

COMMITTEE ON FINANCE JOINTLY WITH SUBCOMMITTEE

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ON CAPITAL BUDGET

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CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

Of the

COMMITTEE ON FINANCE JOINTLY WITH SUBCOMMITTEE
ON CAPITAL BUDGET

March 6, 2019
Start: 10:27 a.m.
Recess: 3:52 p.m.

HELD AT: Council Chambers - City Hall

B E F O R E: DANIEL DROMM
Chairperson

VANESSA L. GIBSON
Co-Chair

COUNCIL MEMBERS:

ADRIENNE E. ADAMS
ANDREW COHEN
ROBERT E. CORNEGY, JR.
LAURIE A. CUMBO
BARRY S. GRODENCHIK
RORY I. LANCOUNCIL MEMBERAN
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A P P E A R A N C E S (CONTINUED)

Melanie Hartzog
Director of the Mayor's Office of Management and
Budget, OMB

Kenneth Godiner
First Deputy Director of the Mayor's Office of
Management and Budget, OMB

Ronnie Lowenstein
Director of the New York City Independent Budget
Office, IBO

George Sweeting
Deputy Director of the New York City Independent
Budget Office, IBO

Charles Brisky
Deputy Director for Expense and Capital Budget
Coordination of the Mayor's Office of
Management and Budget, OMB

Scott Stringer
New York City Comptroller

Preston Niblack
New York City Deputy Comptroller for Budget

Ralph Palladino
Second Vice President of DC 37 Local 1549

Derek Thomas
Senior Fiscal Policy Analyst at FPWA

Michelle Jackson
Deputy Executive Director of the Human Services
Council

Laura Mascuch
Executive Director of Supportive Housing Network
Of New York

Katelyn Hosey
Live on New York

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

Erika McSwain
Project Director of the Queens Youth Justice
Center

Shane Correia
Associate Director of Strategic Partnership at
The Center for Court Innovation

Carlyn Cowen
Chief Policy and Public Affairs Officer at the
Chinese American Planning Council

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[gavel]

CHAIRPERSON DROMM: Okay. Good morning and welcome to today's hearing in the Finance Committee. I'm Council Member Daniel Dromm and I'm the Chair of the Committee. Today we will examine the fiscal 2020 preliminary budget, the preliminary capital plan for fiscal 2020 to 2023, the preliminary ten-year capital strategy for fiscal 2020 to 2029 and the fiscal 2019 preliminary Mayor's Management Report. I'm glad to be joined by both the Speaker, Corey Johnson and the Subcommittee on Capital Budget Chaired by Council Member Vanessa Gibson. Last year the Council focused it's first hearing on the expense and revenue portions of the fiscal 2019 preliminary budget and later convened a separate hearing on the capital budget. This year we'll be covering fiscal 2020 expense, revenue and capital all in one, so we have so much to cover today. I want to introduce my colleagues who have joined us let me start over here with Council Member Andy Cohen, Council Member Steve Matteo, Council Member Margaret Chin, Council Member Keith Powers and of course our Speaker, Council Member and Chair Vanessa Gibson, Council Member Adrienne Adams and Council Member Debi Rose and I

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know that other Council Members will be joining us shortly. This is now my second budget cycle in my role as Finance Chair and I'm looking forward to continuing to build on our fiscal 2019 accomplishments. I'm very proud of what the... we as the Council and the administration did together in the last budget cycle including 106 million dollars for Fair Fares that are... that are now starting to provide those living at or below the poverty line with half priced metro cards, 150 million to make New York City public schools more accessible to people living with disabilities, 125 million dollars to boost school budgets through fair student funding and a 225 million dollar increase in the city's budget reserves. I am confident that this year we will keep the momentum going in our fight for a progressive responsible budget that truly delivers for our city. To that end I welcome the Director of the Office of Management and Budget, Budget Melanie Hartzog also returning for her second budget cycle. It's good to see you again Miss Hartzog and I look forward to another productive year with you and your staff. On a logistical matter I want to remind any member of the public who wishes to testify to please fill out a

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witness slip with the Sergeant at Arms. The public portion of the hearing is scheduled to begin at approximately 2:30 p.m. and the witness panels will be arranged by topic so please include the topic of your testimony on your witness slip. If there is any member of the public who wishes to testify but is unable to do so at today's hearing you may email your testimony to the Finance Division at finance testimony at council dot NYC dot gov by close of business Tuesday, March 12th and the staff will make it part of the official record. Before we get started, I'd like to thank the entire staff of the Council's Finance Division for their work and support in preparing for this hearing. The Finance Division is led by Latonia McKinney and includes Deputy Directors Regina Poreda Ryan; Nathan Toth; and Paul Scimone; Deputy Director and Chief Economist Dr. Raymond Majewski; Assistant Director Emre Edev; Supervising Economist Paul Stern; Unit Heads Dohini Sompura, Eisha Wright, John Russell, Chima Obichere and Crilhien Francisco; Senior Council Rebecca Chasan; Assistant Counsels Noah Brick and Stephanie Ruiz and all of the Finance Analysts, Economists and Administrative support staff who have helped put

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together the, the budget reports and the hearings together today. This year the Mayor's fiscal 2020 preliminary budget totals 92.2 billion dollars. Since Mayor De Blasio first took office and presented his 73.7 billion-dollar fiscal 2015 preliminary budget, the budget has grown by 18.5 billion dollars. In comparison, the budget is projected to grow by only ten billion dollars in the five years starting with fiscal 2019. This slowing growth comes as the city is entering a period in which a continued robust rate of economic growth is less certain. While the number of jobs in the city continues to expand, the rate of job growth is slowing. While some city tax receipts have been stronger than anticipated, estimated personal income tax payments have recently declined. Finally, New York State is itself facing a budget gap in excess of two billion dollars exposing the city to cuts and cost shifts as we await the state's final budget. When the Mayor released the budget, he expressed his concern and.. this concern and reflected it in a conservative preliminary budget relative to prior fiscal years with planned spending expecting.. expanding at a slower rate and relatively few new initiatives. Most of the projected growth in spending

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2 is associated with increased labor cost and
3 education. The Mayor also announced a program to
4 eliminate the gap or PEG, the first of his
5 administration. Through this mandatory savings
6 program, agencies will be given specific savings
7 targets that must cumulatively add up to 750 million
8 dollars over fiscal '19 and '20 and if agencies are
9 unable to meet their savings targets OMB will step in
10 and impose additional reductions. This is the general
11 landscape in which we are operating this year and
12 before I continue with some more specifics about the
13 budget, I'm going to turn the mic over to the Speaker
14 to say a few words. Speaker Corey Johnson.

15 COUNCIL MEMBER JOHNSON: Thank you Chair
16 Dromm and Chair Gibson and thank you to the entire
17 City Council Finance Division led by our Director
18 Latonia McKinney for everything that you've all done
19 to prepare for today's hearing and the hearings that
20 will follow throughout March. It's good to see you
21 Director Hartzog, thank you for being here this
22 morning. We are here today to examine the Mayor's
23 92.2 billion-dollar fiscal 2020 preliminary budget.
24 As Chair Dromm just explained the preliminary budget
25 was released under the backdrop of the

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administration's concerns about a possible economic downturn, we agree, the Council agrees that we need to be cautious, but that caution must be exercised with precision and with an emphasis on finding true efficiencies. These budget negotiations are being conducted with the potential for future economic challenges on all of our minds, all proposed spending will be viewed in the context of those potential challenges. The council will be vigilant in making sure that all city spending will reflect our shared priorities with the administration for a better city. Far too often the budget it seems is seen in two parts, the signature initiatives of the Mayor and everything else. Those signature initiatives like Pre-K and 3-K and ThriveNYC are flushed with funding and resources and the Council supports those initiatives but our job is to continue to review the budget as a whole to determine where we should be placing our resources for the greatest good of the city. Money has been poured into certain initiatives and we must take... and we must take accountability to be sure the funding is being spent efficiently and strategically. Just because a program or initiative is new, transformative or a mayoral priority [clears

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2 throat] excuse me, that should not shield it from
3 oversight. The Council is not a rubber stamp,
4 everyone is being asked to tighten their belts while
5 a few key initiatives seem exempt and so the Mayor
6 wants a PEG, a modified PEG program which would
7 impose a mandatory 750 million dollars cut across
8 various city agencies. Looking for efficiencies is a
9 good thing, we at the Council have been calling for a
10 more rigorous citywide savings program for years but
11 the process of making 750 million dollars in cuts
12 everything must go under a microscope. The PEG cannot
13 be limited to parts of the budget where, where
14 funding is already spread thin and agencies are
15 already struggling to meet their core missions and as
16 I've said from my first day as Speaker, the priority
17 must be to protect our social safety net, New York
18 City's social safety net, protecting marginalized,
19 vulnerable, poor New Yorkers who are struggling to
20 get by and rely on government to be a force for good.
21 I understand they are important first hand, I grew up
22 in public housing in a family that struggled. The
23 government programs that lift people up when they are
24 in need and when they are in tough times pay off in
25 the long run. Now when our economic outlook is less

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rosy is exactly when we should be investing in these programs and in our most vulnerable populations. We need to be fiscally responsible by reining in spending but it... but it should also not be at the expense of these vital programs. The second thing that may happen as a result of focusing on certain priorities is that other matters that should have become priorities could fall to the wayside. This is why we may have the housing New York plan as a result of the administration's investments but NYCHA residents continue to live in unhealthy and unhabitable conditions and suffer on a daily basis. We may have expanded ferry service, but the subways are literally and figuratively crumbling around us, I don't blame that on the Mayor. We have universal Pre-K and 3-K but some of our most vulnerable students don't have access to year round after school programs or summer jobs, it's a matter of priorities and that's what this process will be about, talking about those priorities and again many of the things that this administration has put forward; 3-K, Pre-K, Thrive I think are really good things. It's a matter of ensuring that it's the right amount of money and are we ensuring that we're funding other key programs

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that are important to the administration and to the City Council. Inattention to issues considered secondary or to long standing problems can lead to remarkable phenomenon of governing by monitor, there's now a federal monitor for NYCHA, for the FDNY hiring process, for the city's jails and for certain parts of police reform. The budget process should begin with a review of our entire public system so that we can identify successes and failures to work towards a negotiated budget that includes our shared priorities both the administration and the Councils. From a capital perspective we have doubts about the presentation of the ten year capital strategy, every two years and the... our Chair Gibson is going to talk about this, every two years the Mayor is given the opportunity to show bold vision for the future of our city's infrastructure and capital needs but what was presented in this plan shows that the second five years of this strategy does not seem to realistically take into account the city's needs. Can it really be true, and this is what we read in the report, can it really be true that no new schools will need to be built after fiscal 2024? That there's no new spending on jails, that will be required after fiscal 2020.

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Years five through ten of the strategy do not even contemplate sustaining today's actual capital commitment levels as much as planning for future needs. We've seen this with the MTA and what happens when we fail to plan ahead. This was a missed opportunity to demonstrate the ability to look at the whole picture and the long game. As we all know, there are also significant risks to our budget coming up from the state perspective. We look forward to working with you and the administration closely to ensure that the enacted state budget provides the funding that the city needs. This year things are getting tighter; we're all going to have to do our part to be fiscally responsible, but the Council will not stop fighting to protect the programs our constituents rely upon every day to get by and thrive and survive. I just want to end with the fact that I, I think last year's budget was a very good process, I was happy with the way we were able to work from prelim through executive into adoption and talking about our shared priorities and funding a lot of programs where there are shared values and I think we each compromised a little bit throughout the process. I also want to remind everyone that this City

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Council, before my time as Speaker, though last year we did it as well, we have pushed year after year for additional... for additional reserves, we've asked last year, we got over 200 million dollars put in additional reserves. We were calling for these reserves when... correct me if I'm wrong OMB wasn't calling for reserves, the City Council the last I think five years was pushing every year to add to our reserves, 200 million, 250 million and it seemed we were the ones that were carrying that banner and we did that because if a PEG was needed, if the downturn came we wanted to ensure that the most vital social service programs in our safety net that vulnerable and marginalized New Yorkers, immigrants and young people and senior citizens and the working poor that the budget would not be balanced on their backs by cutting programs that make a tremendous difference in their daily lives. So, I look forward to going through the series of hearings with you and with all the sister agencies that will be presenting their budget and I look forward to doing it with a shared partnership for the values, the so many values that this administration and the City Council share. And I want to turn it back to Chair Dromm.

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CHAIRPERSON DROMM: Thank you Mr. Speaker

and as you have said the Council hears the Mayor's call for a PEG as an invitation to put everything in the preliminary budget under the microscope. Because the preliminary budget proposes relatively few new initiatives to examine, we will focus our attention in our budget hearings on making sure that everything the budget contains is right sized and working efficiently. We will try to determine if each agency's budget is appropriately matched to agency's effective performance. We will identify programs that perhaps have not been as effective as hoped and divert funds to bolster and stabilize what has been working. With so many competing worthy priorities we owe it to our constituents to honestly evaluate all levels of the budget. I think it's important to flag the lurking risks that are altogether missing from the preliminary budget while generally known are difficult to project accordingly at this time due to the uncertainty of the state budget. They are significant enough that we should not wait to discuss the possible impacts and active measures we might be able to take now. The preliminary budget does not alter state revenue projections to align with the

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Governor's executive budget for state fiscal year 2019 to 2020. The executive budget includes several proposals that could lower state aid to the city by roughly 600 million dollars next year including losses of 300 million dollars in education funding, 125 million dollars in financial assistance to families and needs, 59 million dollars for vital health services for vulnerable New Yorkers and 13 million dollars for keeping at risk youth out of foster care and detention. We are also awaiting details about the impact of this... to the city of the Governor's proposed cut of 550 million dollars in statewide Medicaid funding which will also result in the loss of federal matching funds. These reductions add to the hundred million dollars in prior year's state cuts that primarily impacted programs for children and youth and the... and which the state executive budget fails to restore. While revisions to the Governor's proposal by the state legislature are likely given the state fiscal outlook and revised revenue projections the preliminary budgets projected state aid increase of 132 million dollars for next year isn't realistic. While the Council understands the wait and see approach of not reflecting cuts in

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state aid in the budget until those actions are finalized our concern is more focused on whether there is a plan to address the risks should they materialize. If the shortfalls in state aid are not restored how will the city's budget accommodate that lack of revenue? We hope to hear testimony from OMB today about their plans. In addition to the risks from the state we would also do well to consider the potential longer term... longer term revenue risks from the, the recent decline in personal income tax collections. It remains possible that it is just a one-time response to a bad year on Wall Street and the new federal tax cap on SALT deductions or that the drop off may be significantly offset by strong payments in April, we'll have to wait and see. But again, just because we're uncertain doesn't mean that we shouldn't plan. In addition to these uncertainties that are more or less outside of the city's control there are also expense risks that are better known and yet still not anticipated in the preliminary budget. These include the likely increase in the cost of school bus services given that the Department of Education still has not secured new bus contracts. We also know that additional spending on employee

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overtime above the preliminary budget allocations is almost certain. Actual overtime costs have consistently outpaced budgeted costs throughout the De Blasio Administration. The pattern is clear, since fiscal 2015 the overtime budget at adoption has been on average 28 percent less than actual expenditures and again this year's preliminary overtime budget totals only 1.3 billion dollars even though overtime actual expenditures have averaged 1.7 billion dollars in the past five fiscal years. As the Mayor is looking for ways to find cuts and increase efficiencies in the budget now is the time to develop comprehensive... a comprehensive plan to reduce overtime by tightening controls and imposing strict limits inside agencies. If we don't act and overtime keeps pace with prior spending the fiscal 2020 budget would need to grow by almost 400 million dollars. In addition, the onetime funding added to the fiscal 2019 budget for a variety of programs such as work, learn and grow bridging the gap for homeless students in our public school system and adult literacy which is vitally important to our immigrant community especially if we call our city a sanctuary city, would add another 122.6 million dollars to the fiscal

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2020 budget if restored. These are important programs and the Council would like to see them baselined. The preliminary budget is also unrealistic because City Council discretionary funding is entirely missing. Each year Council Members allocate discretionary funds to not-for profit organizations in order to meet local needs and fill gaps in city agency services. While not a large part of the budget, this funding allows the city to take advantage of Council Member's localized knowledge to better target services to residents. Last year the cost was 391.3 million dollars. Given these known risks to revenues and expenses budgeting for a larger reserve is prudent yet even as the Mayor is calling for caution in uncertain times, he has not included any new funding for the reserves. The Council has consistently been the body advocating for this fiscally responsible action throughout this administration and more than ever we need to keep growing our reserves to protect against shortfalls and painful midyear cuts to vital services, indeed we cannot afford not to. Now I have spoken at length about what we're seeing on the expense side of the budget, I'm going to turn it over to Council Member

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Gibson to give her the opportunity to say a few words about the capital budget. Council Member and Chair Gibson.

