

CITY COUNCIL  
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

Of the

COMMITTEE ON FINANCE

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January 15, 2015  
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B E F O R E:  
JULISSA FERRERAS  
Chairperson

COUNCIL MEMBERS:  
Ydanis A. Rodriguez  
James G. 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)

Jeffrey Shear

Deputy Commissioner

Treasury, Payments and Operations

New York City Department of Finance

Elaine Kloss

Treasurer

New York City Department of Finance

Leslie Zimmerman

Assistant Commissioner

New York City Department of Finance

[gavel]

[background comment]

CHAIRPERSON FERRERAS: Good morning and welcome to today's Finance Committee hearing; I'm Julissa Ferreras and I am the Chair of this Committee. I wanna thank everyone for joining us today. We've been joined by Council Member and co-sponsor of today's bill, sponsor of today's bill, Council Member Rosenthal, Council Member Levine and Council Member Cornegy.

Today we will consider proposed Int. 0497-A, sponsored by one of our very own Finance Committee members, Council Member Helen Rosenthal. The legislation would make several changes to the way the Banking Commission makes its recommendations to the Council for the interest rates for the late payment of property taxes and water and sewer charges and the discount rate for early payments of property taxes, as well as change the default early payment discount rate.

First I'd like to thank Council Member Rosenthal for spearheading this important legislation, which would bring some much-needed transparency to the rate-setting process and help the

1  
2 Council have a better understanding of the rates we  
3 are tasked with setting.

4 I'd also like to thank the staff of the  
5 Finance Division for their hard work on this bill;  
6 specifically, my Chief Counsel Tanisha Edwards, Chief  
7 Economist and Deputy Director Ray Majewski, Assistant  
8 Counsel Rebecca Chasan and Principal Legislative  
9 Finance Analyst Emra [sp?] Ediv [sp?].

10 By way of background, the Banking  
11 Commission consists of the Mayor, who serves as  
12 Chair, the Comptroller and Commissioner of the  
13 Department of Finance. The Banking Commission has  
14 two directives under the Charter; it is charged with  
15 designating the bank in which the City will deposit  
16 money and recommending to the Council the interest  
17 rate to be charged for delinquent property taxes and  
18 water and sewer payments and the discount rate for  
19 early payment of property taxes. Currently the  
20 Banking Commission is required to provide its  
21 recommendations to the Council no later than May 25th  
22 each year. Once received, the Council can act on the  
23 late interest rate recommendation at any time, but  
24 may not act on early payment discount rate until June  
25 5th. In the event that the Council takes no action

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2 on either recommended date rate, the law sets forth  
3 default rates that would apply until the City Council  
4 acts. With respect to the late payment interest  
5 rate, the Administrative Code requires the Banking  
6 Commission to propose two rates, one for properties  
7 with assess values of more than \$250,000, the semi-  
8 annual taxpayers and one for properties with assessed  
9 values of \$250,000 or less for quarterly taxpayers.  
10 Since 1991 the Banking Commission has recommended an  
11 interest rate of 18 percent for semi-annual payers  
12 and 9 percent for quarterly payers. By law, if the  
13 Council did not act on these recommendations of  
14 default, interest rate would be 15 percent and 7  
15 percent, respectively.

16 By way of comparison, other comparable  
17 cities have just one rate for all properties that is  
18 closer to the rates that the City sets for the semi-  
19 annual taxpayer; L.A., Philadelphia and Chicago are  
20 at 18 percent and San Francisco is at 20 percent.  
21 Here in the City, 95 percent of taxpayers fall below  
22 the \$250,000 assessed value threshold and would pay  
23 the 9 percent late payment interest rate on  
24 delinquent property taxes and water and sewer  
25 charges.

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2           With respect to the early payment  
3 discount, it is a discount provided to taxpayers who  
4 pay their property taxes early; in order to receive a  
5 discount on his or her entire tax bill, both semi-  
6 annual and quarterly taxpayers have to pay the entire  
7 tax bill prior to the date of July 1st installment,  
8 which could be paid out with interest. For quarterly  
9 taxpayers, if the taxpayer does not pay the entire  
10 tax bill up front, the discount percentage would be  
11 prorated based on whether the early payment is being  
12 made with the October 1st or January 1st tax bill.  
13 The Banking Commission's recommendations for an early  
14 payment discount rate have also remained relatively  
15 stable over the years. Between 1984 and 2005, the  
16 Banking Commission recommended a 2 percent rate;  
17 between 2006 and 2011 a 1.5 percent rate was  
18 recommended and from 2012 to 2015 a 1 percent rate  
19 was recommended. If the Council does not act on the  
20 Banking Commission's recommendation, the current  
21 default discount rate provided by law is 1.5 percent.

22           Proposed Int. 0497-A would do several  
23 things; first it would require the Banking Commission  
24 to provide its recommendations to the Council by May  
25 7th rather than May 25th, thereby allowing more time

1  
2 for the Council to consider the recommendations  
3 before DOF sends out the July 1st property tax bill;  
4 second, it would remove the provision that limits the  
5 Council from acting on the discount rate  
6 recommendations until June 5th so that the Council  
7 adopt the rate at an earlier date and provide DOF  
8 with more time to prepare the July 1st property tax  
9 bills to reflect the Council's adopted percentage;  
10 third, the bill will eliminate the 1.5 percent  
11 discount rate and link the default discount rate to a  
12 statistical report detailing selected interest rates;  
13 most significantly, in my opinion, the bill will also  
14 require the Banking Commission to provide  
15 justification analysis for its recommendations for  
16 the early payment discount rate and the interest rate  
17 for the late payment of property taxes. Currently,  
18 when the Banking Commission provides its  
19 recommendation it also provides the Council with a  
20 supplement which details the potential effect the  
21 recommendations would have on taxpayers; however, the  
22 summary does not specify the factors that were  
23 considered when determining the recommendations or  
24 the rationale for the use of such factors; it also  
25 does not explain the need for a discount percentage

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2 now that the City is not apparently in need for cash  
3 up front each fiscal year. The justification  
4 analysis would provide much-needed transparency about  
5 the deliberations and the consideration of the  
6 Banking Commission when submitting its  
7 recommendations for the interest rate for the late  
8 payment of property taxes and discount rate for the  
9 early payment of property taxes.

10 I am proud to co-sponsor this bill and I  
11 look forward to hearing from the Department of  
12 Finance and the Office of Management and Budget who  
13 are here to testify on behalf of the Administration.  
14 Before we hear from DOF and OMB, I will turn the mic  
15 over to the prime sponsor of the bill, Council Member  
16 Helen Rosenthal, to make a statement; after the prime  
17 sponsor's statement, my counsel will swear in the  
18 Administration's witnesses and we will hear their  
19 testimony. Council Member Rosenthal.

