for those late payments. The average
8 Class 1 homeowner who pays late will be affected by
9 the 9% rate, and will see an increase in their tax
10 bill of approximately--by a \$107 and--if they pay
11 their property taxes or water charges late. Factors
12 considered by the Banking Commission when making
13 these recommendations rates use in other
14 municipalities, the interest rates charged on credit
15 cards and the interest rate charged on the New York
16 City--on the New York State civil judgments. The
17 Commissioner also recommended a half a percent
18 discount rate for individuals who pay their property
19 taxes early. The discount will save most property
20 owners approximately \$21 on their annual tax bills.
21 Homeowners of higher valued properties will save a
22 little over \$1,100. [child speaking] Factors
23 considered this year by the Banking Commission
24 include the city's cash flow discount rates offered
25 in other municipalities and savings realized by the

2 issuance of fewer tax bills as a result of property
3 owners making--of property owners taking advantage of
4 the discount. We will now hear from Elaine Klaus,
5 Treasurer of the City of New York and Jeff Shear,
6 Deputy Commissioner of the Department of Finance.
7 You may be--My counsel will swear you and you may
8 begin your testimony.

9 LEGAL COUNSEL: Do you affirm that your
10 testimony will be truthful to the best of your
11 knowledge, information and belief?

12 ELAINE KLAUS: Yes.

13 JEFF SHEAR: I do.

14 ELAINE KLAUS: Good morning and
15 congratulations to Chairman Ferreras-Copeland, and
16 good morning members of City Council Finance
17 Committee. I'm Elaine Klaus, Treasurer of the City
18 of New York. I'm here today with Jeffrey Shear,
19 Deputy Commissioner of Finance. I'm here to testify
20 that the New York City Banking Commission's
21 recommended interest rates for the early payment of
22 property taxes and the late payment--and the late
23 payment of property taxes and water and sewer charges
24 for Fiscal Year 2016, as required by the City Charter
25 and the Administrative Code.

On May 12, 2015, the Banking Commissioner recommended that the discount rate for the early payment of property taxes be reduced from one percent to one-half percent for Fiscal Year 2016. The Banking Commission considered a number of factors in arriving at its recommended discount rate of a half a percent. These factors include:

1. The City's current cash balances where--which are at historically high levels;
2. Prevailing interest rates that remain historically low; and the prime rate that has remained at 3-1/4% since January 2009, its lowest level since 1955;
3. The City's estimated administrative savings of approximately \$1.3 million stemming from issuing fewer property tax invoices and proper--and processing fewer tax payments; and
4. The discount rates offered by other comparable property tax administrators across the country, which range from one to four percent.

After careful consideration of these factors, especially the City's sufficient cash balances at this time, the Banking Commission concluded that the discount rate for the early

2 payment of property taxes should be lowered from one
3 to one-half percent for Fiscal Year 2016. Offering a
4 discount rate to taxpayers for the early payment of
5 property taxes is a useful cash management tool
6 during periods of low cash balances. It's important
7 to keep this cash management tool in case the city
8 should ever need to collect cash early in the future.

9 [door bangs]

10 In Fiscal Year 2015, the discount rate
11 was 1%. According to our records, as of April 15,
12 2015, property taxes paid early totaled \$2.4 billion,
13 and the City granted a discount of \$22.4 million.
14 The net cost of this discount to the city after
15 recognizing the interest earned on the taxes paid
16 early was \$20.5 million. The number of taxpayers
17 paying early was consistent with prior years. The
18 Banking Commission also recommended that the rates
19 for the late payment of property taxes and water and
20 sewer rents on properties with assessed values below
21 and above \$250,000 should remain at 9 and 18%
22 respectively. These penalty rates charged for the
23 late payment of property taxes and water and sewer
24 rents have remained unchanged since Fiscal Year 1991.
25 The Banking Commission considered several factors to

2 determine the appropriate interest rate for the late
3 payment of property taxes and water and sewer rents
4 for physical year 2016. The factors considered
5 include:

6 1. The late payment rates charged by
7 comparable municipalities, which range from 9.6% to
8 20%;

9 2. The late payment rate charged by ten
10 major credit card companies, which range from 10% to
11 30%; and

12 3. The interest rate of 9% that has
13 been charged in New York State for civil penalties
14 since 1981.