COUNCIL MEMBER GIBSON: Good morning, good morning everyone, thank you all for being here. Thank you to Speaker Corey Johnson and our Finance Chair Danny Dromm, I welcome all of you here to our hearing today. I'm Council Member Vanessa Gibson, I'm proud to serve as Chair of the Subcommittee on the Capital and I'm honored to co-host today's hearing today. I too want to welcome our OMB Director Melanie Hartzog as well as our First Deputy Director Ken Godiner and the OMB staff who are here today. As Chair Dromm and Speaker Johnson mentioned we are here this morning to examine the preliminary ten-year capital strategy for fiscal years 2020 through 2029, the fiscal 2020 preliminary capital budget and the accompanying preliminary capital commitment plan, my favorite topic. Each one of these documents have a very critical role in the capital process and in understanding the city's infrastructure funding needs. The ten-year capital strategy is truly intended to set forth the goals, the policy constraints, assumptions and the criteria for

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2 assessing the city's capital needs over the next ten
3 years. The preliminary capital budget is intended to
4 further our long-term planning goals and to maintain
5 and improve the state of good repair through
6 appropriations by agency as well as budget line. The
7 appropriations that are improve... approved in the
8 capital budget adopted by the Council set the legal
9 limit of how much the administration may spend.
10 Finally, the capital commitment plan sets forth the
11 administration's plan for how it intends to execute
12 the capital program and spend the funds that are
13 appropriated in the capital budget. These documents
14 serve a very key role as laid out in our city's
15 charter in providing for a transparent capital
16 process that truly creates a balance of budgetary
17 power between the administration and the Council yet
18 despite the significance and importance of these
19 documents the administration continues to fail to
20 comply with the letter and the spirit of our charter.
21 Let's begin with the city's 104.1-billion-dollar
22 preliminary ten-year strategy which is 14.5 billion
23 dollars larger than the last approved ten-year
24 strategy. Although this increase is attributed to the
25 projected need for more spending on the expansion and

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2 the improvement of our facilities. As the Speaker
3 touched upon the strategy includes several examples
4 of unrealistic planning. As an additional example to
5 what was already mentioned today the strategy plans
6 for an 853 million dollar need for the NYPD's police
7 facilities projects in the first three fiscal years
8 but then only anticipates a 160 million dollar need
9 across the following seven years. The exercise of
10 putting together the strategy should be a real
11 serious attempt to lay out a comprehensive blueprint
12 and foundation for the long-term capital priorities
13 of our city. This is not what is reflected in the
14 strategy that we are presented with this year. The
15 capital budget and the commitment plan also have
16 other shortcomings. The capital budget totals 52.8
17 billion dollars with an average appropriation of 13
18 billion dollars for each year to support capital
19 programs across 28 city agencies. Although the
20 charter requires the capital budget to be laid out by
21 capital projects, the capital budget we have been
22 presented with includes significant excess
23 appropriations and offers limited details on the
24 projects that the new appropriations would support.
25 This issue is not new to this administration and in

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fact this administration has made great strides in these areas last year which I give credit to by reducing the excess appropriations by 5.9 billion dollars and adding several new budget lines but this Council will continue to push for further progress particularly for more budget lines in this year's budget. The more detailed information that we're looking at for is typically provided in the commitment plan which the Council does not approve. This year's preliminary capital commitment plan totals 83.8 billion dollars. The Council is very pleased to see that the administration has continued the practice that we urged last year of not front loading the first two years of the plan such that planned spending is more accurately reflected across all four years. There is still much progress that can be made on this effort as well, but we appreciate the steps that have already been taken thus far. While a closer adherence to the charter requirements would provide the much needed transparency in the process that was envisioned by the 1989 charter revision commitment... commission many of the issues that result from this lack of transparency could be resolved if, if the city had a better and improved system or

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really a more comprehensive system for tracking the progress of capital projects. And that brings me to my next topic. At a joint hearing of the Committee on Finance and the Subcommittee about a month ago we talked about a number of capital projects and an actual tracking system. We were dismayed to learn that there's not a single agency or office in the city that takes ownership of tracking the progress of all capital projects citywide. Agencies track their own projects; OMB checks in at certain budget related intervals and the Mayor's Office of Operations tracks projects at 25 million dollars or more as their threshold which is just a small fraction of our capital program. So, in order to fix this problem to make capital projects more faster and efficient to identify the choke points in the system that are slowing things down we first have to know what is happening across all projects, across all agencies. It is only through this data driven approach that we are better able to utilize our existing resources to communicate meaningful information to the public, New Yorkers have a right to know and give the city the infrastructure improvements that it so desperately needs, and all New Yorkers need. I'm looking forward

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to today's hearing, I thank the incredibly Finance Division led by Latonia McKinney and all of the staff for their hard work and certainly want to recognize the members of our Subcommittee; we are a small group but a mighty group our Minority Leader Steve Matteo, Council Member Helen Rosenthal, Council Member Barry Grodenchik, and Council Member Keith Powers and I look forward to today's hearing and do want to commend OMB for a great start. I think last year we were onto something good and I look forward to making it even better in our second year under your leadership. I know turn it back over to our Finance Chair, Council Member Danny Dromm. Thank you.

CHAIRPERSON DROMM: Thank you Chair

Gibson and before we hear from OMB I'd like to remind my colleagues that the Director is here to answer big picture questions about the budget so please reserve agency specific questions for the agency commissioners who each will be testifying throughout the month of... throughout the month... the month of March at hearings specific to the budgets of their agencies. One other quick reminder to my colleagues that the first round of questions for OMB will be limited to three minutes per Council Member and if

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2 Council Members have additional questions, we will
3 have a second round of questions at two minutes per
4 Council Member. And with that we will now hear from
5 the Director of the Mayor's Office of Management and
6 Budget, Melanie Hartzog who will be sworn in by
7 Counsel.

8 COMMITTEE CLERK: Do you affirm that your
9 testimony will be truthful to the best of your
10 knowledge, information and belief?

11 MELANIE HARTZOG: I do. Good morning.
12 Thank you, Speaker Johnson, Finance Chair Dromm,
13 Capital Budget Subcommittee Chair Gibson, members of
14 Finance Committee and members of the City Council for
15 the opportunity to testify today concerning the
16 fiscal year 2020 preliminary budget. I also want to
17 thank Latonia McKinney and the Council Finance staff
18 for their positive and collaborative approach to the
19 budget. I am joined at the table today by OMB First
20 Deputy Director Kenneth Godiner. And our dedicated
21 and hardworking OMB staff is here to assist me in
22 answering questions. Before I discuss the fiscal year
23 2020 preliminary budget and preliminary ten-year
24 capital strategy, I would like to set the backdrop.
25 First, experts believe the national economy is

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slowing. Equity markets experienced volatility throughout 2018, with substantial fluctuation through the fall and winter. In December, we experienced the biggest monthly decline in the markets since the financial crisis. Further, GDP growth slowed to 2.6 percent in the final quarter of 2018. Many economists believe it might dip below two percent in the first quarter of this year, in part because of the federal government shutdown. Additionally, foreign trade conflicts and a weakening housing market raise red flags. The second challenge we face is slowing revenue growth. Personal income tax collections were down in December and January due to market volatility. Therefore, we revised our fiscal year 2019 PIT forecast downward. The decline in PIT was offset by gains in real property tax, our single largest revenue source and sales, commercial rent, transaction and business taxes. However, the decline in personal income tax caused overall revenue growth to slow. A substantial deviation in revenue expectations could threaten fiscal stability and will require us to take additional savings measures. We will have an updated revenue forecast in the executive budget that is released in April. On top of

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a national economic pressure and slowing revenue growth, we face adversity from Albany. The proposed state budget released in mid-January contains nearly 600 million in cuts and cost shifts that impact the budget over fiscal years 2019 and 2020 and puts us at risk. The state shifts 300 million in education costs, leaving the city short of funding it needs to educate 1.1 million students. Further, the state budget proposes a shift of 125 million of state costs to the city for TANF financial assistance for families in need. This would shift the cost of cash assistance to the city and cut shelter rates for those who need shelter. The proposed state budget also cuts 59 million designated for healthcare services. This includes funding for prenatal care, diabetes prevention and HIV treatment. Finally, the state budget cuts 13 million from programs that keep at risk youth out of foster care and detention centers. The state's executive, executive budget also includes a projected 1.6 billion dollars drop in personal income tax revenue for the state fiscal year that begins in April. And after the executive budget was released, we learned of a new threat; the state faces a 2.3-billion-dollar revenue shortfall in its

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2 current year. In response, the state proposed more
3 than a half billion dollars in cuts to Medicaid
4 reimbursement statewide. We will continue to work
5 with our allies in the state legislature to fight
6 cuts to our budget. To meet the challenge posed by a
7 slowing national economy, state budget impacts, and a
8 decline in revenue growth, the Mayor has called for
9 an additional 750 million in savings in the executive
10 budget. To achieve these savings, and protect our
11 fiscal stability, we are taking two additional steps.
12 First, we are instituting this administration's first
13 program to eliminate the gap. When he announced the
14 PEG, the Mayor was clear that mechanically applied,
15 across the board cuts, are not an equitable means of
16 achieving savings. We have given agencies mandatory
17 savings targets that take each agency's overall
18 budget and previous savings efforts into account.
19 [sneeze] bless you. We will help the administration
20 achieve these targets using the administration's
21 core... or excuse me, we'll help the agencies achieve
22 these targets using the administration's core
23 priorities as a guide and reflect the savings in the
24 executive budget. Second, we are expanding the
25 partial hiring freeze. This program has saved the

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city almost 450 million since it began in April of 2017. Last November we extended the initiative by mandating an annual takedown of 1,000 vacancies. This is saving the city, city 50 million per year. Now, we are deepening our approach. In addition.. in addition to monitoring hiring decisions and eliminating vacancies, we will carefully scrutinize every vacated position to ensure it helps fulfil an essential agency function. Going forward, this approach will be an integral part of the partial hiring freeze. I would now like to discuss the fiscal year 2020 preliminary budget, which is 92.2 billion. The budget is balanced and outyear gaps are manageable. Overall growth in the budget since adoption is 3.4 percent, which is within historic range. The growth is driven by planned budget increases that include fair wages and benefits for our employees, and investments in education. Like prior years, we have record levels of reserves and remain focused on savings. We maintain 5.75 billion in reserves that serve as a buffer to the unexpected. This includes one billion in the general reserve, 250 million in the capital stabilization reserve and 4.5 billion in the retiree health benefits trust. The preliminary budget

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reflects one billion in savings across fiscal years 2019 and 2020. We also recognized healthcare savings of 1.6 billion in fiscal year 2020 and 1.9 billion annually thereafter. New agency spending is 199 million in fiscal year 2019 and 300 million in fiscal year 2020. This is the lowest amount we've spent in a preliminary budget and is offset by 950 million in agency savings over the two years. The majority of the new agency spending goes towards continuing existing programming. Investments include: deepening our investment in 3-K for All by expanding into high needs districts eight and 32; partnering with the Speaker and the City Council to invest in the Fair Fares program that helps low income New Yorkers get to school, work and medical appointments; accelerating crisis intervention training, which includes de-escalation techniques for NYPD officers who are most likely to engage people experiencing a mental health crisis; and increasing access to primary and mental health care, as the Mayor announced in his state of the city address. I would now like to discuss the capital budget. First, I am happy to report some good news that will have a positive impact on our capital program for years to

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come. Last Friday Moody's Investors Service upgraded our general obligation bond rating to Aa1. As a result, we expect to see lower borrowing costs and additional savings. Further, the market for our bonds will diversify and grow. This is the highest rating the city has ever achieved and only one step below AAA, their highest level. In explaining their decision to upgrade our bond rating after nine years at a lower level, Moody's cited our strong financial management and the city's economic diversity. Every other fiscal year, we outline our long-term capital outlook. The 2020 preliminary ten-year capital strategy is 104.1 billion. This reflects an 8.7 percent increase over the 2018 ten-year capital strategy. The bulk of the investments in the preliminary capital strategy are in education, environmental protection, transportation, and housing. They include: fulfilling the mayor's commitment to finance 57,000 school seats; improving wastewater treatment facilities and sewage control measures; expanding green infrastructure projects; enhancing pedestrian and cyclist safety; improving roadways and traffic flow; building and preserving record levels of affordable housing and investing in

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repairs and improvements to NYCHA developments. In funding our capital budget, we continue to estimate debt service cautiously, and ensure that city supported debt service does not exceed 15 percent of city tax revenue, the benchmark used by the city for many years. Thank you again for the opportunity to testify today and I now look forward to taking your questions.

COUNCIL MEMBER JOHNSON: Thank you

Director Hartzog. So, the Mayor as you detailed in your testimony announced that the PEG program for the executive budget will find a total of 750 million dollars in savings over fiscal 2019 and 2020 but that 750-million-dollar target is less than one percent of the city funded portion of budget. The chart on the screen that you will see in a moment shows the size of the citywide savings program over the last three fiscal years with each plan booking savings for a five year period, the size of the fiscal 2019 program is much smaller than the fiscal 2018 program and this year's program also appears to be modest even with the additional 750 million dollar PEG. How did we arrive at this number, I'd like to just understand why... how did we get to 750 million dollars, what was

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2 the... why wasn't it 500 million, why wasn't it a
3 billion, how did we arrive at that number and do you
4 think it's ambitious enough given the revenue and
5 expense risks that you've outlined?