20 COUNCIL MEMBER ROSENTHAL: Thank you,  
21 Chair Ferreras. I wanna thank you from the bottom of  
22 my heart for giving me a chance to take what was just  
23 a tiny issue, and probably still is just a tiny  
24 issue; in all of the hard work that you do as chair  
25 of the Finance Committee there are so many important



1  
2 and complicated issues, this is just a technical one  
3 and a technical small one and I really appreciate  
4 your giving me the opportunity and your staff's time  
5 to explore this little issue. And the genesis, just  
6 for by way of background of this bill, is simply that  
7 I think a week... I guess it was May 25th, when we got  
8 the information from the Banking Committee and the  
9 Department of Finance on what the prepaid discount  
10 rate would be and what the late payment fees would  
11 be, you know, given the timing of when we got the  
12 information and then given the fact that there were  
13 questions in our Committee and within, you know,  
14 questions you raised and other Committee members  
15 raised, we really didn't have the time to explore the  
16 issues, whether they be big or small, we just really  
17 didn't have any time to explore the issues and so  
18 while this bill and the thoughts about them have come  
19 through a variety of iterations, I think we've landed  
20 at such a good place; basically my intent today is to  
21 hear from the Banking Commission, from the Department  
22 of Finance; from OMB about the two biggest issues,  
23 which are what the timing is of when the information  
24 is given to the Council so the Council can review  
25 this information and secondly, what the formula

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2 should be as a default formula in order to get to  
3 just the sweet spot of where we should be given the  
4 need for cash and but also given the.. you know, how  
5 the Department of Finance is managing the cash that  
6 comes in the door. So I'm really excited to hear  
7 everyone's comments at this hearing; looking forward  
8 to hearing the suggestions, but at the end of the  
9 day, to be honest, I am going to defer to the Council  
10 Finance staff, to Ray, to Tanisha, to Emra for really  
11 identifying and working with OMB for what the right  
12 formula should be and similarly, to the Banking  
13 Commission and to our Council staff about timing. So  
14 I'm looking forward to hearing your testimony and  
15 especially again wanna thank Chairwoman Ferreras for  
16 giving me the opportunity to pursue what is just a  
17 tiny technical thing. Thank you very much.

18 COMMITTEE COUNSEL: Do you affirm that  
19 your testimony will be truthful to the best of your  
20 knowledge, information and belief?

21 JEFFREY SHEAR: I do.

22 COMMITTEE COUNSEL: Thank you; you may  
23 proceed.

24 JEFFREY SHEAR: Good morning, Chairwoman  
25 Ferreras, Council Member Rosenthal and members of the

1  
2 Finance Committee. My name is Jeffrey Shear and I am  
3 the Deputy Commissioner for Treasury, Payments and  
4 Operations for the New York City Department of  
5 Finance (DOF).

6 I am here today to testify on Int. 0497-  
7 A. This bill would amend the Administrative Code of  
8 the City of New York and the New York City Charter in  
9 relation to the New York City Banking Commission's  
10 annual interest rate recommendations to the City  
11 Council for the early and late payment of property  
12 taxes and nonpayment of water and sewer rents.

13 I am joined by the City's Treasurer,  
14 Elaine Kloss. On behalf of Finance Commissioner  
15 Jacques Jiha, thank you for inviting me to speak on  
16 this bill today.

17 The Banking Commission is comprised of  
18 the Mayor, the Commissioner of Finance and the  
19 Comptroller. The Banking Commission has three  
20 primary responsibilities. First, by May 25th of each  
21 year the Commission recommends interest rates for the  
22 early and late payment of property taxes and  
23 nonpayment of water and sewer charges. Second, the  
24 Banking Commission reviews and approves or denies  
25 banks' biennial applications to be New York City

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2 designated banks. Lastly, the Banking Commission  
3 participates in the New York State Banking  
4 Development District (BDD) program and approves City  
5 deposits in the BDD branches.

6           The current interest rates charged for  
7 the late payment of property taxes is 9 percent for  
8 properties with assessed values of \$250,000 or less  
9 and 18 percent for properties with assessed values of  
10 more than \$250,000. The City has charged these  
11 interest rates for late property tax payments since  
12 1991.

13           For water and sewer rents, the late  
14 payment interest rate is 9 percent for all  
15 properties. The City has charged this interest rate  
16 for water and sewer rents since 2005.

17           In making its interest rate  
18 recommendations, the Banking Commission considers the  
19 prevailing interest rates charged for commercial bank  
20 loans extended to prime borrowers, referred to as the  
21 prevailing prime rate. The Banking Commission must  
22 propose an interest rate for nonpayment which is at  
23 least as high as the prevailing prime rate for  
24 properties with an assessed value of \$250,000 or  
25 less; it must propose an interest rate for nonpayment

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2 which is at least 6 percent per year more than the  
3 prevailing prime rate for properties with an assessed  
4 value of more than \$250,000. The Banking Commission  
5 also compares the City of New York's penalty rates  
6 with those of at least 10 other large municipalities  
7 throughout the country. We have included as an  
8 appendix a table summarizing the comparisons that the  
9 Banking Commission performed last year.

10 The Banking Commission also recommends  
11 the annual discount rate for the early payment of  
12 property taxes. The City's current discount rate for  
13 the early payment of property taxes of 1 percent has  
14 been in effect since May 2011, when it was lowered  
15 from 1.5 percent.

16 Property owners receive a discount rate  
17 on their property taxes when more than one  
18 installment is paid before the due date. The Banking  
19 Commission plays an important role in advising the  
20 City Council on interest rates for the early and late  
21 payment of property taxes and nonpayment of water and  
22 sewer charges. As part of that role, the Department  
23 of Finance supports the goal of providing more  
24 information regarding the recommendations on interest  
25 rates and the discount rate to the Council. We

1  
2 believe providing the data requested in this bill  
3 will make property tax data relating to both early  
4 and delinquent payments more transparent and easier  
5 to understand. We also welcome the opportunity to  
6 issue a report to the Council containing the  
7 Commission's rationale for its recommended interest  
8 rates and they're also interested in meeting with the  
9 Council staff in early in May to review and explain  
10 the analysis used to support the Banking Commission's  
11 recommended rates. We therefore support the proposed  
12 legislation, albeit with some suggestions. Please  
13 allow me to take this opportunity to explain our  
14 suggested changes to the bill.