15 [door bangs]

16 In Fiscal Year 2015, nearly 96% of
17 103,000 properties that were charged a late payment
18 penalty were properties with an assessed value of
19 less than \$250,000. This consideration places a 9%
20 late charge for these properties on the lower range
21 of rates charged by both municipalities and major
22 credit card companies. Thank you.

23 CHAIRPERSON FERRERAS-COPELAND: Thank you
24 very much for your testimony, and Helen, you weren't
25 here, but definitely acknowledged you in my opening

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2 statement, your amazing work. And the fact that
3 we're here today because of you bill. Also, members,
4 what we received from the Commission was a 100-page
5 document. This is the truncated version. [child
6 speaking] The 100-page document is available, though.

7 JULIAN COPELAND: Mama.

8 CHAIRPERSON FERRERAS-COPELAND: Yeah,
9 mama can't go right now. We've been joined by
10 Council Members Rosenthal and Cornegy and Council
11 Member Rosenthal. [child speaking]

12 COUNCIL MEMBER ROSENTHAL: I want to
13 thank the Banking Commission very much. We had a
14 good--and the Department of Finance. I mean it was a
15 very health, robust dialogue for a year, and I'm so
16 pleased that we landed where we are. And I know that
17 the Finance staff was--really appreciated going
18 through the details and getting the information from
19 you. So that the Council can have a better
20 understanding of where we land on all these different
21 rates. So I really want to thank you for that. I
22 think it will help the Council be a better partner
23 going forward. And, of course, with all this
24 information I actually have no questions because it
25 explains it perfectly well. So, I want to thank you

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2 for that. And Chair Ferreras, in addition to the
3 fact that I just tweeted out a picture of you and
4 your son like that is the kind of leadership that we
5 need in the Council. It's a great role model for
6 women. So thank you for that, and thanks for your
7 support of this bill.

8 CHAIRPERSON FERRERAS-COPELAND: Thank
9 you, thank you. I'm just happy that we're able to do
10 that and bring our families in and work. But it is a
11 symbol for all those moms that can do it. [child
12 speaking] So, you know, the struggle continues. So
13 if there are no further questions, we'll have Kevin
14 Penn, the Committee Clerk call the roll.

15 CLERK: Kevin Penn, Committee Clerk.
16 Roll call in the Committee on Finance. Council
17 Member Ferreras-Copeland.

18 CHAIRPERSON FERRERAS-COPELAND: I vote
19 aye.

20 CLERK: Van Bramer.

21 COUNCIL MEMBER VAN BRAMER: Aye.

22 CLERK: Gibson.

23 COUNCIL MEMBER GIBSON: [off mic] I vote
24 aye.

25 CLERK: Cornegy.

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2 COUNCIL MEMBER CORNEGY: Before I vote,
3 I'd like to say that somehow I was asked not to bring
4 my children to work today. [laughter] I vote--I
5 vote aye.

6 [background comments]

7 CLERK: Johnson.

8 COUNCIL MEMBER JOHNSON: I vote aye.

9 CLERK: Levine. Miller.

10 COUNCIL MEMBER MILLER: [off mic] I vote
11 aye.

12 CLERK: Rosenthal.

13 COUNCIL MEMBER ROSENTHAL: I vote aye.

14 Thank you very much.

15 CLERK: Levine.

16 COUNCIL MEMBER LEVINE: I vote aye.

17 CLERK: Ignizio.

18 [background comments]

19 CLERK: By a vote of 8 in the
20 affirmative, 0 in the negative, and no abstentions
21 all items have been adopted.

22 CHAIRPERSON FERRERAS-COPELAND: So, we'll
23 keep the vote open for 20 minutes. Thank you very
24 much. Thank you.

25 [pause]

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2 CLERK: Committee Clerk Matthew
3 Destefano, Committee on Finance continuation of the
4 roll call vote. Council Member Rodriguez.

5 COUNCIL MEMBER RODRIGUEZ: Aye.

6 CLERK: Council Member Ignizio.

7 COUNCIL MEMBER IGNIZIO: Yes.

8 CLERK: The final--I'm sorry, the vote
9 now stands a 10 in the affirmative, 0 in the
10 negative, and no abstentions.

11 [pause]

12 COUNCIL MEMBER RODRIGUEZ: Today's
13 hearing is adjourned.

14 [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 June 12, 2015