6 MELANIE HARTZOG: Well first, first I
7 want to point out that the 750 million dollars is the
8 savings target overall from now till exec. As you'll
9 note even in times where we had significantly strong
10 revenue growth we were always looking to achieve
11 savings and had and that includes both savings that
12 we achieved in the preliminary budget of a billion to
13 savings that we achieved in the November plan so
14 there's a cumulative effect here. At this point in
15 time we believe that 750 million dollars is the
16 target for the executive budget that we need to
17 achieve. There are additional risks that are coming
18 as I noted in my testimony, the Governor recently
19 announced a half a billion dollars in Medicaid cuts
20 statewide, there's risks as to what actually gets
21 into the enacted budget and we may need to revisit as
22 well as the risk that Chair Dromm pointed out of
23 where we are with our current revenue collections in
24 the current year and April is a very critical month
25 to look at where we are with personal income tax

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2 collections but at this point in time 750 million was
3 the number that we determined we needed to achieve at
4 the executive budget.

5 COUNCIL MEMBER JOHNSON: But how did you
6 determine that number?

7 MELANIE HARTZOG: It was the number of
8 the factors that I talked about; it was looking at
9 where we are with our current revenue forecast,
10 looking at how much we achieved in savings between
11 the November and the preliminary budget and that's
12 how we determined what the number is.

13 COUNCIL MEMBER JOHNSON: What were the
14 other... what were other potential numbers that you
15 looked at; would you look at a higher number for
16 savings?

17 MELANIE HARTZOG: If we need to give
18 where the enacted... where we land with the enacted
19 budget as we move closer into April and start to
20 monitor where collections are. Right now, if we look
21 at where we are with our revenue forecast and
22 collections, we're holding at our current revenue
23 forecast so those are all risks that we need to take
24 into considering. The challenge for us is, is that as
25 we move closer and closer to the executive budget

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we'll know more about where our personal income tax collections are, we'll know more about where the state is in the enacted budget and we may need to call for additional savings.

COUNCIL MEMBER JOHNSON: So, the proposed targets that we are discussing or that we saw is... add up to 544.6 million dollars that's what we've seen from... it was outlined for today.

MELANIE HARTZOG: That's correct Speaker, of the 750 million 544 million is the PEG target for the city agencies.

COUNCIL MEMBER JOHNSON: And where's the other money, where's the remainder of the PEG coming from?

MELANIE HARTZOG: We'll be looking at other strategies including debt service and also the partial hiring freeze as well.

COUNCIL MEMBER JOHNSON: So, we've seen the draft list of savings targets for each agency, the largest category of proposed cuts by dollar amount is 146.9 million dollars and that's in health and welfare agencies, social service agencies that provide most of the city's social, safety net

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programs, are these programmatic cuts going to affect social safety net programs?

MELANIE HARTZOG: So, Council Member or excuse me, Speaker, what we did in taking into consideration the PEG targets for each of agencies is look at a number of unique factors one of which is the ability to maximize other revenue sources and health and social service agencies are one of the set of agencies that has that ability to look at maximizing other revenue sources obviously other than the city and so that was one of the factors in considering how we developed their PEG targets which is working with those agencies over the course of the next several months to see in fact if we can maximize other revenue sources, they've been able to do that in the past that was also one of the considerations that we made in looking at the PEG targets and we believe that we can meet those targets and one of the ways that we'll do that is maximizing resources. In terms of looking at overall programs, one of the things we're... we'll be looking at not just for the social service and health agencies but across all city agencies is we made significant investments, we want to know in fact and we'll be evaluating with the

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2 agencies, are those investments achieving the
3 outcomes that they need to achieve, did we have
4 overlapping investments that we may need to then
5 adjust some of the programs that we're currently
6 funding.

7 COUNCIL MEMBER JOHNSON: Just to be
8 clear, so OMB have you all identified with the
9 agency's specific cuts line by line... [cross-talk]

10 MELANIE HARTZOG: No... [cross-talk]

11 COUNCIL MEMBER JOHNSON: ...per... [cross-
12 talk]

13 MELANIE HARTZOG: ...we have not.

14 COUNCIL MEMBER JOHNSON: I mean how do
15 you come into a budget hearing with these numbers
16 without giving a specific... we can't... why are we... why
17 are we having this hearing?

18 MELANIE HARTZOG: The... [cross-talk]]

19 COUNCIL MEMBER JOHNSON: I mean it's
20 like... [cross-talk]

21 MELANIE HARTZOG: ...purpose of a PEG
22 target is to give the agencies a target in which to
23 achieve... [cross-talk]

24 COUNCIL MEMBER JOHNSON: But it should
25 have been identified coming into this hearing, if

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2 we're going to have a real hearing on these cuts and
3 do our job of oversight on the city's budget we can't
4 have a conversation with you today about whether
5 those cuts make sense or a valuable when you're not
6 giving us specific programs, I mean this is... [cross-
7 talk]

8 MELANIE HARTZOG: The PEG target... [cross-
9 talk]

10 COUNCIL MEMBER JOHNSON: ...this is strange
11 to me.

12 MELANIE HARTZOG: The PEG target is to be
13 achieved in the executive budget.

14 COUNCIL MEMBER JOHNSON: I understand...
15 [cross-talk]

16 MELANIE HARTZOG: The preliminary budget...
17 [cross-talk]

18 COUNCIL MEMBER JOHNSON: ...it will be an
19 executive budget, but I don't... [cross-talk]

20 MELANIE HARTZOG: ...is... that's what we
21 reflect... [cross-talk]

22 COUNCIL MEMBER JOHNSON: ...I don't think
23 it's appropriate to wait until the executive budget
24 to get this information, I mean you all have been
25 planning this for a while now it may not be exactly

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2 the exact dollar amount or the exact program but
3 there should be a better sense of what these agencies
4 are going to look at especially when you have
5 numbers, when you look at the percentage for the
6 agencies when you add the number of 400.. 544 million
7 dollars. The NYPD is one percent when you look at
8 their cuts, the FDNY is .36 percent, DOC is three
9 percent, but ACS is 7.59 percent, the agency that
10 takes care of our children.

11 MELANIE HARTZOG: I think I just
12 explained to you why, I told you... [cross-talk]

13 COUNCIL MEMBER JOHNSON: I'm telling you
14 that... [cross-talk]

15 MELANIE HARTZOG: ...you about the fact
16 that... [cross-talk]

17 COUNCIL MEMBER JOHNSON: ...we need more
18 information... [cross-talk]

19 MELANIE HARTZOG: ...we have revenue...
20 [cross-talk]

21 COUNCIL MEMBER JOHNSON: ...before the
22 executive budget... [cross-talk]

23 MELANIE HARTZOG: We most certainly will
24 have it when we are ready to release the executive
25 budget, we are now in the process of working with the

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2 agencies, we've announced the target to the agencies
3 yesterday...

4 COUNCIL MEMBER JOHNSON: So, I want to be
5 clear then if... [cross-talk]

6 MELANIE HARTZOG: And we're working with
7 them now to actually develop the savings initiatives
8 and what those proposals will be. This, this is not
9 anything new that we have done in terms of what the
10 actual initiative... you look at what the agencies have
11 done in the past, we've had agencies in the uniforms
12 that have done civilianization... [cross-talk]

13 COUNCIL MEMBER JOHNSON: Swapping revenue
14 sources is not a cut.

15 MELANIE HARTZOG: Swapping revenue
16 sources is not what we do, we look at maximizing what
17 revenue that's out there that they have not been able
18 to tap into prior and they're able to do that and I
19 think that that is actually a well saved initiative
20 that actually does not mean a service reduction and
21 so part of what we're trying to do is look at
22 maximizing every revenue source out there before we
23 have to get to the point that we cut services, that's
24 not something the Mayor thinks is a top priority and
25 what he's asked me to do is make sure that we

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2 maximize every resource possible, look at every
3 efficiency possible holding true to core principles
4 and priorities but at, at the... at the very minimum,
5 at the last resort is to actually reduce services.

6 COUNCIL MEMBER JOHNSON: Then why...

7 [cross-talk]

8 MELANIE HARTZOG: And that's what we're
9 trying to do... [cross-talk]

10 COUNCIL MEMBER JOHNSON: ...I don't
11 understand why we're calling it a PEG then; it
12 doesn't seem that that's a PEG, we should... I think
13 more accurately describe it for what it is which is
14 what you're saying it is right now but... [cross-talk]

15 MELANIE HARTZOG: I'm not saying... [cross-
16 talk]

17 COUNCIL MEMBER JOHNSON: ...I'm not sure
18 calling it a PEG... [cross-talk]

19 MELANIE HARTZOG: ...that there won't be
20 service reductions I'm saying that there is a tier of
21 priorities that we're trying to achieve and if we can
22 actually maximize revenue instead of cutting a
23 program then that's what we'll try to do first here.
24 If we get down to it and we have to actually make
25 tough decisions around actually reducing services

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2 which I'm not saying won't happen as part of this
3 that is most... that is most certainly... [cross-talk]

4 COUNCIL MEMBER JOHNSON: So, if ACS can...
5 [cross-talk]

6 MELANIE HARTZOG: ...impact... [cross-talk]

7 COUNCIL MEMBER JOHNSON: ...maximize
8 revenues why put it in as a PEG?

9 MELANIE HARTZOG: Because it's achieving
10 savings in city funds.

11 COUNCIL MEMBER JOHNSON: I'm not sure
12 we're entirely speaking the, the same language on
13 this. I just... I, I want to... I want to be clear that
14 we last year and we did it in previous years as well
15 before I was Speaker, we identified additional ways
16 to raise revenue, we identified additional
17 efficiencies that could be found agency by agency and
18 by and large OMB ignored us, OMB didn't, didn't take
19 any of our recommendations and didn't give us reasons
20 why they didn't take our recommendations as part of
21 it when we were calling for a more robust city wide
22 savings program in previous years we didn't really
23 get much feedback on what our additional revenue
24 ideas were and about the efficiencies that we
25 identified as a body were and so I hope that this

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2 process that will not be the case since we are
3 seeking... since we are seeking to protect the social
4 safety net and achieve some belt tightening and some
5 prudence as it relates to how we're doing things but
6 in the past when we had recommendations and Latonia
7 correct me if I'm wrong, I don't think we got
8 feedback on what you thought about our savings ideas
9 or about ways to actually find efficiencies and I
10 hope that's not the... [cross-talk]

11 MELANIE HARTZOG: I can't speak to the...
12 [cross-talk]

13 COUNCIL MEMBER JOHNSON: ...case this time...
14 [cross-talk]

15 MELANIE HARTZOG: ...the past, I can speak
16 to the fact that I sat in a meeting with you and the
17 Mayor and we talked about what those savings
18 initiatives could be and then I got... received from
19 the Council Finance team a table identifying a series
20 of savings initiatives some of which we've actually
21 implemented and Speaker you actually asked us to look
22 into a number of different initiatives which my team
23 will get back to you in writing to tell you what
24 we're doing, we are more than committed to working
25 with the Council, Council Finance, Speaker, Council

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Members to come up with saving initiatives and

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efficiencies as you define them, we're happy to have

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those conversations and in fact I will have a written

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response for you on all of the requests that you have

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made.

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COUNCIL MEMBER JOHNSON: Well I look

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forward to that, I think get... that... I think that

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meeting happened almost a month ago so you would

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think that some of that would have been able to have

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been transmitted and communicated to us before this

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hearing today so that we could actually have a public

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conversation about that.

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MELANIE HARTZOG: We most certainly... I

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know that I'll be before you again at the end of

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March after all the agencies and so you will have it

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shortly and we can have a... definitely have a public

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conversation about it then as well.

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COUNCIL MEMBER JOHNSON: And, and again

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you were OMB Director last year and my first year as

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Speaker and your first year as OMB Director and I

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just think it's important to say we... to my

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understanding we did not get a response on the... on

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the city citywide savings issues that we identified,

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efficiencies that we identified, opportunities for

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2 additional revenue that we... that we identified we
3 just didn't get a response.

4 MELANIE HARTZOG: I disagree with that,
5 I've had conversations with Latonia about it but I
6 will make sure going forward, we will put it in
7 writing and Speaker I'm happy to deal with you
8 directly on any of the initiatives that you have and
9 requests that you make, we will make sure that we get
10 back to you in writing each and every time.

11 COUNCIL MEMBER JOHNSON: Well I, I stand
12 with Latonia McKinney and I trust her when she tells
13 me that that's not the experience, she's had so I,
14 I'm, I don't... [cross-talk]

15 MELANIE HARTZOG: I can only... [cross-
16 talk]

17 COUNCIL MEMBER JOHNSON: ...I'm, I'm not...
18 I'm not sure... [cross-talk]

19 MELANIE HARTZOG: ...if we continue to...
20 [cross-talk]

21 COUNCIL MEMBER JOHNSON: ...it's
22 appropriate to be... [cross-talk]

23 MELANIE HARTZOG: ...disagree we can move...
24 [cross-talk]

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2 COUNCIL MEMBER JOHNSON: ...critical of her
3 in this instance... [cross-talk]

4 MELANIE HARTZOG: I'm most certainly not
5 being critical; I've worked with Latonia... [cross-
6 talk]

7 COUNCIL MEMBER JOHNSON: Okay... [cross-
8 talk]

9 MELANIE HARTZOG: ...for many, many years...
10 [cross-talk]

11 COUNCIL MEMBER JOHNSON: ...well I... you
12 know Director Hartzog I; I don't want to do this in a
13 public manner, we're happy to... [cross-talk]

14 MELANIE HARTZOG: I don't either... [cross-
15 talk]

16 COUNCIL MEMBER JOHNSON: ...have a private
17 conversation but the way some of your staff has
18 communicated with us in the past and talked to
19 Latonia and talked to other staff here has been
20 totally inappropriate and so you know to bring her up
21 when I... when private conversations that have happened
22 in the past have really been unfortunate from the
23 Council's perspective, you know we, we want to work
24 together... [cross-talk]

25 MELANIE HARTZOG: As do we... [cross-talk]

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COUNCIL MEMBER JOHNSON: ...and, and I... and

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I don't feel like that OMB always treats us as full

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partners or treats us with respect, that has been my

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experience over the past year, that's not the

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experience I have with all the agencies, that's not

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the experience I have with the Mayor's Chief of Staff

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but that's the experience that I have had with your

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top level staff... [cross-talk]

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MELANIE HARTZOG: I'm... [cross-talk]

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COUNCIL MEMBER JOHNSON: ...over and over

12

again... [cross-talk]

13

MELANIE HARTZOG: I'm sorry... [cross-talk]

14

COUNCIL MEMBER JOHNSON: ...and so to stand

15

here today and to push back when we are asking

16

legitimate questions, I haven't attacked you, I

17

haven't criticized you, I'm raising legitimate

18

concerns.

19

MELANIE HARTZOG: Neither am I Speaker

20

all I'm saying to you is first of all let me... let's...

21

if you've had a bad experience with any of my staff...