15 Our first suggestion relates to the  
16 proposed May 7th deadline for submission of interest  
17 and discount rate recommendations. The Banking  
18 Commission's current deadline to submit its  
19 recommendations to the City Council is May 25th. We  
20 understand the Council's desire to have more time to  
21 evaluate the Banking Commission's recommendations and  
22 feel comfortable meeting a May 18th deadline, but May  
23 7th is simply too early. The final property tax data  
24 for our interest rate analysis is not available until  
25 the end of April and our analysis is not complete

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2 until early May. The Banking Commission members must  
3 have sufficient time to review this analysis and then  
4 hold the official Banking Commission meeting in May  
5 to vote on the interest and discount rates. DOF is  
6 committed to reviewing its analysis with interested  
7 Council Members and staff during this period, but we  
8 do not feel we could meet a deadline earlier than May  
9 18th.

10 Our second recommendation to amend the  
11 bill's language relates to the default discount rate.  
12 As you know, the default discount rate only goes into  
13 effect if the Council does not adopt the discount  
14 rate. If the Council does not act, property owners  
15 who pay their property taxes for a fiscal year by the  
16 July due date receive a 1.5 percent reduction in  
17 their taxes. We understand the Council's concern  
18 that the default discount rate should more closely  
19 reflect market rates so as not to provide too large a  
20 benefit to early payers. We believe the best  
21 approach to achieve closer alignment with market  
22 rates is to allow the Banking Commission's  
23 recommended discount rate to become the default rate  
24 should the Council not act in establishing a discount  
25 rate. This approach will enable to Banking

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2 Commission to take numerous factors into account each  
3 fiscal year, including the current interest rates  
4 available in the market that are part of the formula  
5 included in the current bill draft. We feel that  
6 while the formula represents a good faith effort to  
7 achieve a similar result, it has not been thoroughly  
8 researched and there could be unanticipated  
9 consequences should there be large fluctuations in  
10 the rate in the future. We welcome continued  
11 conversation with the Council on the best method to  
12 determine the default discount rate.

13           In addition, the legislation requires  
14 that property tax data be reported by Council  
15 District, property tax class and property tax  
16 subclass. We currently have data for discounted  
17 property payments by property tax class and property  
18 tax subclass. We are investigating how quickly we  
19 can provide reports on the early and late payment of  
20 property taxes by Council District.

21           We lastly have some technical language  
22 changes we would like to make to the bill that will  
23 be communicated to the Committee's counsel after the  
24 hearing.

25



1  
2 Thank you for giving me the opportunity  
3 to testify on this bill before you today; I am happy  
4 to answer any questions you may have.

5 CHAIRPERSON FERRERAS: Thank you very  
6 much for your testimony; I'm going to ask a few  
7 questions and then give my opportunity to the sponsor  
8 of this bill, Council Member Rosenthal and the rest  
9 of my colleagues and then I'll come for a second  
10 round after.

11 So we've been joined by Council Member  
12 Daneek Miller and Council Member Rodriguez. So  
13 council members, if you have questions and you wanna  
14 be put in the queue, please let counsel know.

15 So just by way of background, the City  
16 began offering discounts for early payment of  
17 property taxes in 1976, the year of which I was born;  
18 [laughter] when the City was fully enthralled in a  
19 fiscal crisis. The City was in dire need of cash and  
20 therefore wanted to incentivize taxpayers to pay  
21 their property tax bills up front by providing them  
22 with a discount for doing so. Now that the City is  
23 not in such need of cash up front as it was in the  
24 70s, it is unclear to the Committee why the default  
25 discount percent should remain set at its current

1  
2 level of 1.5 percent. I understand that DOF does not  
3 manage cash flow and that this is a function of OMB  
4 and the Comptroller; does OMB or the Comptroller  
5 perform a cash flow analysis to assist the Banking  
6 Commission in making interest rate and discount rate  
7 recommendations?

8 [background comments]

9 ELAINE KLOSS: Good morning.

10 CHAIRPERSON FERRERAS: Good morning.

11 ELAINE KLOSS: It's the Department of  
12 Finance's Treasury Division... [interpose, background  
13 comment] oh I'm sorry, I'm Elaine Kloss; I'm the  
14 Treasurer of the City... and it is actually the  
15 Department of Finance's Treasury Division that works  
16 closely with OMB and the Comptroller's office and we  
17 manage the liquidity of the City. And what I mean by  
18 that is we monitor the funds that come in and are  
19 dispersed and we are responsible for making sure that  
20 every day the City's funds are available for all its  
21 obligations, outgoing payments, we watch what comes  
22 in every day and everything that comes in we turn  
23 over to the Comptroller's office and they invest it  
24 on our behalf. And so it's a three-pronged approach;  
25 we work with OMB hand in hand to watch what's coming

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2 in and to be aware of any shortfalls or you know,  
3 what's gonna happen in the future. So we manage the  
4 liquidity and the Comptroller's office manages the  
5 investments and OMB is overseeing all of it.

6 CHAIRPERSON FERRERAS: I understand that  
7 you may have this conversation, but do you do a  
8 formal analysis before you make the recommendations?  
9 For example, when you give us the recommendation in  
10 May, what happens; what process do you come to the  
11 determination that it's gonna be 1.5 percent and  
12 other than just a loose conversation, is there an  
13 official process by which you come to this  
14 assessment?

15 ELAINE KLOSS: It's not a loose process..  
16 [crosstalk]

17 CHAIRPERSON FERRERAS: Okay.

18 ELAINE KLOSS: at all. So we are  
19 watching the cash every day, we are aware of where we  
20 are and we're fortunate to tell you today that we are  
21 in a very, very solid financial position. In fact,  
22 as of last night we hit a peak; in my five years with  
23 the City we had the highest cash balance on record,  
24 so we're financially sound right now, our cash is  
25 solid, but we watch it every day, we forecast it

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2 going out 90 days and we share our information with  
3 OMB on a regular basis, every day they see where the  
4 balance is and we share our reports with them. That  
5 is one of several factors that the Banking Commission  
6 looks at when we determine rates. We look at where  
7 the economy is, where business is headed, we look at  
8 all these factors; we look at interest rates, what  
9 other cities are doing and then there's also another  
10 piece of this where everybody has an opinion on what  
11 these rates should be, and in the past few years  
12 we've had both City Council and the Comptroller's  
13 office arguing for higher discount rates, not lower.  
14 So [background comments] it's a very, very measured  
15 approach and we walk through a number of factors.

16 CHAIRPERSON FERRERAS: Okay. And I wanna  
17 get back to the cash flow issue and I know that we  
18 hit a high point, but I'm gonna come back, 'cause  
19 this in particular is about investments and what  
20 we're paying out in the discount rate and actually  
21 what we're making and that's something that we  
22 actually spoke to Ray Majewski yesterday and the co-  
23 sponsor of the bill just brought up. But I just  
24 wanna ask; DOF has explained to the Finance staff the  
25 early payment discount is one tool in a toolbox to

1  
2 manage cash flow needs; Finance staff was informed  
3 that if the cash flow falls below \$1 billion; then  
4 this will usually trigger DOF to alarm OMB and the  
5 Comptroller, who will decide if borrowing is  
6 necessary. To support this argument, DOF provided  
7 the Council with data showing the cash balance trends  
8 over the 10-year period by showing the cash balance  
9 each year in December, the month in which cash  
10 balances are usually the lowest in the year; the  
11 charts show that in December 2009 cash flow dipped  
12 below \$1 billion, yet the City did not borrow. Why  
13 didn't the Comptroller and OMB borrow money in 2009  
14 when cash flow dropped below the \$1 billion  
15 threshold, and please explain the other tools that  
16 are available to prevent the City from borrowing when  
17 cash flow falls below a billion dollars?

18 ELAINE KLOSS: Sure.

19 CHAIRPERSON FERRERAS: So this is kind of  
20 the opposite; that's why I just wanted to ask this  
21 question from where we are now.

22 ELAINE KLOSS: We look very closely at  
23 the December cash balance and usually around  
24 somewhere between the 12th and the 15th we hit the  
25 low point for the year and my first year here in 2010

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2 we also hit around a billion and it was considered  
3 and we have a number of tools that we can use; we can  
4 issue debt, we can hold back and delay payments; we  
5 can't stop payrolls, which is one of our biggest  
6 expenses, but we can slow down vendor payments, which  
7 we did and we can also have other levers, and that is  
8 to get people that owe us money to pay faster and  
9 that's where this tool comes in; if we had to borrow...  
10 I'm sorry, if we had to get funds in in an emergency  
11 basis, we could offer a discount to those paying us  
12 to get them to pay faster. Corporations do this  
13 usually each quarter end if they're strapped for cash  
14 and they need money in quickly, they'll offer a deep  
15 discount to their largest customers. It's a  
16 management tool for cash management and I can tell  
17 you that I worked arm in arm, side by side with OMB  
18 and the Comptroller's office in the fall of 2010 and  
19 11 when we were getting near that billion dollar mark  
20 and we did slow down vendor payments and we were on  
21 the phone every day and OMB did consider issuing  
22 debt, and we felt that we could get through it  
23 without doing that. And so I was not here in 2009; I  
24 imagine that everyone that was involved was watching  
25 it closely and at some point you make a decision that

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2 you think you can make it through that period without  
3 borrowing and you'll be fine, which is what happened,  
4 so.

5 CHAIRPERSON FERRERAS: So I'm gonna ask  
6 because we're in the opposite situation and I know  
7 that the co-sponsor of the bill will follow up on  
8 this question, but if we are currently strong in  
9 cash, we're holding cash, so what are we investing  
10 and what is the interest rate in which we're  
11 investing; is now the savings... or is now the break  
12 that we're giving more costly to the City than  
13 holding our cash?

14 ELAINE KLOSS: Yes it is; we're  
15 restricted by municipal and where we can make our  
16 investments and so our returns are very, very low.  
17 We can only invest in very short-term treasuries and  
18 corporates; our return right now is about 18 basis  
19 points; last year was about 14, which is almost  
20 nothing.

21 CHAIRPERSON FERRERAS: So then once  
22 again, this is where we have the challenge and when  
23 we're doing, 'cause this actually comes into us right  
24 in the middle of our budget negotiations and if we're  
25 trying to find, which we usually are, a couple of

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2 million dollars here and there; to give this savings  
3 to taxpayers is very costly to our city, so I think  
4 this was the spirit in which this legislation was  
5 born in the conversations by Council Member Rosenthal  
6 and the rest of the BMT [sic], because in the middle  
7 of us trying to figure out the budget, she was very  
8 savvy in focusing on this one particular issue.

9           So I wanna talk about, before I open it  
10 up and give it over to the sponsor of the bill,  
11 according to the Charter, if the Council does not  
12 adopt a discount rate before DOF prepares its  
13 property tax bill, then a default discount rate of  
14 1.5 percent will apply until the Council adopts a  
15 rate. How many times has a default rate been  
16 triggered and if DOF mails out property tax bills  
17 with default discount rates, then the Council  
18 subsequently adopts a different rate, what is the  
19 process to update property tax bills reflecting the  
20 proper discount; how long would the process take to  
21 reconcile the property tax bills and what costs would  
22 be incurred by the City?

23           JEFFREY SHEAR: Sure. Well we're not  
24 aware of an instance where the Council did not adopt  
25 a discount rate.



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2 CHAIRPERSON FERRERAS: Okay. So I think  
3 that you should be looking into, if that should  
4 happen; this is a new Council, a new day; [background  
5 comment] we're paying attention. So it would be of  
6 concern that these bills go out, and this exactly  
7 happened last year, I remember speaking to  
8 Commissioner Jiha after the bills went out, and we  
9 hadn't decided on the interest rate, and to avoid  
10 confusion we decided that we would revisit this now.  
11 [background comment] So I would think that as we're  
12 engaging in these conversations moving forward and  
13 I'm hopeful that your analysis we will agree, but  
14 there may be a situation where the Council does not  
15 agree with your recommendations and the Council has  
16 the opportunity to change, so then what would happen  
17 and do you know how much or what the cost is to send  
18 out the bills, so we would think you would have to  
19 send them out again in that case?

20 [background comments]

21 JEFFREY SHEAR: So we have with us today  
22 Assistant Commissioner Leslie Zimmerman, who's  
23 responsible for sending out the bills and she can  
24 best speak to that.

25

1  
2           LESLIE ZIMMERMAN: Yeah, I'm just  
3 thinking that the City mails out about 500,000 bills;  
4 each bill will cost us about a dollar to send out  
5 with paper and postage and envelopes and handling.  
6 So if the first go around the taxpayer takes a deeper  
7 discount than is ultimately decided, I am not sure at  
8 what point we would end up billing them again;  
9 perhaps not until we have to do a rebill in January  
10 because new rates get set. So I think that it would  
11 probably be at least another, you know, \$50,000 extra  
12 to get the money back. But it's also difficult to  
13 say to somebody, well your discount had been \$10 and  
14 now it's \$8, [background comment] you know, sometimes  
15 they don't even wanna get sent out a bill for a  
16 dollar or two, so... [interpose]

17           CHAIRPERSON FERRERAS: And again, this  
18 speaks to the timing of it all...

19           LESLIE ZIMMERMAN: Right.

20           CHAIRPERSON FERRERAS: 'cause we wanna be  
21 able to engage and I understand that you say that May  
22 7th is really difficult, but I have a lot of faith in  
23 you and I think that you can do it by that date, so  
24 we're gonna re-engage on the date issue. I'm gonna  
25 now open up the mic to the sponsor of the bill and

1  
2 then to my colleagues. Following Council Member  
3 Rosenthal we have Council Member Levine and Council  
4 Member Miller.