22

[cross-talk]

23

COUNCIL MEMBER JOHNSON: You've known the

24

experience I've had... [cross-talk]

25

COMMITTEE ON FINANCE JOINTLY WITH SUBCOMMITTEE

1 ON CAPITAL BUDGET

2 MELANIE HARTZOG: ...I'm happy to have...

3 [cross-talk]

4 COUNCIL MEMBER JOHNSON: ...because we've
5 communicated it... [cross-talk]

6 MELANIE HARTZOG: ...a conversation.

7 Secondly, what I'm saying to you moving forward is we
8 want to make sure that we are very transparent with
9 our communications with the Council and you have put
10 forward a number of different ideas and we're going
11 to respond in writing and we will do so each time so
12 that we make sure we're being responsive, you have an
13 answer to your questions, that there's a clear line
14 of follow up. As I've said and I'm not putting
15 Latonia on the spot to say anything... [cross-talk]

16 COUNCIL MEMBER JOHNSON: Well that's what
17 it seemed like you did... [cross-talk]

18 MELANIE HARTZOG: ...because I've known her
19 for years and we're friends, I have... only saying that
20 I've had conversations with her but I'm happy to put
21 it in writing so that the Council has it and can
22 respond.

23 COUNCIL MEMBER JOHNSON: So, the city
24 charter as... well before we get to that, the
25 Department of Homeless Services fiscal 2020

COMMITTEE ON FINANCE JOINTLY WITH SUBCOMMITTEE

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ON CAPITAL BUDGET

2 preliminary budget totals over 2.1 billion dollars
3 with over 80 percent of this funding supporting
4 shelter operations. Last year the Council advocated
5 to the administration to re-appropriate funding from
6 shelter towards long term solutions to address the
7 homelessness crisis including more supportive housing
8 with an accelerated schedule to place units online as
9 well as more affordable housing and in fact I asked
10 you about this topic exactly one year ago at this
11 first preliminary budget hearing in fiscal 2019. Now
12 that it's a year later I would like a status update,
13 what is currently the city's budget to address the
14 Council's priority for more supportive housing and
15 has any funding been redirected from the DHS shelter
16 budget to supportive and affordable housing instead
17 of investing additional money?

18

19 MELANIE HARTZOG: So, first my staff is
20 coming to give you the total budget on supportive
21 housing but as you know we've worked very closely at
22 adoption and Speaker to your priority of how can we
23 accelerate supportive housing and we did put that in
24 and reflected it in HPD's budget to accelerate the
25 timeline and overall I just want to make a point in
the preliminary budget we do add additional funding

COMMITTEE ON FINANCE JOINTLY WITH SUBCOMMITTEE

1 ON CAPITAL BUDGET

2 to provide for higher rates in the HASA scatter site
3 program to ensure that we don't... rental subsidy rates
4 to ensure that we don't lose any units within that
5 program.

6 COUNCIL MEMBER JOHNSON: So, as of
7 February 2019 the budget for commercial hotels is 376
8 million dollars which is 31 million dollars a month.
9 To put that into perspective if you... we're, we're
10 taking... if you were take the monthly hotel budget and
11 divide it by the average rent for a one bedroom
12 apartment across the city it ends up being 2,800
13 dollars that equates to over 11,000 units that could
14 provide stable housing for homeless New Yorkers so
15 again I'd like to understand why, why we think this
16 is the best course of action not directing some of
17 this shelter spending to longer term more effective
18 preventative strategies that could keep people out of
19 shelters and give them a better basis for more stable
20 living.

21 MELANIE HARTZOG: So, just a couple of
22 points, to date we've placed over 100,000 individuals
23 in rental assistance, so we've moved people out of
24 shelter or prevented them from coming into shelter
25 and that's one of our critical tools in addition to

COMMITTEE ON FINANCE JOINTLY WITH SUBCOMMITTEE

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ON CAPITAL BUDGET

2 our affordable housing plan. I also want to point out
3 on the hotel costs that you're bringing up when we
4 launched Turning the Tide we always talked about that
5 this would be... the hotel usage would be the bridge
6 while we're moving to reduce our reliance on clusters
7 and build out purpose built shelter over the course
8 of the five years that would then result in less
9 reliance on hotels and obviously as you point out
10 hotels are higher than are shelter services that are
11 provided through non for profits and that would
12 happen over the course of the five years. To answer
13 your question Speaker on the supportive housing
14 units, so under the Housing New York plan HPD has
15 financed close to 5,000 supportive housing units,
16 3,500 are new construction and about 1,300 are
17 preservation and its about 2.2 billion over ten years
18 is the investment, fiscal years '19 and '20... [cross-
19 talk]

20 COUNCIL MEMBER JOHNSON: How many of
21 those are online?

22 MELANIE HARTZOG: Of the... well the...
23 [cross-talk]

24 COUNCIL MEMBER JOHNSON: Of all of those
25 units, are they all online currently?

COMMITTEE ON FINANCE JOINTLY WITH SUBCOMMITTEE

1 ON CAPITAL BUDGET

2 MELANIE HARTZOG: We would have to get
3 back to you, we will get an answer... [cross-talk]

4 COUNCIL MEMBER JOHNSON: See that... see...
5 but that's one of the problems with supportive
6 housing, HPD tells us what the number is and then
7 when we ask are these the number of units online,
8 they say no it's going to... its in production or going
9 to be financed but that doesn't help us in the issue
10 that we're in right now with... [cross-talk]

11 MELANIE HARTZOG: I understand... [cross-
12 talk]

13 COUNCIL MEMBER JOHNSON: ...the number of
14 homeless... [cross-talk]

15 MELANIE HARTZOG: ...we'll get you an
16 answer... [cross-talk]

17 COUNCIL MEMBER JOHNSON: ...families... okay.
18 So, a majority of the city's 8.5 billion dollars in
19 federal funding comes from programs that rely on
20 census data and the state is estimated to receive
21 nearly 70 billion dollars directly from census
22 reliant grants a portion of which will flow into the
23 city's budget, the decennial census begins next year
24 and the city needs to be prepared to avoid an under
25 count to ensure our share of federal dollars and to

COMMITTEE ON FINANCE JOINTLY WITH SUBCOMMITTEE

ON CAPITAL BUDGET

1
2 protect our congressional delegation. I'm really
3 happy to see the appointment of Julie Menin to help
4 oversee this effort. Collectively the city agencies
5 spend of millions of dollars on outreach and
6 advertising and hold thousands of community events to
7 publicize their programs, how will these resources be
8 leveraged to reach vulnerable, hard to count
9 communities, will forms be changed, events have a
10 census table, school communication be used, what is
11 the coordinated plan to maximize this?

12 MELANIE HARTZOG: So, Speaker I know that
13 this is a... clearly a priority for the administration
14 and I'm glad that the, the Council shares that
15 priority, we have been... I can't speak to the
16 particulars of what the rollout of the effort is but
17 I can tell you that I've been in conversations with
18 Deputy Mayor Thompson and looking overall at what the
19 strategy is and any changes that are needed we would
20 reflect in a future budget in terms of resources.

21 COUNCIL MEMBER JOHNSON: But currently
22 the budget only has 4.3 million dollars in fiscal
23 2019 and 1.2 million dollars in fiscal 2020 for the
24 census, do we think that's enough money?

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ON CAPITAL BUDGET

MELANIE HARTZOG: Again, we are... I'm having ongoing conversations and anything that we would... it reflected additional resources would be in a future budget.

COUNCIL MEMBER JOHNSON: I understand but do we think with this current amount do we think that... are we stuck on that amount?

MELANIE HARTZOG: I can't... I really can't opine on that at this moment.

COUNCIL MEMBER JOHNSON: So, why, why are we having these hearings if you can't opine on these things, I mean you're the budget director if we have questions about whether a dollar amount is an appropriate amount of money we want to hear your opinion not I can't opine on that?

MELANIE HARTZOG: I explained to you that I'm in conversations right now with Deputy Mayor Thompson on what the resources are, what he currently has reflected and what may be needed and any future needs that are... will be reflected in a future budget. Those conversations are happening currently, I don't... I, I... there's nothing to say at this moment about that.

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ON CAPITAL BUDGET

COUNCIL MEMBER JOHNSON: The New York City charter lays out the capital budget process and what's supposed to be contained within capital related budget documents but the manner in which the capital budget process and documents happens in reality often deviates from what is set out in the law. For example, as Chair Gibson said the charter requires the budget to set out individual capital projects and for those projects that are not initiated within two years after inclusion in the budget, they must be eliminated from the capital budget. In your view is the administration in compliance with the New York City charter with respect to the presentation of the current capital budget?

MELANIE HARTZOG: Yes, I do believe that.

COUNCIL MEMBER JOHNSON: Because there are so many capital projects within each budget line how can the Council or a member of the public tell when projects that have not been initiated within two years are removed from the budget to be in compliance with the charter?

MELANIE HARTZOG: So, as we've been working with Chair Gibson on a number of different

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ON CAPITAL BUDGET

issues related to capital projects being rolled up into broader lump sum categories over the course of the last budget cycle and leading into the adopted budget we did move out various lines so that we can have greater transparency, we're always working towards that and I think that the Council Member, we've had this conversation with Council Member Gibson that we want to be able to balance that, right, in terms of being able to have transparency but also for example we've talked about in contracts like Department of Environmental Protection where you have emergency contracts and they're in bigger lump sum lines you want the flexibility to be able to move, right, across those multiple programs and not have any delays in the projects but it's something we're open to having conversations on and continuing to work towards greater transparency.

COUNCIL MEMBER JOHNSON: The adopted

capital commitment is supposed to be released within 90 days of budget adoption but historically this deadline has proven difficult to meet, do you think that that's a realistic deadline, it's what the charter says, do you think it's actually realistic

COMMITTEE ON FINANCE JOINTLY WITH SUBCOMMITTEE

1 ON CAPITAL BUDGET

2 given everything you have to balance as it relates to
3 preparing that document?

4 MELANIE HARTZOG: I think that it, it
5 actually is but I, I do think it's worth me actually
6 having a conversation internally with our team to see
7 what more... if, if in fact we could... need a little bit
8 more time or we need less time, it's not something
9 I've had a, a real detailed conversation with of all
10 the charter proposals.

11 COUNCIL MEMBER JOHNSON: Because my
12 understanding is that it's, it's rarely if ever meets
13 the deadline, it's late... [cross-talk]

14 MELANIE HARTZOG: Uh-huh... [cross-talk]

15 COUNCIL MEMBER JOHNSON: ...and if it's
16 going to be late I may... I guess we're, we're okay if
17 you need more time but right now, we don't have any
18 sense of how late it's going to be... [cross-talk]

19 MELANIE HARTZOG: Appreciate that...
20 [cross-talk]

21 COUNCIL MEMBER JOHNSON: ...why it's going
22 to be late, does it need to be 120 days, you know
23 what are... could some of the information be provided
24 up front and some of the more difficult agencies like
25 DOE or NYPD or other large agencies that have a large

COMMITTEE ON FINANCE JOINTLY WITH SUBCOMMITTEE

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ON CAPITAL BUDGET

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portion of the capital budget, do you need additional

3

time on that, we haven't gotten a good answer on that

4

and so we would love to understand if it is a

5

realistic deadline given that it's been late and if

6

it's not a realistic deadline what, what do we think

7

a realistic deadline is?

8

MELANIE HARTZOG: Understood, we'll get

9

back to you.

10

COUNCIL MEMBER JOHNSON: Okay, great. I

11

want to turn it back to Chair Dromm.

12

CHAIRPERSON DROMM: Thank you very much

13

Mr. Speaker. I have some questions now about overtime

14

spending. As I mentioned in my opening the city's

15

total overtime budget has been consistently

16

underestimated in the financial plan, in fact the

17

fiscal 2020 preliminary budget includes only 1.3

18

billion dollars in combined uniform and civilian

19

overtime expenditures which is approximately 400

20

million dollars less than average actual overtime

21

spending over the last five fiscal years. So, why

22

does OMB budget for overtime so far below the actual

23

spending?

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MELANIE HARTZOG: Well first of all I

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just want to point out that we have had caps in place

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ON CAPITAL BUDGET

for a number of the agencies including PD who's had a cap in place since fiscal year '16 and I think there are many challenges that you cannot anticipate related to overtime increasing which I think Ken can speak to some of them that we're currently working with, the number of the uniform agencies around but I do want to say that we have been really examining overtime, this is an area we're also concerned about and for instance in the preliminary budget for sanitation where we had overtime expenditures, we took a hard look at that there were some initiatives in which were Council priorities, the agency was operating those programs over on overtime and we actually reflected head count to give them straight which would then reduce their overtime costs so we want to do more of that going forward working with the agencies but we want to tell you a little bit about some of the challenges there.

CHAIRPERSON DROMM: So, even with the cap that you're talking about spend... spending has still gone up, is there an overall plan to reign in overtime spending other than say outside of the example that you gave?

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ON CAPITAL BUDGET

MELANIE HARTZOG: Yes, agency by agency and I'd like Ken to give you a, a briefing on that.

KENNETH GODINER: So, let's just start with the uniformed agencies, police has largely within their cap for the last three years, the challenges we have let's just sort of go agency by agency and sanitation obviously is a considerable part of, of overtime that's driven by snow which is something that, that we can't control or necessarily predict. In addition, we've seen non snow overtime increase in that agency due to additional service mandates and the roll out of, of curbside organics. As Director Hartzog pointed out we added additional heads in the... in this plan so that we can roll some of the overtime spending in, into straight time positions but obviously there's, you know there's challenges on both sides especially on the snow side where we can't necessarily predict it. In addition, the budget for the snow overtime is... the, the formula for putting that in the budget is laid out in the... in the charter so we follow that whether or not, you know that's our, our best guess. Secondly, I'd like to talk about fire, fire is, is basically driven by a fixed post type of overtime so when there's either a

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ON CAPITAL BUDGET

2 short... when there's a shortage of, of personnel,
3 right, people are brought in on overtime, with regard
4 to uniform fire the big issue has been a challenge
5 with what they say... call field developability another
6 words the number of hours that, that fire fighters
7 are actually available to, to staff frontline units
8 that's partly due to higher than expected medical
9 leave and also higher than expected light duty.
10 We're working... we're talking with the agency now
11 about how we can control those, those factors and
12 bring overtime back down, we've also had more
13 overtime on the EMS side in part because of our
14 successful promotional exams that bring personnel
15 from EMS into the, the ranks of firefighters which
16 has helped us significantly with, with diversifying
17 our, our employee pool at fire. In terms of civilian
18 agencies, the city has been work... [cross-talk]

19 CHAIRPERSON DROMM: Just before you go to
20 civilian... [cross-talk]

21 KENNETH GODINER: Sure... [cross-talk]

22 CHAIRPERSON DROMM: ...what about
23 corrections?

24 KENNETH GODINER: Corrections continues
25 to, to be somewhat challenging, I mean the... you know

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ON CAPITAL BUDGET

overtime is, is not as high as it had been previously and again this is largely driven by the amount of sick leave and also as we've, you know transitioned with Raise the Age there's been overtime, as we move into that we did... we were able to, to close, you know a facility which allowed us some head count savings but overtime is still proving challenging but I think that the, the agency is working on that and, and working on bringing down the, the need for overtime. On civilians we have instituted a program where we closely monitor the approvals for waivers from the citywide overtime cap, in the past those waivers were given sort of freely, we've been working with agencies to figure out ways to avoid their employees, you know working the number of hours that, that require the waiver and we've been fairly successful in controlling over... civilian overtime by, by not giving waivers to those caps, we've also looking more broadly at the use of overtime in the... in the skilled trades, we're, we're thinking about different strategies that we can employ to reduce the amount of the overtime and try to complete that work on straight time whether that's increasing personnel or, or doing some sorts of shifts to make sure things

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ON CAPITAL BUDGET

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are done on straight time. So, we are... we are still

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pressing hard on this and you know your, your graph

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still shows that we're spending a considerable amount

5

of, of money but it also shows that, that the growth

6

if you look '17 to '18 is, is, is substantially

7

smaller than it had been and that our budget is more

8

accurate in terms of being closer to the actual

9

spent.