5 COUNCIL MEMBER ROSENTHAL: Thank you,  
6 Chair and you hit on all the big points, so I guess  
7 my only question is; Jeff, on Page 2 you say your  
8 second recommendation to amend the bill's language  
9 relates to the default discount rate; what is your  
10 recommendation?

11 JEFFREY SHEAR: Our recommendation is  
12 that the default discount rate be the recommendation  
13 of the Banking Commission.

14 COUNCIL MEMBER ROSENTHAL: The default  
15 discount rate that the Banking Commission recommends?  
16 I'm... seriously, I just don't understand. [crosstalk]

17 JEFFREY SHEAR: Yes. So... No, that's... So...  
18 So...

19 COUNCIL MEMBER ROSENTHAL: So not 1.5  
20 percent... [crosstalk]

21 JEFFREY SHEAR: So right now, as you well  
22 know, the default discount rate is 1.5 percent and I  
23 think there's some legitimate concern that that is  
24 high, given today's interest rates, so we are  
25 suggesting that instead that the Banking Commission

1  
2 recommendation be the default rate, so if the Council  
3 does not act, that that rate be adopted.

4 COUNCIL MEMBER ROSENTHAL: So help me  
5 think this out. This year, the year that we just  
6 went through, that's in fact what the recommendation  
7 that the Council took.

8 JEFFREY SHEAR: Yes it is.

9 COUNCIL MEMBER ROSENTHAL: And the  
10 Banking Commission did its job, they came with a  
11 recommendation and we took that recommendation, did  
12 not do the default. But I guess, you know... I guess  
13 the question really is; why wouldn't you want it to  
14 just be a formula that would take into account, you  
15 know, how much the City is able to borrow at, which  
16 as you accurately point out, we're limited by  
17 municipal law in that, and what the demand for cash  
18 is, and any other factor that you think is important  
19 and our Council staff did make a recommendation on  
20 that, [background comment] I know OMB came back with  
21 another recommendation that we felt you know really  
22 worked; why not just do a formula, it... there is  
23 nothing in the proposed legislation that takes out  
24 the role of the Banking Commission, the Banking  
25 Commission is gonna do just as it did every other

1  
2 year to make a recommendation; all this is saying is  
3 that... I'm trying to understand the pushback to  
4 [background comment] a simple formula that's not  
5 complicated or like a sophisticated economic formula;  
6 you know, you have the analysis of how your April tax  
7 returns and where revenue is; I mean, we're just... I  
8 guess why I like the idea of a formula, and I really  
9 am getting somewhere on this, but the reason I like a  
10 formula is, we don't know if we're moving back to the  
11 bad 70s or, you know, where we are today, where we're  
12 in a situation where we have, you know, \$7 billion  
13 cash on hand and that's great, but yet we're limited,  
14 as you say, because of municipal law, from investing  
15 that cash and really making any serious return on it.  
16 It just strikes me that what's so sweet about a  
17 formula is it takes politics out of it; I would  
18 imagine it would make the rating agencies satisfied  
19 because it's a formula, it's not something that's  
20 gonna be dictated by who's in office. It seems like  
21 the fiscally responsible thing to do and so I don't  
22 really understand the pushback on that since we  
23 already get the Banking Commission's recommendation  
24 and in fact we took that into account. Who said... you  
25 know, next year we'll probably do it again, take

1  
2 their recommendation into account; I think the  
3 formula just keeps it clean.

4 ELAINE KLOSS: Yes. So let me start by  
5 saying that DOF, we are amenable to a formula, so we  
6 are not opposed to the idea at a conceptual level and  
7 we also acknowledge there has been very constructive  
8 conversations going on between Council staff and our  
9 staff and also the Office of Management and Budget,  
10 so our hesitancy is that the formula has only been  
11 developed only relatively recently and we are  
12 concerned about the potential for large fluctuations  
13 perhaps in the future and we just think there is a  
14 need for more time to better understand how well a  
15 formula could work and we look forward to having  
16 further conversations with you on that. Given what  
17 we know today and given the fact that this formula is  
18 new, today we're testifying, so today we think it's  
19 safer to stick with the Banking recommendation as a  
20 default rate.

21 COUNCIL MEMBER ROSENTHAL: I really  
22 appreciate what you had to say and especially that it  
23 did spark a good conversation. Alright, I think our  
24 Council staff really, everyone got a lot out of it  
25 and it sparked a couple of other things which is

1  
2 really great, so I appreciate that. I guess my  
3 concern and why I'm gonna keep sticking with the  
4 notion of a formula is because the Banking Commission  
5 already does make a recommendation, the Banking  
6 Commission's been doing that every year and the  
7 Council for the most part has taken the Banking  
8 Commission's recommendation; this was my first year I  
9 saw that happen and I felt great about the Banking  
10 Commission's recommendation; maybe would have dropped  
11 it down a half-a-percent, but... or altogether, I  
12 guess. This is... yes, this is different, but it's a  
13 formula that I think... you know, we've sent around  
14 people; no one seems to have a problem with the  
15 formula, we've checked it with economists, we've  
16 checked it with OMB, our economists on staff feel  
17 pretty comfortable with it. So given that the  
18 Banking Commission already has a role and an  
19 important role, I still don't understand why we  
20 wouldn't have a fallback that's a simple formula.

21 JEFFREY SHEAR: Well and again, we are  
22 amenable to a formula, the formula... we know that  
23 there's been good research done on the part of the  
24 Council and we just think there's a need for further  
25 research to be absolutely certain before it's

1  
2 embedded in law that it will not have any unintended  
3 consequences.

4 COUNCIL MEMBER ROSENTHAL: Thank you and  
5 thank you, Chair Ferreras.

6 CHAIRPERSON FERRERAS: Of course. And I  
7 was just speaking to the counsel, of course there  
8 will be deliberations before we vote this out and  
9 hopefully we can... we're very confident in Ray  
10 Majewski.