10

CHAIRPERSON DROMM: Do you have an

11

estimate for the actual expenditures for this year?

12

KENNETH GODINER: I do not right now

13

have that.

14

MELANIE HARTZOG: And part of it also is

15

as we're working with the agencies on strategies to

16

manage our overtime, as we're... you know halfway

17

through the fiscal year it's, it's all about how can

18

we further bend the curve in the current year so any

19

additional costs that we have related to overtime

20

will be reflected in the executive budget.

21

CHAIRPERSON DROMM: In the executive. You

22

mentioned in your speech Moody's and they just

23

upgraded the city's general obligations bond to Aa1

24

from Aa2, among other things the upgrade reflects the

25

city's ongoing strong financial management including

COMMITTEE ON FINANCE JOINTLY WITH SUBCOMMITTEE

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ON CAPITAL BUDGET

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stronger reserves that position it better to with,

3

with stand an economic downturn so the Council's

4

Finance Division estimates that the generally

5

improved credit rating could decrease borrowing by up

6

to 343 million dollars over the course of the plan,

7

has OMB done any estimates and will the executive

8

budget reflect the upgrade in lowering borrowing

9

costs in any other way?

10

MELANIE HARTZOG: We have not done an

11

estimate on it and typically what we do as you know

12

is as we're going to market is we do refunding those

13

are reflected in each plan as they come forward but

14

we're happy to have conversations with Council

15

Finance on how they came to those numbers and share

16

what our thoughts are on those projections.

17

CHAIRPERSON DROMM: So, New York's

18

reserves are still kind of relatively low compared to

19

other cities with similar bond ratings, I think we

20

are talking about a ten percent overall reserve

21

amount of the city budget, would additional reserves

22

help to secure or improve the city's bond rating and

23

if so why doesn't the preliminary budget include any

24

additional money for reserves?

25

COMMITTEE ON FINANCE JOINTLY WITH SUBCOMMITTEE

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ON CAPITAL BUDGET

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MELANIE HARTZOG: Well first let me say

3

that the overall... Moody's overall comment about our

4

fiscal management are yes in fact at the reserves

5

levels which we currently think and in, in

6

partnership we work with the Council to increase the

7

current year's levels of reserves are adequate but it

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was also about our overall financial management from

9

continuing to cautiously manage our debt service, to

10

cautiously account for our revenue forecasting as

11

well as continually calling for savings even when our

12

revenue growth was in prior years was stronger so

13

those are the... all the factors of our overall

14

financial management and not just the reserves levels

15

but we think our reserves are adequate at the time

16

and we're continuing to call... [cross-talk]

17

CHAIRPERSON DROMM: I mean I know we've

18

began to move up mostly with Council insistence I

19

will say and at that ten percent number, you know

20

we're doing okay but generally for an even better

21

rating or a better reserve its estimated that we

22

really need between 13 to 15 percent, would you agree

23

with that estimate?

24

MELANIE HARTZOG: I would agree that our

25

level of reserves at the present time is where it

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ON CAPITAL BUDGET

needs to be and I think moving forward we're going to have conversations leading into the adopted budget about reserves moving forward but I think we are where we need to be.

CHAIRPERSON DROMM: Okay, I think we do need to really look at that and... [cross-talk]

MELANIE HARTZOG: Understood... [cross-talk]

CHAIRPERSON DROMM: ...raise that amount of money. Let me just talk about SCA capital spending... [cross-talk]

MELANIE HARTZOG: Uh-huh... [cross-talk]

CHAIRPERSON DROMM: ...the city's ten-year strategy and the preliminary capital commitment plan both include the planned commitments in the SCA's five-year capital plan. In the ten year strategy plan spending on schools averages 3.4 billion dollars per year for the first five years, for the second five years planned spending on schools drops off considerably averaging only 1.2 billion dollars per year, how does OMB engage with SCA and the DOE in preparing the city's capital budget for the years beyond the SCA's five year capital plan?

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ON CAPITAL BUDGET

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MELANIE HARTZOG: So, the, the ten year

3

plan reflects the five year that was recently

4

approved by the PEP it also reflects all the planning

5

that goes into that process in looking at the school

6

seat projections including data with DCP, Department

7

of City Planning, the... and in our last ten year plan

8

it also did not reflect the outyears of the ten year

9

plan because of the process that we undergo which is

10

unique in that we have to go through SCA doing that

11

process with, DCP and then going through the process

12

of getting the actual five-year plan approved by the

13

PEP.

14

CHAIRPERSON DROMM: So, as you can see

15

from the chart there's nothing there in terms of

16

additional seats going up to fiscal year 2029, you

17

know it's impossible that we're not going to need

18

additional seats, good planning would require that we

19

anticipate that need it's just not reflected in the

20

budget and to me it's unacceptable that we are not or

21

at least attempting to project that need, why is it

22

at zero?

23

MELANIE HARTZOG: So, we're assuming that

24

all seat needs are funded in the 2024 SCA plan and as

25

we move forward... [cross-talk]

COMMITTEE ON FINANCE JOINTLY WITH SUBCOMMITTEE

1 ON CAPITAL BUDGET

2 CHAIRPERSON DROMM: And, and, and
3 Director... [cross-talk]

4 MELANIE HARTZOG: ...with the next... [cross-
5 talk]

6 CHAIRPERSON DROMM: ...Hartzog that's even
7 questionable, there are estimates of the 57,000 seats
8 I think that you're using but there are some
9 estimates that we need even more seats than are
10 currently in that plan but okay, let me hear what you
11 have to say.

12 MELANIE HARTZOG: It's... the, the next
13 iteration of the five-year plan beyond the 2024 would
14 reflect any additional seat needs at that time, the
15 planning process will begin well before then and we
16 would reflect it in the plan.

17 CHAIRPERSON DROMM: But, but when will
18 that next reiteration come?

19 MELANIE HARTZOG: In the next cycle of
20 the five-year plan for SCA.

21 CHAIRPERSON DROMM: In what four years?

22 MELANIE HARTZOG: Yes, I believe so.

23 CHAIRPERSON DROMM: Right, so in four
24 years, you know we still don't have... that means we're

25

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ON CAPITAL BUDGET

2 going to have zero additional need for the next four
3 years.

4

MELANIE HARTZOG: Within the existing
5 five year plan as we're going through it and as you
6 pointed out there may be additional needs that
7 happen, we are regularly amending the SCA's plan for
8 the existing five year period, as we move forward
9 that amendment, any changes that we make informs the
10 next five year plan.

11

CHAIRPERSON DROMM: I don't know if you
12 saw our report which was called planning to learn and
13 one of the major recommendations there in the
14 planning to learn report which was done by the staff
15 of the Education Committee along with our Land Use
16 Division asked and thought that planning for the out
17 years was vitally important to projecting an actual
18 seat need so I think we should go back and, and
19 revisit that issue because we are still totally
20 underestimating the need for seats even with the 54...
21 57,000 seats that the Mayor's estimating are needed
22 up until 2024 I guess it would be so that needs to be
23 looked at again and I have specific concerns which I
24 will address with the SCA about removing seats from
25 some of the most overcrowded districts like district

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24 where they took out 3,961 seats and shifted them to other areas of the city based on allegedly not being able to find sites in that district and that was again repeated even in district 30 which is also one of the most overcrowded districts. So, I hope that as we go into the, the Committees we'll get some better answers on that from the SCA and from the, the DOE as well. Okay, and let me go back to Department of Correction again. Much like spending in the context of homeless services the administration has increased funding levels for the Department of Correction dramatically but without significant measurable results. For example even though the average daily jail population has declined from 13,850 in 2008 to under 9,000 in 2018 the amount of spending per inmate and the number of fight or assault infractions have nearly tripled over the same period, why has spending per inmate increased so much between 2008 and 2018 it has increased from 117,000 dollars per inmate to 302,000 dollars for an inmate, what is the cause for that?

MELANIE HARTZOG: So, there are a couple of factors and one I will say that as we have worked very hard and put a number and invested a number of

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different diversion and reentry programs to actually reduce the overall census, we are now left with some of the... census that is a challenging population and one of the things that we've done is increase the ratio of the number of individuals to, to correction officers. The other challenge... [cross-talk]

CHAIRPERSON DROMM: But even with that Director Hartzog the violence is increasing.

MELANIE HARTZOG: The other thing that I just wanted to point out on the investments just pointed to your fact of costs are federal mandates that we've had to put additional investments in and emergency services, investigations, and then enhanced supervision and housing.

CHAIRPERSON DROMM: Okay, so the number of violent incidents again is both detainees and corrections officers has increased between 2008 and 2018 from 441 per 1,000 average daily population to 1,354 per 1,000 average daily population, so how do you explain this increase in violence even as the number of detainees has declined and the amount of spending has increased and the number of corrections officers has swelled?

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MELANIE HARTZOG: So, I think the

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agency's best to answer your questions related to

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what particularly is happening in each of the

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facilities but one of the things that I think is a

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challenge is that there are more gang involved and

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more maximum in custody and so I think those two

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factors are also presenting a challenge for the

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agency but as I said we've made a number of

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investments there to ensure that the staffing ratios

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are adequate and we continue to monitor it, if

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there's another need there we obviously would then

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address it.

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CHAIRPERSON DROMM: Do you have an

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estimate of how much the increased violence has cost

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the city in terms of additional officers, lawsuits,

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overtime, etcetera?

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MELANIE HARTZOG: What I can do is get

19

you a list of the increased investments that we have

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made.

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CHAIRPERSON DROMM: Okay. Let's talk a

22

little bit about school transportation. There are

23

many known items related to the school transportation

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budget that are not included in the preliminary

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budget. For example, the preliminary budget does not

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include any funding for SBS's school bus grant

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program in fiscal 2020 nor does it include any

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additional funding to account for the re-negotiation

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of the expired bus contracts, does OMB and SBS expect

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to discontinue the school bus grant program if new...

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if new pupil transportation contracts are negotiated

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before the start of the fiscal year?

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KENNETH GODINER: As you know we are

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pursuing legislation in Albany which would allow for

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the EPPs and the new contracts which would to a large

12

extent albeit it for the SBS program..

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CHAIRPERSON DROMM: How likely is that to

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pass, it's been a problem before?

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KENNETH GODINER: I'm not really in a... in

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a spot to handicap the, the likelihood of the bill's

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passage.

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CHAIRPERSON DROMM: Well I mean you

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should be taking that into consideration if you're

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going to talk about it because otherwise, we're going

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to have to come up with an alternative like we've had

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to do in the past.

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MELANIE HARTZOG: Well it did pass last

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year, we want to aggressively continue to pursue it

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COMMITTEE ON FINANCE JOINTLY WITH SUBCOMMITTEE

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2 as part of our strategy for this year, most
3 certainly.

4 CHAIRPERSON DROMM: It was vetoed by the
5 Governor.

6 MELANIE HARTZOG: Yes, but it, it still
7 passed through the legislature and so now we have a,
8 a new set of players, we want to continue to
9 aggressively pursue it and I think that's... we
10 shouldn't rule it out.

11 CHAIRPERSON DROMM: Okay, since the new
12 bus contracts will certainly include additional
13 requirements such as the requirement to have GPS
14 systems on all buses and two-way communication
15 systems why doesn't the budget include any additional
16 funding for those contracts and how much do you
17 anticipate will be needed?

18 MELANIE HARTZOG: So, my understanding is
19 that we do not know the full cost for the GPS because
20 it's still part... undergoing the procurement and once
21 we do those costs would actually be reflected.

22 CHAIRPERSON DROMM: Okay, so you'll get
23 back to us?

24 MELANIE HARTZOG: We expect the
25 implementation to be this fall.

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CHAIRPERSON DROMM: And then let me wrap it up with this and then I'm going to give my colleagues some... Chair Gibson an opportunity. The DOE will spend approximately 400 million dollars this year on 5,500 school safety agents in contrast there are only 200... 2,958 guidance counselors, 1,335 social workers and 560 school psychologists, how does the DOE spend on staff who support... how much does the DOE spend on staff who support the social emotional needs of students in schools like guidance counselors, social workers, the ratio of guidance counselors and social workers compared to school safety agents or police because they come under NYPD control to me is an imbalance or an... a, a wrong set of priorities in terms of how we work with students who are having difficulties in school. So, how do you explain that, that, that difference?

MELANIE HARTZOG: Well first let me say that we have worked with the Council to in fact make significant investments in guidance counselors and social workers and even as of the adopted budget we worked with the Council to ensure that we had covered all schools that had at least a guidance counselor or social worker that was an additional two million

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dollar investment, there were 17 additional schools and I think almost... relatively all of them either had the social worker or guidance counselor or in the process of hiring, I think there's about five left.

CHAIRPERSON DROMM: And do you know the ratio of guidance counselors to students?

MELANIE HARTZOG: I don't have that on me, we, we can get that to you.

CHAIRPERSON DROMM: I believe it's probably around one to 250 and that's still... that's considered to be decent but there are many schools where it's one to 500 in schools and in other instances, in elementary schools where it's not required it's estimated to be one to 1,000, one guidance counselor to 1,000 so that is something that education Chair Mark Treyger has been trying to highlight in his hearings as well and I would really urge the administration because I do want to recognize your commitment to culturally responsive education, your commitment to restorative justice programs but unless we take a look at the school safety agent as well and place some priorities in terms of acquiring additional guidance counselors,

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social workers, school psychologists I don't think

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we're ever going to get to the root of the problem.

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MELANIE HARTZOG: Just to answer your

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question on the total investments Chair it's about 47

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million in school climate, it's eight million in

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students with temporary housing, two million as I

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mentioned from the Council and nine million from

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Title IV.

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CHAIRPERSON DROMM: Okay, thank you.

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Alright, I just want to say we've been joined by

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Council Members Lancman, Moya, Cumbo, Rosenthal,

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Cornegy, Treyger, Levin, Van Bramer and Lander and

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I'm going to turn it over now to our Chair Vanessa

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Gibson to ask some questions on capital items, thank

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you.

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COUNCIL MEMBER GIBSON: Thank you, thank

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you Chair Dromm and thank you again for being here,

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for your, your work, your collaboration. I just have

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a few questions and before I begin and talk about

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capital I certainly want to echo the sentiments of

22

the Finance Chair, when it comes to SCA and capital

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spending I think, you know the five year SCA capital

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plan makes a lot of assumptions one that we're going

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to be fully funded and fully in compliance with all

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of the capacity needs in five years and so when we did the report and Council finance put together a lot of information, a lot of time to recognize that we should look at something that's more in a line with a ten year plan, I think that's something that's extremely valuable for OMB to really look at because if you saw the chart that was placed up earlier, I mean the, the zeros that you see are very concerning because it makes a lot of assumptions and with the work that SCA is doing in concert with OMB particularly DCP and a lot of the land use and rezonings that we're doing across the city we have to assume that the need is only going to continue to grow for more school seats across the city of New York. So, I would urge you to really look at the SCA five-year capital plan but also how we can continue to plan beyond year five, it's very important to make sure that we are planning for a future need across the city. I also wanted to add my voice when Chair Dromm talked about the guidance counselor funding, we have had since I chaired public safety in the last term we've harbored and averaged around 5,500 on a lower end, maybe 5,000 school safety agents for quite some time, almost 1,800 public school buildings so

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that's not new but I also think when you look at the opportunity to invest in more guidance counselors and social workers and, and crisis intervention and therapeutic services and all the other things we're doing it's not comparable, I mean under no circumstance is this acceptable to me or any of my colleagues, we have to add more of these social service programs and a lot of the conversation in the past several years has really been driven by this Council and last year by our education Chair Mark Treyger. We were the drivers of that conversation to force the administration to add more guidance counselors and, and school social workers particularly in school districts like mine district nine and others that have a high concentration of students in temporary housing, I mean that was done with the recognition that there was a need so I think as we continue to talk about and particularly since we're looking at PEG targets and DOE is taking a, a significant hit we... we're never going to lose school safety agents but the school counselors and the nurses are always the ones that fall by the wayside and that cannot continue to happen so I just want to make sure and emphasize that point because it's

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really important in my district. Some of my students see more school safety agents than they see school guidance counselors and that's not the message we want to send to our students, so I just wanted to make sure you understood how important that issue is to this Council. I wanted to start with the ten year capital strategy, we love our graphics here and I wanted to talk about the preliminary ten year capital strategy that totals 104.1 billion dollars from fiscal 2020 through 2029 and of this total about 75.5 billion dollars or 72.6 percent of the spending is planned in the first five years with only 28.6 billion dollars or 27.4 percent that's left in fiscal years 2025 through 2029. In addition, the average planned spending in each year of the last five years of the strategy is 5.7 billion dollars even though the city's average commitments over the last four years have been 10.1 billion dollars. So, my question is does the administration anticipate what these numbers before you are severe drop off in actual commitments in the outer years of the strategy and if not why aren't the outer year planned amounts at least in line with the historical spending that we've seen in the first four years?

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MELANIE HARTZOG: Well Chair as you know it, it has been a challenge and we've worked on this together to actually get the, the front years to be in line with where the actual commitments have been and so what you're seeing is what we've been working on for quite some time and I think we had a lot of success in the preliminary budget which is actually that the capital plan is frontloaded and so in the preliminary we actually were able to do a redistribution, in prior plans we've only redistributed from one year to the next year but we worked and the, the OMB team here worked very hard with the agencies to actually redistribute as much as possible and cascade out the plan to really reflect commitments over multi years and so in the... from adopt to prelim we actually redistributed an all funds 6.3 billion in '19, 2.9 billion in '20 and another two billion in '21 and in city funds that reflects 5.6 billion in '19, 2.8 billion in '20 and 1.8 billion in '21. We've going to continue to work on that until that you would see over time that the actual plan reflects... right, you would see the out years of the ten year plan smooth out and it wouldn't be as high in the, the first five years.

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COUNCIL MEMBER GIBSON: Okay, so

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specifically on the capital strategy itself since the

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lack of funding in the out years is really uniform

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across all of the agencies to varying degrees did OMB

6

give the agencies any particular guidelines when

7

asking them to create their strategies over these

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several years and what was the logic behind some of

9

the guidelines?

10

MELANIE HARTZOG: Well overall for the

11

ten year strategy we worked very closely with DCP,

12

DCP provides data metrics, anything that the agencies

13

need around population estimates to actually come up

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and develop what their capital needs would be, all of

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that gets incorporated into our assessment of what

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goes into the capital plan so that's the, the first

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step and I think that answers your question. The next

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step of what we do in terms of the actual stretch is

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really working with the agencies to.. as we're looking

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at assessing and adding new capital needs how can we

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better reflect where they are in their current

22

commitments over at least the first five years of the

23

capital plan and that's what I was referring to with

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the stretch that we recently did.

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COUNCIL MEMBER GIBSON: Okay, does DCP

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work with OMB and the other relevant agencies as it

4

relates to zonings and neighborhood growth and

5

changes and also involving like SCA in terms of

6

population growth, school seat need, does that all

7

work together or is it done individually?

8

MELANIE HARTZOG: Well we work very

9

closely with DCP in planning for the ten-year plan as

10

I said and in fact, they're actually co-authors of

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the ten-year plan. So, all of the data as I said goes

12

through the agencies, we have conversations with DEP,

13

there... we're talking with them about what the capital

14

plan is overall and then that gets reflected into the

15

actual strategy.

16

COUNCIL MEMBER GIBSON: Okay, have you

17

compared some of the past ten-year strategies to

18

actual spending in the corresponding years to see how

19

accurate they were or any differences and would doing

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this help during the planning process, have you

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looked or done an analysis of that?

22

MELANIE HARTZOG: I'm actually always

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bothering the Deputy Director here Brisky on actually

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looking at not just the ten years over the past but

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actually looking at where we are with our prior year,

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as I... we had a record year on our capital plan last fiscal year of 12 billion dollars in spending and so moving forward we're trying to use that as one of the gauges of doing our stretch meaning moving projects out from the frontloading you see here on the five years to better reflect but some of our agencies are actually doing much better which I think the Council would appreciate on really streamlining their approached to capital, they're doing better at spending their capital much more aggressively and I think some of the infrastructure agencies can really attest to that, DEP and DOT being one of the two that come to mind in terms of their ability to spend and a lot of things that we've put in place and I think that with Commissioner Grillo taking over DDC and some of the reforms that she's put in place there we'll actually start to see many more projects move quicker but that is one of the gauges that we use to go back to your original question.

COUNCIL MEMBER GIBSON: Okay, I wanted to

understand a little bit more in terms of planning for the ten year strategy and the work with the Department of City Planning because I noticed the front section of the strategy which details the

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policies and the goals connecting that to the actual

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back section of the strategy which lists out all of

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the funding by each agency, how does the funding

5

level cited carry out the actual goals that are cited

6

because if you look at the strategy it almost seems

7

like the beginning was really propelled by DCP and

8

then the back end of the strategy was done by OMB in

9

concert with the agency so I'm trying to understand

10

the work with city planning how does the front

11

section of the strategy actual connect with the back

12

section that alludes to all of the other agencies and

13

their goals?

14

MELANIE HARTZOG: Well that most

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certainly isn't our intent that it... [cross-talk]

16

COUNCIL MEMBER GIBSON: Okay... [cross-

17

talk]

18

MELANIE HARTZOG: ...it seems like we're...

19

[cross-talk]

20

COUNCIL MEMBER GIBSON: That's how it

21

appears... [cross-talk]

22

MELANIE HARTZOG: ...we're co-authors but

23

the front is DCP and the back is OMB... [cross-talk]

24

COUNCIL MEMBER GIBSON: ...I just see the

25

mixture.

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2 MELANIE HARTZOG: But I think that we can
3 always get better with how we're actually reflecting
4 that co-authorship and I think if you have
5 recommendations on how we can do that I'm very open
6 to hearing what they are and reflecting... [cross-talk]

7 COUNCIL MEMBER GIBSON: Okay... [cross-
8 talk]

9 MELANIE HARTZOG: ...those recommendations
10 because I think sometimes, you're right, as we're
11 moving forward, we have DCP who's framing it in the
12 narrative equity how are framing within our overall
13 spending and our capital planning that way and
14 there's always room for improvement there and how we
15 do that.

16 COUNCIL MEMBER GIBSON: Okay and the work
17 with DCP is ongoing even once the strategy is put
18 together, that's something that's done all year round
19 in terms of any changes or different things that
20 happen unexpected, variables that happen, are you
21 working with DCP throughout... [cross-talk]

22 MELANIE HARTZOG: Oh, yes and I think...
23 [cross-talk]

24 COUNCIL MEMBER GIBSON: Okay... [cross-
25 talk]

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MELANIE HARTZOG: ...I in fact at the start
3 of our ten year strategy I sat down with Commissioner
4 Lago and we talked about ways in which we can work
5 better for... moving forward with the ten year plan and
6 again we're always open to opportunities to do that
7 and I'm a firm believer in the role of City Planning
8 in helping us really frame where our overall capital
9 spending is going and really... [cross-talk]

10

COUNCIL MEMBER GIBSON: Sure... [cross-
11 talk]

12

MELANIE HARTZOG: ...using metrics to
13 right... justify and think about where our spending
14 should be.

15

COUNCIL MEMBER GIBSON: Okay. I wanted to
16 ask about the capital strategy and borrowing
17 specifically the main source of city funds for
18 capital projects really comes from issuing all of our
19 municipal bonds and for fiscal years 20... 2020 through
20 2023 the city funded a portion of the ten year
21 capital strategy is projected to total slightly over
22 60 billion dollars and the capital financing over
23 that period is projected to total approximately 46
24 billion dollars. However, the patterns for both of
25 these are the exact opposite, the ten year capital

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strategy is frontloaded with the most spending occurring in the first year while what the city is borrowing is expected to grow slowly throughout the plan so I wanted to understand which of these two projections are more likely to hold up and be an accurate reflection?

MELANIE HARTZOG: So, we've had a, a conversation I think the last time that the chart was presented about this and, and it's actually a little bit of a comparison of apples to oranges because the... [cross-talk]

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

MELANIE HARTZOG: ...blue line is looking at what the commitments are and the orange line is looking at our actual cash flow for our capital projects and so the, the orange line actually reflects projects that have already been, right, moving forward contracts have been registered and they could be from prior years but I can have Charles Brisky explain it a little more in detail if you'd like.

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2 COUNCIL MEMBER GIBSON: Okay, well the
3 blue line I want to make sure we clarify is the
4 capital strategy.

5 MELANIE HARTZOG: It's, it's the
6 commitment... [cross-talk]

7 COUNCIL MEMBER GIBSON: Right...

8 MELANIE HARTZOG: You want to... [cross-
9 talk]

10 CHARLES BRISKY: The blue line is..
11 [cross-talk]

12 COUNCIL MEMBER GIBSON: So, that... [cross-
13 talk]

14 CHARLES BRISKY: ...is capital commitments,
15 capital commitments represent contract registrations
16 not spending cash, it's just registration with the
17 Comptroller's Office so the blue line represents
18 when, when you register a contract in that particular
19 fiscal year, the orange line represents when we
20 actually finance the expenditure so as you know a
21 capital project takes time, a road project
22 reconstruction may take five to seven years so during
23 that five to seven years we are financing the cost of
24 that road project and that's why there's not a direct
25 correlation between the, the orange line which

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2 represents financing costs over many years versus the
3 blue line which represents contract registrations in
4 any particular year.

5 COUNCIL MEMBER GIBSON: Okay, well the
6 graph that we have this blue line is the capital
7 strategy not the actual commitment that you're
8 talking about?

9 CHARLES BRISKY: They're one in the same,
10 the capital strategy is represented as commitments.

11 COUNCIL MEMBER GIBSON: So, registered
12 contracts that are ready... [cross-talk]

13 CHARLES BRISKY: Yes... [cross-talk]

14 COUNCIL MEMBER GIBSON: ...to go?

15 CHARLES BRISKY: Correct.

16 COUNCIL MEMBER GIBSON: Okay. Okay, got
17 it. I wanted to ask about capital tracking, I
18 mentioned this in my opening. As a result of some of
19 the work that Council Member Brad Lander and Council
20 Member Andy Cohen have done we introed two bills;
21 Intro 113 and Intro 32 which both relate to the
22 creation of a publicly assessible capital tracker and
23 I wanted to understand during the time we held the
24 hearing the Mayor's Office of Operations testified as
25 it relates to both of the pieces of legislation but

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2 also what the Mayor's Office of Operations does in
3 terms of the capital tracking oversight and we wanted
4 to understand now that I have an opportunity to ask
5 what OMB's role is in tracking capital projects
6 across the city?

7 MELANIE HARTZOG: Do you want to talk
8 about the... you know the capital tracking that we do
9 then I can take it...

10 [off mic dialogue]

11 MELANIE HARTZOG: So, I think part of
12 what we have been talking about at least in,
13 internally to OMB is how we can better monitor and
14 track our own capital projects obviously from the
15 perspective of what's actually in the plan, what gets
16 committed but then over time at some of the
17 conversations that we've been having with, with you
18 Chair and members around as projects are coming,
19 anticipating work order changes, cost overruns,
20 etcetera that's something that we're very interested
21 in doing much better internally.

22 COUNCIL MEMBER GIBSON: So, has OMB done
23 an assessment now with the current infrastructure you
24 have to determine what changes could be made? I think
25 one of the things we recognize with the Mayor's

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Office of Operations that was extremely disturbing was the number of staff dedicated to the capital tracking system that they operate at the 25 million dollar threshold obviously that amount is concerning because most of our capital funded projects are much less and lower than 25 million dollars and then the other thing we were concerned about was the actual database that was used that's a manual database so you have to staff to manually input information so have you done an assessment to determine what types of changes you expect to see and what could happen and what should be happening with capital tracking?

MELANIE HARTZOG: What we've been working on is I think much more immediate needs. One of the things that we've started talking around with, with DDC is how we can better control costs but also do better estimates up front and in fact we just authorized DDC to go ahead and hire up a number of different critical positions like cost control estimators who can help do that. We internally have been having conversations about as we know a particular project... we may not know when you rip up the road that... you know what particularly is going to be wrong with that road but we do know and could

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2 possibly anticipate that there's going to be a change
3 order related to that project and so how do we better
4 up front estimate what potential costs could be so
5 that we're not again holding up projects and we're
6 trying to get much better at that so much of our work
7 has been focused on how can we better move projects
8 forward, how can we do better cost estimates, how can
9 we avoid cost overruns, how can we as we do all of
10 these efforts then how does that expedite an actual
11 project getting done but we haven't done a lot of
12 looking at the... what are our efforts to better track
13 in that infrastructure, it is literally a
14 conversation I just started to have with some of our
15 staff about a month ago and that was particularly
16 related to IT projects but we have much work to do on
17 this front.

18

COUNCIL MEMBER GIBSON: Okay, I

19 appreciate the willingness to, to really look at this
20 particular issue, it's just concerning because I was
21 reminded earlier of a 2015 report that came out that
22 actually looked at the entire capital tracking
23 process, it's system itself and so a lot of, of time
24 has passed and many of us have been here in the
25 Council for years now and when we pass a budget and

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we allocate capital dollars it's really up to individual Council Members to chase agencies to find out updates and oftentimes we're only told if there's a change in the cost, why, because the agency needs more money from us and I won't throw out any particular agencies but you know who I'm talking about because some of them consistently come to us about projects that are underfunded because through the bidding process the amounts of the bids are just under, under estimated and so it's been concerning for some time and what I'm hoping we can do and hopefully we get it done by exec or even adoption we need to find a better way. The database that OMB uses today is that a database that you think you could use as a possible example for tracking some of the capital projects.