11 We've been joined by Council Member  
12 Johnson, Minority Leader Ignizio and Council Member  
13 Gibson. We will hear from Council Member Levine,  
14 followed by Council Member Miller.

15 COUNCIL MEMBER LEVINE: Thank you, Madame  
16 Chair. Good to see you both; thank you for being  
17 here. In the business world, discounts for  
18 prepayment are very common, we've all seen ads, book  
19 your cruise by January 1st and save an extra 10  
20 percent. This is done only partly because of the  
21 cash flow benefits, the float; there's actually lots  
22 of reasons why a business might do this; one is that  
23 it gives them early information on how many people  
24 are booking the cruise or in this case, rates of tax  
25 payment; there's not better forecast than an actual



1  
2 payment, removes the uncertainty. Often companies  
3 wanna spread out the logistical burden of receiving  
4 and processing payments; they don't wanna have to  
5 hire a big spike of staff on the day it would be due,  
6 they'd rather spread it out over the year,  
7 particularly if there's paper involved, like mailing.  
8 Also the early payment could reduce the resources  
9 they have to expend on billing and collections. And  
10 I'm wondering if any of these... we've talked a lot  
11 about the issue of cash flow and float, but I wonder  
12 if any of these other considerations even apply to  
13 the City of New York.

14 ELAINE KLOSS: I think it's fair to say  
15 that even if people take advantage of the discount  
16 they wait till the last minute to pay, so on the last  
17 day of each quarter we see between a billion and a  
18 billion-and-a-half coming in and that trend has not  
19 changed.

20 COUNCIL MEMBER LEVINE: But on the  
21 logistical side though, do you... is there a spike in  
22 your staff burden during those periods of payment  
23 'cause it's all electronic, so there's no..  
24  
25

1  
2 ELAINE KLOSS: Not all of it's electronic  
3 and all of it goes to the State to service our debt  
4 before it comes to us.

5 COUNCIL MEMBER LEVINE: So do you hire  
6 any seasonal staff whatsoever to deal with tax  
7 receipts?

8 ELAINE KLOSS: No. No, [background  
9 comments] I'm just busier.

10 COUNCIL MEMBER LEVINE: You're personally  
11 busier, (laughter) well we feel your pain. What  
12 about the mailing of statements; is that all  
13 outsourced, is that a fulfillment house or how is  
14 that done?

15 [background comments]

16 JEFFREY SHEAR: Yeah, we have a vendor  
17 that handles it.

18 COUNCIL MEMBER LEVINE: Right, so there's  
19 no motive for you then to spread that out, it's the  
20 vendor's problem if they have to do it all...

21 [background comments]

22 LESLIE ZIMMERMAN: There's clearly a  
23 reduced cost if somebody pays their entire bill up  
24 front and then we don't have to send out three  
25 additional coupons to pay.

1  
2 COUNCIL MEMBER LEVINE: As you said, it's  
3 about a dollar per taxpayer, [background comment] so  
4 not too consequential. Right.

5 LESLIE ZIMMERMAN: Right, but it's just  
6 less work for everybody involved and less cost and  
7 then when their one payment comes in, then we pay a  
8 bank to process their payment; we only have to pay it  
9 once instead of four times. So there's definitely  
10 cost-savings... [crosstalk]

11 COUNCIL MEMBER LEVINE: And does the  
12 prepayment pattern provide any tea leaves you can  
13 read that tell you something about the broader tax  
14 year, if you saw that certain neighborhoods were  
15 paying more than other years, would that indicate  
16 good news... is there any data to be mined from that?

17 JEFFREY SHEAR: We don't think so; we can  
18 take a closer look at it, but the proportion of  
19 people who early pay is still relatively small  
20 compared to the entire roll, so we don't think that  
21 by itself is an indication. So to your first  
22 question, this is really primarily driven by cash  
23 flow considerations, even though there are some  
24 ancillary benefits.

1  
2 COUNCIL MEMBER LEVINE: Great. Thank  
3 you.

4 CHAIRPERSON FERRERAS: And we'll have  
5 Council Member Miller.

6 COUNCIL MEMBER MILLER: Thank you, Madame  
7 Chair. Yeah, my first line of question was along  
8 that; was the information that had been gathered from  
9 that and this impact on communities; have you been  
10 able to identify where the early payment was coming  
11 from and then that will kinda segue into what I  
12 wanted to about, which is the late payment penalties.

13 JEFFREY SHEAR: So I'm... [crosstalk]

14 COUNCIL MEMBER MILLER: Have you  
15 identified those communities where... [crosstalk]

16 JEFFREY SHEAR: Well we... we will be  
17 providing to the Council a breakdown by Council  
18 District of where the early payments come from.

19 COUNCIL MEMBER MILLER: So because I  
20 represent a community of about 65 percent...  
21 [interpose]

22 CHAIRPERSON FERRERAS: I'm sorry; I think  
23 it's early and late payment data is what we need.

24 JEFFREY SHEAR: Yes, we...

25 CHAIRPERSON FERRERAS: Okay.

1  
2 JEFFREY SHEAR: I didn't mean to exclude  
3 the... we will be providing both... [interpose,  
4 background comments] better to be safe. We will be  
5 providing both types of data by Council District. I  
6 believe that we have the early payment data available  
7 now for this past July and we will be working on  
8 putting together the late payment data as well.

9 COUNCIL MEMBER MILLER: So I would be  
10 particularly interested in that... on both, certainly,  
11 but I'm not so quite sure that there is a lot of  
12 early payment coming from my community and I do  
13 represent a community that's about 65 percent  
14 homeownership; my real concern around the area of  
15 late payment is that many of whom are retirees on  
16 fixed incomes and the 15-day delinquent period and  
17 the appeal period, is there consideration as in what  
18 we see in the tax lien process, where certain... there  
19 are not only... are there considerations for seeing  
20 there's veterans and others, but there's  
21 opportunities to make payments without further  
22 penalties and that payment arrangements could be  
23 made. My further consideration is for those seniors  
24 and those retirees on fixed incomes who have to pay  
25 such substantial lump sums, I think that a 15-day

1 delinquent period is certainly not enough time for  
2 them to do that. So within the appeal process, is  
3 there a consideration for those individuals'  
4 circumstances that allow for seniors and those with  
5 mitigating circumstances to pay taxes without such --  
6 9 percent is pretty steep as well.

8 JEFFREY SHEAR: So the way the law is  
9 written now, we certainly, for people who are in dire  
10 straights financially, we do offer payment agreements  
11 for people to be able to come up to date, but we do  
12 not... other than the 15-day grace period, which you  
13 referenced, the interest charges do apply and there  
14 is not an opportunity to waive those interest  
15 charges.