MELANIE HARTZOG: We, we have started very preliminary conversations and.. [cross-talk]

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

MELANIE HARTZOG: ...I'm happy to, to meet with you and Council Member Lander to talk about some of the things that we've been thinking about because

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2 I think we could probably spend quite some time alone
3 just talking about... [cross-talk]

4 COUNCIL MEMBER GIBSON: Okay... [cross-
5 talk]

6 MELANIE HARTZOG: ...what those needs are
7 and I'm sure overall... I mean I will say from our
8 perspective the, the frustration of the work order
9 coming in or the unanticipated if we were able to
10 have better tracking I agree that we'd be able to
11 anticipate across different types of programs similar
12 trends it would then help us plan better and that's
13 one of the goals that I would like to achieve in my
14 time in this role of being able to do that.

15 COUNCIL MEMBER GIBSON: Okay. OMB uses
16 the capital project detailed data report currently,
17 it's not available online but that's something that
18 we obviously would love to see and it be available
19 online but that could be used as one example of what
20 currently exists, I'm not saying that that would be
21 the form we use but... [cross-talk]

22 MELANIE HARTZOG: Right, the end all...
23 [cross-talk]

24 COUNCIL MEMBER GIBSON: ...certainly it's a
25 good... [cross-talk]

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2 MELANIE HARTZOG: ...be all but... [cross-
3 talk]

4 COUNCIL MEMBER GIBSON: ...start.

5 MELANIE HARTZOG: Yep.

6 COUNCIL MEMBER GIBSON: Okay. The new
7 budget lines that we talked about and I know there
8 have been some changes from the adopted budget last
9 year, we started the process of really thoughtfully
10 adding new and really more descriptive budget lines
11 to the capital budget specifically in the park so I
12 want to give you credit, shout out to the Parks
13 Department because we, we certainly appreciate the
14 adding of the new and the more descriptive budget
15 lines, how do you intend to continue this process
16 with more descriptive budget lines, has there been a
17 strategy put together?

18 MELANIE HARTZOG: I think it's just part
19 of our ongoing communication with the agencies and
20 conversations with Council on where we have and can
21 be and provide that greater transparency without
22 compromising as I've... we've talked about often the
23 agency's ability to move projects forward.

24 COUNCIL MEMBER GIBSON: Right, of course.

25 MELANIE HARTZOG: Yeah.

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2 COUNCIL MEMBER GIBSON: Are you looking
3 at other agencies in terms of who can give more
4 descriptive budgets and if not, would you be willing
5 to take some of our suggestions on... [cross-talk]

6 MELANIE HARTZOG: I'm always... [cross-
7 talk]

8 COUNCIL MEMBER GIBSON: ...some of the
9 agencies... [cross-talk]

10 MELANIE HARTZOG: ...willing to take your
11 suggestions...

12 COUNCIL MEMBER GIBSON: Okay...

13 MELANIE HARTZOG: Yes.

14 COUNCIL MEMBER GIBSON: Great. Awesome.
15 And what about looking at a... creating a five new
16 budget lines for like corrections as one example, one
17 for each of the borough-based facilities and the
18 training center that I love to talk about for
19 corrections officers.

20 MELANIE HARTZOG: Very specific Council
21 Member... [cross-talk]

22 COUNCIL MEMBER GIBSON: Very specific...

23 MELANIE HARTZOG: We... I think we should
24 continue to have conversations about it and I think
25 the, the borough based we're very early on in the

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2 process, in the prelim we funded a consultant to help
3 us better estimate what the actual cost will be,
4 we'll know a lot more in the coming months and as
5 that unfolds we should... we should have those
6 conversations.

7 COUNCIL MEMBER GIBSON: Okay. I wanted to
8 talk about parks and DDC and the front-end planning.
9 The City Council recently received a term and
10 conditions from OMB and in the first half of fiscal
11 2019 the front-end planning unit at DDC initiated
12 three parks projects out of 51 total projects so I
13 wanted to ask how is OMB working with DDC and it's
14 client agencies to ensure that the appropriate
15 projects are prioritized by the front-end planning
16 unit? I was very happy to hear that we instituted
17 this front-end planning unit several years ago
18 specifically for parks and I wanted to understand how
19 we are ensuring that this unit actually prioritized
20 those projects, projects that should get the more
21 attention?

22 MELANIE HARTZOG: Well let me just say
23 overall and I mentioned this before but I, I don't
24 think I can stop saying it because it's a, a great
25 thing which is as Commissioner Grillo released her

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plan my team worked very closely with DDC and really I think stepped up to figure out what our role can be in really moving forward and supporting the work of the agency and looking at ways in which we can expedite our own business at OMB to better support the capital planning process and that included looking at different staffing needs that they had that would help them actually get ahead of a lot of the things that we're talking about so I talked about the cost control staff, the additional staff that we gave them for the front-end planning unit so there's many things that we've been doing with them to move forward and I think it will only get better from there.

COUNCIL MEMBER GIBSON: Okay, yes, I, I hope that it will get better, I think it's been a good start and I look forward to more of that. I have one last question before I turn it back over... [cross-talk]

MELANIE HARTZOG: Want... just wanted to... [cross-talk]

COUNCIL MEMBER GIBSON: Uh-huh... [cross-talk]

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MELANIE HARTZOG: ...sorry, wanted to just make a note that we did in fact give them the approval to go ahead and the 27 positions I mentioned, the control estimates but it did include expanded front-end planning staff.

COUNCIL MEMBER GIBSON: That's for DDC?

MELANIE HARTZOG: Correct.

COUNCIL MEMBER GIBSON: Okay, great. I have one question before I turn it back over to Chair Dromm and this is related to the homeless services and cluster site and the phasing out of many of our clusters which the city is on track to do and in a series of announcements and commitments the administration recognized that we still have homeless families in 82 separate cluster site locations that was the last number we were given a few months ago but I wanted to understand the actual plan for getting out of the cluster sites, the city talked about possible usage of imminent domain, they talked about working with the landlords and owners of these buildings as a possible acquiring of these buildings and turning them over to not for profits however if that is the case I don't see it reflected in the budget that that would even be a plan to acquire any

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of those buildings so can you give me a little bit of a sense of what we're doing with phasing out and how have those conversations been going with a lot of the land owners and land lords of our cluster site buildings?

MELANIE HARTZOG: Well you've just explained the entire strategy so I don't know how much I can offer on that front but what I can talk to you about is just in terms of where we are with the budget, we've been doing this and looking and we've been working with both HPD and DSS... [cross-talk]

COUNCIL MEMBER GIBSON: DHS... okay... [cross-talk]

MELANIE HARTZOG: ...on an overall strategy and looking at each of the cluster buildings to see what in fact and how we want to move forward with each of the owners of those buildings and the funding is not reflected in the budget, as we move forward and we determine a strategy for the clusters we'd then reflect that funding in the budget so you're correct that it's not there but the commitment is there to move forward, the commitment is there to actually remove and get out of clusters and the funding commitment is there should that as we move

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2 forward that we would then add the funding to the
3 budget.

4 COUNCIL MEMBER GIBSON: Okay, so in
5 addition the units that we're phasing out of we're
6 also looking to turn back to affordable housing units
7 so if that is the case will there be a cost
8 associated with that which would to me be separate
9 from actually purchasing the entire building.. [cross-
10 talk]

11 MELANIE HARTZOG: You're right.. [cross-
12 talk]

13 COUNCIL MEMBER GIBSON: ...with those
14 individuals' units?

15 MELANIE HARTZOG: Yes.

16 COUNCIL MEMBER GIBSON: Okay, so that's a
17 part of the conversations as well?

18 MELANIE HARTZOG: Yes, of course.

19 COUNCIL MEMBER GIBSON: Okay, I would
20 appreciate just being kept up to speed, I mean most
21 of the cluster housing that remains are situated in
22 certain neighborhoods across a few boroughs one of
23 which is the Bronx so it's very important to me to
24 understand where we are, how many more units that we
25 have to phase out and if there are opportunities to

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2 purchase those buildings I think that would be a good
3 thing to allow a, a local not for profit to take over
4 those buildings.

5 MELANIE HARTZOG: We couldn't agree more.

6 COUNCIL MEMBER GIBSON: Okay, thank you,
7 I'll turn it back over to Chair Dromm.

8 CHAIRPERSON DROMM: And thank you very
9 much Chair Gibson, we're now going to go to Council
10 Member questions starting with Council Member
11 Grodenchik.

12 COUNCIL MEMBER GRODENCHIK: Thank you
13 Chair Dromm and thank you Chair Gibson, good morning
14 Miss Hartzog, good afternoon, good afternoon, I'm
15 sorry... [cross-talk]

16 MELANIE HARTZOG: Good afternoon... [cross-
17 talk]

18 COUNCIL MEMBER GRODENCHIK: ...we passed...
19 we passed over the meridian. Can we bring back that
20 capital budget chart? Yeah, the one that has Parks
21 Department flatlining. I really don't understand this
22 and perhaps... I like to think I'm fairly intelligent,
23 graduated New York City public school system but I
24 just don't understand how it could be that that green
25 line which represents Parks is so flat in the out

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years when we have massive investments that we're making and we're going to have to continue to make. The other thing that I don't see there Director is we are talking about building jails in every single part of this city with the exception of Staten Island and I don't see a nickel on that chart for the... for DOCOMMITTEE CLERKS so could you explain that to me but don't take too much time because you know they got me running?

MELANIE HARTZOG: So, so two things one is on Parks just your initial question, it's exactly what Chair Gibson pointed out earlier which the ten-year strategy is frontloaded, we've been working very hard.. and by frontloaded, I mean that.. [cross-talk]

COUNCIL MEMBER GRODENCHIK: And there's going to be another Mayor after Mayor De Blasio and he or she is going to want to spend some money and it's going to be necessary and I, I've never seen a chart like this, and I've been in government over 30 years.

MELANIE HARTZOG: So, we have been working to.. if you'll see fiscal years 20 through 23, very hard to actually better reflect the projects in the year in which they'll be spent. I think Parks did

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2 a, a very big job of doing a capital stretch in the
3 preliminary, there's more to go and what you'd see
4 over time as we continue to do that that it would
5 smooth out and so those out years will actually come
6 up because the fiscal years 20 and 21 you can see are
7 so high relative if you actually look at where there
8 prior commitments are, where their spending has been
9 it's been relatively low and so we're trying to do
10 two things at once, one is to put little bottom
11 investments in to get their capital spending up
12 higher but also better reflect where they're actually
13 going to spend the money in the appropriate year. You
14 asked me about corrections which is actually not on
15 this chart and right now... again one of the things
16 that we don't want to do is put in estimates that we...
17 that are inaccurate, we actually funded a consultant
18 in the preliminary budget who will be working with us
19 and a number of city agencies to actually give us an
20 accurate, as much as accurate possible cost estimate
21 for the borough based jails and at that point in time
22 we would actually reflect it in the capital budget.

23

COUNCIL MEMBER GRODENCHIK: Thank you for

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those answers. One of the things that frustrates

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every single one of my colleagues and myself is the

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amount of time the capital procurement process takes
and I am tasked with the Parks and Recreation
Department and I will see Commissioner Silver on
Friday and I, I will thank him at that time for his
efforts, one of the things that would be helpful I
believe would be a fund put aside maybe with some
extra money that would be at the discretion of the
Commissioner of Parks and Recreation along with you
or whoever should be, the Director of OMB to cover
shortfalls because sometimes these shortfalls can be
a very small amount of money. I was meeting with...
thank you for that bell, I was meeting with Deputy
Commissioner Therese Braddick last week and... a week
and a half ago and when you look at the bids even on
a million dollar job the... it's, it's unbelievable and
I know those bids are going to be online very shortly
but it might be... this, this fund might be a glue that
holds us tougher and can keep us on track because
it's exceedingly frustrating especially for the... for
the projects that we fund here in the Council and
Borough President's fund when they come up short and
we can only fund it one year at a time, I don't... I
don't get an extra bunch of money in September as the
Mayor may have or may not have. So, I'd like you to

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2 consider that, I know my time is up, but would you
3 think about that?

4 MELANIE HARTZOG: Sorry, we've actually
5 added about 1.8 million annually for just that
6 purpose, predesigned testing, in house cost
7 estimators and cost estimating on software so we have
8 considered it... [cross-talk]

9 COUNCIL MEMBER GRODENCHIK: I know we
10 have so I'd like... I'd like to be at it on the capital
11 side as well, it's... you know in an overall capital
12 budget of, you know 100 billion dollars we're talking
13 maybe ten or 20 million dollars that would enable
14 projects that we all want to move forward to move
15 forward quickly without being held up for months at a
16 time.

17 MELANIE HARTZOG: Yes, I'm... [cross-talk]

18 COUNCIL MEMBER GRODENCHIK: Is that a
19 smile?

20 MELANIE HARTZOG: ...I'm happy to continue
21 having conversations about it... [cross-talk]

22 COUNCIL MEMBER GRODENCHIK: Okay... [cross-
23 talk]

24 MELANIE HARTZOG: ...absolutely... [cross-
25 talk]

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COUNCIL MEMBER GRODENCHIK: Thank you, we

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look forward to seeing you at the Queens Farm soon,

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thank you.

5

CHAIRPERSON DROMM: Council Member Cohen.

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COUNCIL MEMBER GRODENCHIK: Thank you

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Chairs.

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COUNCIL MEMBER COHEN: Thank you Chairs.

9

Thank you for your testimony and also congratulations

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on the bond rating I think that is a big deal and

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that should be acknowledged and celebrated..

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MELANIE HARTZOG: Really appreciate that,

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thank you.

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COUNCIL MEMBER COHEN: The, the, the PEG,

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this is easy.. I'm going to start easy; the PEG is

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reflected in the.. in the 92 point whatever billion..

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MELANIE HARTZOG: The, the PEG is

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actually saying that we have to reduce our expenses

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against the budget and.. across fiscal years 19 and 20

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by 750 million.

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COUNCIL MEMBER COHEN: But if we adopted

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the preliminary which I know we're not that, that

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number.. the 750 though is.. you take a.. [cross-talk]

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MELANIE HARTZOG: A reduction.. [cross-

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talk]

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2 COUNCIL MEMBER COHEN: ...you've taken that
3 money out already?

4 MELANIE HARTZOG: No, that is what we're
5 going to be doing from now until the executive budget
6 that's released in April.

7 COUNCIL MEMBER COHEN: So, you're going
8 to try to reduce the preliminary by 750 as... okay.

9 MELANIE HARTZOG: Yeah.

10 COUNCIL MEMBER COHEN: I just want to
11 build upon some of the... reflect my frustration is
12 shared by Council Woman Gibson and Council Member
13 Grodenchik about the, the capital budget process, I
14 mean I feel I've been here a long time already I feel
15 like and the process is really bad and it is
16 incomprehensible and the dollars just make no sense
17 and I... you know I'm not... I'm not an authority on the
18 big projects. Our Speaker talked about the BQE the
19 other... yesterday but when we... when we were in the... in
20 the cowl with the Mayor and he talked about design
21 build like we should be lighting ourselves on fire in
22 Albany to try to get design build like six percent of
23 our capital budget is a colossal amount of money and
24 I feel like although there's been some talk of... about
25 the frustration around the cost and time laying down

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our capital projects I just don't feel like there's been a lot of progress made, I don't know if you feel differently about that. I am excited about Lorraine taking over at DDC, but you know it's... the, the time... the hour is getting late I think for us to really have an impact.