16 COUNCIL MEMBER MILLER: So I would  
17 certainly like to have that data sooner than possible  
18 so we can kinda evaluate that and assess it and make  
19 sure that it's equitable to everyone, not just those  
20 who could afford to pay in advance. Thank you.

21 JEFFREY SHEAR: You're welcome.

22 CHAIRPERSON FERRERAS: Thank you, Council  
23 Member Miller. And I just wanna talk about the  
24 actual discount as applied; I know that you said, you  
25 know, I think this is to incentivize people to pay

1  
2 early and when you pay the day before it's due, then  
3 who's winning, right? And I don't think that's the  
4 intention of the early payment discount. I know the  
5 Charter requires a discount percentage to be applied  
6 to a taxpayer's entire tax bill rather than just the  
7 portion that is actually prepaid. For example, if a  
8 quarterly payer pays his or her entire bill in July,  
9 the first quarterly payment is on time, while the  
10 remaining three are paid early; however, the discount  
11 percentage will be applied to the entire tax bill.  
12 Wouldn't it make more sense to apply the discount to  
13 the tax bill, to the amount that is actually paid  
14 early?

15 JEFFREY SHEAR: We certainly understand  
16 that argument; it's our understanding that the City  
17 Charter was amended in 2005 to ensure that it was the  
18 entire bill and the thought at that time was to  
19 provide the incentive that you referenced; we  
20 certainly are willing to have a conversation with the  
21 Council about whether the entire bill should.. whether  
22 the discount should be applied to entire bill or not.

23 CHAIRPERSON FERRERAS: And I mean in some  
24 cases we're talking about \$34 here, \$38 and \$22; at  
25 the best I think I've seen is \$128 in Council

1  
2 District 4. So it just seems that we would be  
3 smarter in ensuring that we are giving the proper  
4 discount rate to the proper portion that's being paid  
5 early; to have someone just pay something the day  
6 before -- actually we're incentivizing the June 30th  
7 payment is what we're doing, because they get to keep  
8 their cash longer and whatever interest they're  
9 making and they're able to move their money, so they  
10 keep it longer and we're paying for them to keep it  
11 longer. So we have to figure that out.

12 JEFFREY SHEAR: That's a conversation  
13 that we're willing to engage in with you.

14 CHAIRPERSON FERRERAS: Okay. Very good.  
15 I wanted to then talk about currently the default  
16 discount rate is set at 1.5, but under the proposed  
17 legislation the rate would be linked to the rate  
18 provided on six-month treasury bills, which changes  
19 based on other factors in the economy. Doesn't a  
20 fluctuating default rate make sense; shouldn't the  
21 discount rate fluctuate reflective to the larger  
22 economic reality and the other available options that  
23 taxpayers might have for safely investing their money  
24 each year? And I think the sponsor of the bill made

25



1  
2 this point also, but if you can just say it again for  
3 the record.

4 JEFFREY SHEAR: Sure. So the Department  
5 of Finance is amenable to having a formula for the  
6 default discount rate, the rate that the Council has  
7 proposed and has done so on the basis of  
8 conversations with Finance and OMB staff, has only  
9 been put forward in recent days and we just want to  
10 be sure that it is a safe rate, that there aren't  
11 unanticipated, large fluctuations in the rate that  
12 could cause the discount rate to perhaps spike in a  
13 way that we wouldn't want it to in the future and so  
14 we want to have more time to drill down with Council  
15 staff and with the Office of Management and Budget  
16 before we back that specific formula.

17 CHAIRPERSON FERRERAS: And just to  
18 piggyback, and to Council Member Miller's point, when  
19 we get this data that you're gonna share with us, I  
20 would like for you to disaggregate the class of  
21 property and as was stated before, both late interest  
22 rate, but also the early payments, if you can do that  
23 for us.

24 JEFFREY SHEAR: Yes we will.  
25

1  
2 CHAIRPERSON FERRERAS: In recent years  
3 DOF authorized or exercised its authority when it  
4 comes to electronic funds, individuals with tax  
5 liabilities greater than a million dollars; this  
6 discount can be provided at the Commissioner's  
7 discretion and does not have to be consistent with  
8 the rates adopted by the Council, the Charter also  
9 allows this discount to be as much as two times the  
10 amount of the discount adopted by the Council; this  
11 is on the electronic payments. So has the  
12 Commissioner used this ability or has it been used in  
13 the past?

14 JEFFREY SHEAR: No.

15 CHAIRPERSON FERRERAS: Okay. [background  
16 comments, laughter] That was clear. Great. So we  
17 have some additional questions and I don't know if  
18 any other of my colleagues have questions.  
19 [background comment] Sure, Council Member Rosenthal.

20 COUNCIL MEMBER ROSENTHAL: Just to follow  
21 up on the point that Councilwoman Ferreras just made  
22 about your concern about the possible fluctuations  
23 and if that were the case, that there was something  
24 unforeseen, what's so nice about the system is that  
25 of course the Banking Commission is gonna make a

1  
2 recommendation and what this bill asks for is  
3 transparency in that recommendation, so wouldn't it  
4 be the ca... [crosstalk]

5 JEFFREY SHEAR: And we agree with that  
6 transparency.

7 COUNCIL MEMBER ROSENTHAL: Yes. So it  
8 strikes me that we would be protected against any odd  
9 fluctuations by the intense oversight by the Banking  
10 Commission, by Finance, by OMB; by the Council and we  
11 would be protected against anything unforeseen. The  
12 other point to that is when you made the point about  
13 in 2005 the reason that they added in the first  
14 quarter to get the discount rate as well was to  
15 incentivize people. The beauty of the formula,  
16 again, is that if we need to incentivize people; that  
17 will pop out from the formula because the formula  
18 includes the notion that cash flow is short or  
19 projected to be short. So we wouldn't have to keep  
20 reamending the law to incentivize or disincentivize  
21 or play around with that because it's a clean formula  
22 and there's no question; to the Chairwoman's point,  
23 people -- you know the City is trying to establish  
24 its priorities through its budget and wants to have  
25 as much money available in order to make sure its

1  
2 priorities are being funded and it strikes me that  
3 despite what people have tried to do with incentives  
4 previously it's not working in the situation we're in  
5 today and again, that's why I think a formula would  
6 take care of that and still we keep in the language  
7 of this bill the checks and balances that the Banking  
8 Commission continues its role of making a  
9 recommendation. So I guess that's to say I look  
10 forward to working with you in a fairly expedited way  
11 to make sure you have comfort with the formula.

12 Okay? [laugh]

13 JEFFREY SHEAR: We look forward to it as  
14 well and all I would say is we think that a key  
15 strength of this bill is the fact that it makes the  
16 Banking Commission analysis and recommendations more  
17 transparent so that whatever role it plays, whether  
18 it's as the default rate or not, everyone knows where  
19 it's coming from, so we think that that is why we are  
20 putting forward it as the default discount rate; we  
21 look forward to discussions about that versus the  
22 formula or perhaps another formula.

23 COUNCIL MEMBER ROSENTHAL: Okay. Thank  
24 you very much and again, I just wanna thank the Chair

25

1  
2 for giving us an opportunity here to vet all these  
3 issues. Thank you very much.

4 CHAIRPERSON FERRERAS: So I was just  
5 speaking about the wonderful Ray Majewski, who I  
6 mentioned earlier, and he shared that if we were to  
7 use the formula that was recommended by our team,  
8 from 2001 to 2015 there would be some fluctuation in  
9 the interest rate, but it really would have been, in  
10 2001, at 1.64 percent; 2008 at 1.4 percent and in  
11 2015, today, it would've been .20 percent, so 20 and  
12 you know it shows; I think it reflects the cash flow  
13 issue, it reflects the economy, it makes sense and  
14 we're trying to get the numbers now on that would've  
15 saved our city and I think at the end of the day, as  
16 I mentioned when we started, when we're in the middle  
17 of budget negotiations, every, every penny counts and  
18 this really is what makes sense to us. So we're  
19 gonna share this and we'll attach savings to it and  
20 the cost.

21 So my colleagues have no additional  
22 questions; I'm gonna have one question to wrap up and  
23 this is really about the water and sewer charges. So  
24 the Banking Commission provides recommendations for  
25 the interest rates charged by the late payment of

1  
2 water and sewer charges; over the years the interest  
3 rate charged for water has consistently mirrored the  
4 interest rate charged for property taxes; other  
5 cities, such as Philadelphia, Dallas and Phoenix set  
6 different interest rates for the late payment of  
7 water charges and property taxes. What analysis does  
8 the Banking Commission do in determining the interest  
9 rate recommendations for water and sewer charges and  
10 which agencies if any do you consult?

11           LESLIE ZIMMERMAN: I think both groups  
12 were looked at as a whole and we don't have readily  
13 access to water and sewer information, although we've  
14 just started looking into it, so they were taken  
15 together as one.

16           CHAIRPERSON FERRERAS: So clearly that is  
17 another issue that this Council has; we would  
18 recommend and we're gonna be moving forward in  
19 thinking that the rate of water fluctuates; we're  
20 going through somewhat of a... not somewhat; we're  
21 going through increases, we went from metered to, you  
22 know, the outside meters and the complexities that  
23 many of our homeowners face with the water bill, so  
24 it's very likely that you can fall behind on your  
25 water bill and if we are just not necessarily doing

1  
2 any particular analysis, we could really be hurting  
3 the collection of these bills because perhaps it's  
4 about putting a zero interest rate or figuring out  
5 how can we incentivize people to pay their late water  
6 and sewage charges as opposed to just automatically  
7 saying these three are the same? I think we can no  
8 longer move forward with that. And it may end up  
9 that that's the recommendation, but we have to have a  
10 system by which we get to it and a system can't be we  
11 just look at them together.

12 JEFFREY SHEAR: Sure. I think one  
13 consideration that we do need to take into account is  
14 that while we want to be sensitive to the needs of  
15 the public during a time when water rates have  
16 increased over the years that we do not want to  
17 incentivize people in difficult financial positions  
18 to pay their property... [interpose]

19 CHAIRPERSON FERRERAS: Higher interest  
20 rate.

21 JEFFREY SHEAR: property tax bills  
22 because there's a higher rate and that could  
23 unintentionally force the default rate on the water  
24 bills to go up. So there is a linkage, we agree that  
25 it doesn't necessarily need to be automatic and other

1  
2 factors are involved, but that is a consideration as  
3 well.

4 CHAIRPERSON FERRERAS: Yeah, of course,  
5 but we've taken that into consideration and  
6 understand that, but we will continue to engage in  
7 this conversation, but I definitely think it's worthy  
8 of a separate analysis, even if it is that we get to  
9 the same rate, but I've gotta believe that our  
10 economies change, as we've seen and we should be able  
11 to afford those that have some type of incentive to  
12 pay early to do so.

13 JEFFREY SHEAR: Sure. The other thing  
14 that I want to mention just quickly is that obviously  
15 the Department of Environmental Protection is not at  
16 the table today, so certainly they would need to be  
17 involved in that conversation.

18 CHAIRPERSON FERRERAS: Absolutely.  
19 [background comments] So at 2015's rate of .20  
20 percent, this rate would have saved us \$15 million  
21 because it would've cost the City \$3 million  
22 [background comment] if we used Ray's formula, so we  
23 wanna, you know, consistently remind that we need to...  
24 at least we know... [crosstalk]

25 JEFFREY SHEAR: Yes, I...



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2 CHAIRPERSON FERRERAS: what to do with  
3 \$12 million on this end of the table... [crosstalk]

4 JEFFREY SHEAR: Right. Well we think  
5 that's worthy of further discussion; I think we would  
6 want to be certain that as many people would take a  
7 .2 percent rate as took the 1 percent rate and so  
8 that's an assumption and I believe in computing those  
9 figures and I see Ray nodding his head, so I think  
10 that needs to be part of the conversation.

11 CHAIRPERSON FERRERAS: Right, but we're  
12 talking about June 30th of July 1st now, in some  
13 ways.

14 JEFFREY SHEAR: I'm sorry... [interpose]

15 CHAIRPERSON FERRERAS: Of those that pay  
16 June 30th and whether you're paying July 1st...  
17 [interpose]

18 JEFFREY SHEAR: Right, but...

19 CHAIRPERSON FERRERAS: and the savings on  
20 the year.

21 JEFFREY SHEAR: Right, but... [interpose]

22 CHAIRPERSON FERRERAS: We're not gonna  
23 debate this here... [interpose]

24 JEFFREY SHEAR: Right.  
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COMMITTEE ON FINANCE

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CHAIRPERSON FERRERAS: we're gonna have a whole conversation... [interpose]

JEFFREY SHEAR: Right.

CHAIRPERSON FERRERAS: about this, but thank you for your point and if we don't have any additional questions, thank you for testifying today.

JEFFREY SHEAR: Thank you for having us.

[background comments]

CHAIRPERSON FERRERAS: Okay. And we will call this hearing to a close.

[gavel]

[background comment]

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 January 16, 2015