MELANIE HARTZOG: I keep doing that in the reverse. I think I share the frustration; I think we have made significant progress at least in the, the year that I have been here in trying to aggressively move on a number of different initiatives. As I told Chair Gibson, you know one... on the tracker, yes, we want to move forward and do that but at the same time we've really been pushing at OMB to really be more thoughtful about trying to estimate as much as we can costs that we know that are coming up front so that we don't get into this constant change order that will wind up delaying projects. Design build I think we have... we were aggressive last year, we'll be aggressive this year, it's also a different tone of legislature and we're hopeful that we can get more but the, the fate of design build is, you know obviously up to the legislature but I can

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2 tell you that we have been aggressively pushing for
3 that.

4 COUNCIL MEMBER COHEN: Do... really it, it
5 should be at the top of our priority list, it... just
6 the, the... [cross-talk]

7 MELANIE HARTZOG: Couldn't agree more.

8 COUNCIL MEMBER COHEN: ...the, the impact.
9 In the seconds I have left, I'm just curious why are
10 there... are the bulk of the reserves in the health
11 care trust?

12 MELANIE HARTZOG: Sure, you want to take
13 that one Ken.

14 KENNETH GODINER: So, we've made
15 contributions approximately of the four and half
16 billion that's in the, the reserve about 3.6 are, are
17 actions that were taken by this administration.
18 Remember the... [cross-talk]

19 COUNCIL MEMBER COHEN: I'm sorry, I, I
20 didn't... I didn't catch that.

21 KENNETH GODINER: The... of the four and a
22 half billion dollars that's in the trust about 3.6
23 got there by actions taken by this administration.
24 Remember the trust is... was originally established
25 during the Bloomberg administration. Money goes into

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the trust, the, the, the idea behind this is that it

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is a partial down payment on promises we've made to,

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to retirees regarding health insurance, the liability

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is a substantially bigger number although we think

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that's rather speculative and this provides a, a

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cushion against those costs and, and a way of, of, of

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sort of having current generations or tax payers put

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some money forward to pay for future retiree health.

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COUNCIL MEMBER COHEN: Chair if I could

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just follow up on one... but wait a minute but we're

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not like double counting the money as... sort of a

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general reserve and a specific... and that it's

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actually attributed to future health care costs?

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KENNETH GODINER: It's not a double

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count, I mean the, the... we, we assume that the

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purpose the money is put in for that purpose, we have

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seen an extreme situation, right, which we... you know

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we have... and although the trust is relatively new we

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had an extreme situation since it's inception which

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was the 2008/2009 financial crisis and in fact the

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city was able to draw it down in that... in that

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emergency to preserve vital services from the trust,

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it's not the most desirable outcome but it is

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something that the city can do rather than at the

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2 time facing, you know thousands of teacher lay offs
3 and other service cuts.

4 COUNCIL MEMBER COHEN: Thank you Chair.

5 CHAIRPERSON DROMM: Okay, Council Member
6 Rosenthal. Council Member Kallos

7 COUNCIL MEMBER KALLOS: Thank you to
8 Finance Chair Dromm and to Budget Director Melanie
9 Hartzog, sorry I missed you last year, I believe I
10 may have been on paternity leave so if this is your
11 first time with me please take pencils out, I got a
12 few questions. It took five years to get from 150
13 Pre-K seats in my district to 1,100 this coming year
14 to meet potential demand from 2,557 children who were
15 born four years ago in 2015, with that being said
16 we're hoping for the Mayor's promise of Pre-K for All
17 to finally visit my district just as 3-K is rolling
18 out throughout the city however currently 3-K is only
19 planned to go citywide in 2022 and, and here's the
20 truth I've got a daughter who turns three in 2021,
21 child care in my district starts around 30,000
22 dollars a year, can we see funding being allocated
23 now especially in districts where it has been
24 challenging for Pre-K and can we see an earlier
25 rollout? Similarly this is something I've asked Dean

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for four years and he still owes me an answer so if you cannot get me the answer I want the Deputy Mayor here on that but when I did finance for businesses we used performance budgeting, certain amounts of money gets a certain amount of results and if not we tried something different, particularly we used to do a lot of advertising for our products and if that product advertising didn't get us the leads we were promised then we found a different vendor and that's pretty straightforward, it's pretty common across the bed. The New York City charter section 12B4 requires an... quote, an appendix indicating the relationship between the program performance goals and measures including the management report in pursuant to paragraph two of the subdivision and the corresponding appropriations contained in the preliminary budget, will you provide performance budgeting so that we can see if our money is getting the results it's supposed to be doing instead of just perhaps putting bad after good and last but not least, I'm the proud author of Local Law 22... 218 of 2017 which requires the budget to be put online so both the Council and residents can easily analyze the city's budget and to a larger... to... there are certain

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2 parts of the budget that are on open data and that
3 makes me very happy however if I want to get an excel
4 file of it I can't navigate it... navigate to it
5 through the OMB website. When I took the URL that OMB
6 provided to the City Council and put it into google
7 and google can only index things that are actually
8 linked to on the internet I wasn't able to pull up a
9 special page that is the same URL as the budget but
10 with a dash cc on it with excel sheets but this is
11 what the excel sheets end up looking like and I guess
12 the question here is, is that really compliance with
13 Local Law 2018 and will you fully comply so that both
14 the City Council and any person in the city can
15 actually access our budget instead of having to go
16 through thousands of pages of PDFs?

17 MELANIE HARTZOG: Wow, well welcome back,
18 congratulations you, you join a, a very challenging
19 as a parent, I'm a parent of three; a five year, an
20 eight-year-old and ten-year-old so congratulations in
21 joining the club. In terms of the Pre-K seat
22 projections, my team is telling me we've actually..
23 there's 85 million dollars in new capital... in new
24 capital for Pre-K, sites were recently funded in your
25 district for fiscal year 19 and so we can actually

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get you that break out if you need it and don't have

3

that, happy to give it to you.

4

COUNCIL MEMBER KALLOS: I, I have it I

5

think I'm concerned we need more especially for 3-K.

6

MELANIE HARTZOG: So, as I understand it

7

and I think that DOE can speak better to it and as we

8

move forward we're constantly assessing what the

9

needs are for SCA but it's, it's... the demand is based

10

on an estimate, every family that applies is offered

11

and from my perspective it's an ongoing capital need

12

even though we've sat the five year plan for SCA. As

13

you probably well know from your time, we've going to

14

continue to add to that at... on a need's basis. Local

15

Law 218 and the report I'm... you know if you... I can

16

talk with, you know Latonia and her team about what

17

specifically you need, I believe we're in compliance

18

but if you need this to be more user friendly, you

19

need additional features added to it we're find to do

20

that, happy to do that.

21

COUNCIL MEMBER KALLOS: And with regards

22

to the performance budgeting?

23

MELANIE HARTZOG: I think that I get a

24

reset clock from the new... as the new budget director,

25

you can't hold me to Dean's clock so, you knew that

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1 ON CAPITAL BUDGET

2 was coming though I think and on performance-based
3 budgeting let's have a conversation. I... you know I
4 hadn't had a conversation with Dean about it but I'm
5 happy to have a conversation with you on it and I
6 will talk with Dean about it as well.

7 COUNCIL MEMBER KALLOS: Thank you.

8 CHAIRPERSON DROMM: Thank you, Council
9 Member Rosenthal.

10 COUNCIL MEMBER ROSENTHAL: Thank you so
11 much Chair and I really... and thank you so much
12 Director Hartzog for your work in this, I didn't know
13 you had three children, that's a lot.

14 MELANIE HARTZOG: They, they are a
15 handful...

16 COUNCIL MEMBER ROSENTHAL: Four, four,
17 every year you have to put the budget to bed so thank
18 you for that. And thank you to the finance staff who
19 helped write all my questions needless to say my
20 technology just died so I'm going to wing it. As
21 Chair of the Committee on Women I think about the
22 city's budget from a constituent's point of view so
23 if you're a woman who is... you know has been sexually
24 assaulted how does the system help you, right, many
25 of these issues cross lines, you know there's some

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2 stuff in PD, there's some stuff in MOCJ, there's some
3 stuff in HRA's budget, DYCD. So, one thing and you
4 guys have been incredibly... your staff has been
5 incredibly helpful in doing this, is we're trying to
6 do a fiscal analysis of what the city invests for
7 victims of domestic violence. Another words if you
8 were to look at ENDGBV's budget and the access they
9 have to resources in different city budgets you
10 would... you would hypothetically have a number and I
11 know this is a different way of looking at things, I
12 know I... this is something that we've talked about a
13 lot... oh my god I'm out of time so could you commit to
14 trying to help us complete that analysis so we can
15 understand from the perspective of a victim of
16 domestic violence or a family or a, a person who's
17 been sexually assaulted could you commit to helping
18 us really put a dollar figure on that and I see your
19 trusty aid who's been very helpful?

20

MELANIE HARTZOG: David is very thankful

21

for that, yes, we, we most certainly can, I think...

22

[cross-talk]

23

COUNCIL MEMBER ROSENTHAL: Great... [cross-

24

talk]

25

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ON CAPITAL BUDGET

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MELANIE HARTZOG: ...it would also... I'd

3

like to get the Mayor's Office of Operations involved

4

in helping us because I think this is... what you're

5

asking for is a little bit more than just the budget

6

but putting together more programs and metrics around

7

that too.

8

COUNCIL MEMBER ROSENTHAL: Great, I

9

really appreciate that. One part of when we think

10

about serving women another part we do that is

11

through the Human Service contracts and so I'm

12

curious to know if... how satisfied OMB is with the

13

procurement process and what role you think OMB could

14

play to expedite things for the human service sector,

15

we're talking about... again off the top of my head 17

16

billion dollars in human service contracts?

17

MELANIE HARTZOG: So, in fact my team

18

David Greenburg who's sitting next to me has been

19

very involved with the nonprofit resiliency committee

20

playing an active role not just in what OMB's role is

21

but really helping to facilitate in working directly

22

with the nonprofit community around what their issues

23

are which are also beyond just procurement. I think

24

that we've also been... OMB plays a role in Passport

25

which many of the procurement delays... [cross-talk]

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2 COUNCIL MEMBER ROSENTHAL: Yeah... [cross-
3 talk]

4 MELANIE HARTZOG: ...in... will be resolved
5 once that tool is online and I think we've been
6 looking at it not just from can we simply automate
7 what we're currently doing but how can we do what
8 we're doing better and then automate it and so I
9 think the team has been pushing very hard and being
10 very creative around that and working with Dan Simon
11 over at the Mayor's Office of Contracts... [cross-talk]

12 COUNCIL MEMBER ROSENTHAL: Yeah... [cross-
13 talk]

14 MELANIE HARTZOG: ...to make sure that
15 we're actually thinking bigger than just automating
16 that which is this... [cross-talk]

17 COUNCIL MEMBER ROSENTHAL: Of course... of
18 course... [cross-talk]

19 MELANIE HARTZOG: ...front business
20 process... [cross-talk]

21 COUNCIL MEMBER ROSENTHAL: ...I mean look
22 this is an issue I've been working on for five years,
23 it was my first question to the Mayor, what are we
24 doing for human service contracts when we had our
25 first budget meeting with him, it's five years

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2 later, I'm very well aware of the resiliency
3 committee and all the meetings that have happened but
4 you know recently Council Member Brannan who's the
5 new Chair of the Committee stood and referred to the
6 continuing woes of the human service sector and any
7 provider will tell you that they have to take out
8 lines of credit for which of course they pay interest
9 that's never refunded by the city, you know that gets
10 up into the hundreds of thousands of dollars so this
11 is... you know we've been working on this for five
12 years, we've been told Passport will be done in...
13 [cross-talk]

14 MELANIE HARTZOG: Uh-huh... [cross-talk]

15 COUNCIL MEMBER ROSENTHAL: ...a year, a
16 year and a half, two years its not good enough and I,
17 I'm, I'm... I, I would if I were still at OMB have a
18 swat team and actually pull together, you know use
19 OMB's reach into the agencies to pull together some
20 sort of swat team because what's going wrong is at
21 the ACO level and this sort of top down resiliency
22 thing we've been giving it five years so we can talk
23 about that offline, I'd love to...

24 MELANIE HARTZOG: We should talk about it
25 offline, I think part of the challenge and

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2 particularly when I was a Deputy on this front was
3 getting... you know we have made significant
4 investments in the non forprofit sector to the tune
5 of over 600 million... [cross-talk]

6 COUNCIL MEMBER ROSENTHAL: No, no, no
7 let's be clear because that's my second question,
8 annually it's to the tune of about 100 million, we've
9 been putting together numbers... [cross-talk]

10 MELANIE HARTZOG: We, we should get to
11 the... [cross-talk]

12 COUNCIL MEMBER ROSENTHAL: ...let's say
13 125, let's say 150, the human services sector would
14 tell you and they have a route to a number that's
15 like 400 million dollars annually so we have... we, we
16 still have the two glaring problems that we had five
17 years ago and I was fine with the Mayor saying that
18 he inherited an incredibly underfunded sector and
19 he's made up some of the stuff and no one else in any
20 level of government has done as much as the Mayor
21 unfortunately it was 20 years of disinvestment and
22 one or two smacks at it aren't really going to get us
23 there so I'm just putting it on everyone's radar that
24 I, I think we owe the human service sector a lot
25 more than what we're giving them. Thank you.

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2 MELANIE HARTZOG: Uh-huh.

3 CHAIRPERSON DROMM: Okay, thank you,
4 Council Member Chin.

5 COUNCIL MEMBER CHIN: Thank you Chair
6 Dromm and Chair Gibson. Good afternoon Director it's
7 a... [cross-talk]

8 MELANIE HARTZOG: Good afternoon Council
9 Member.

10 COUNCIL MEMBER CHIN: It's great to see
11 you.

12 MELANIE HARTZOG: Same here.

13 COUNCIL MEMBER CHIN: I know that I'm not
14 supposed to talk about agency budgets because we'll
15 have our own hearing but I want to start off with, I
16 know the Mayor's talking about New York City being a
17 fair city that it has to be a fair city for all ages
18 and that includes older adults. I know that the
19 administration has put significant investments in
20 Pre-K and K-3 and it's great and we know that that
21 investment is going to pay off because our kids are
22 going to do better in school but seniors and older
23 adults are also part of the future and we know that
24 if we invest in our senior, in our older adult
25 population we're going to help the city save money

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and I know that DFTA did their own study with Fordham University showing that seniors who go to senior centers are healthier and they can... don't have to worry about critical illness until much later on but not a large number of seniors go to senior centers and we'll talk about the model budget at the... at the other hearing but I wanted to talk about in terms of some of the, the city's investment and our chair talked about adult literacy, I mean that is also an investment that the older adults need, learning English helps them get a better job than they can pay more taxes, they can help their kids in school but those things are not accounted for. Every year administration does one year never baselined, these should be basic, basic investments if we want to be a fair city for everyone, for all the ages and I know that the Mayor is investing a lot of money in building senior housing which I greatly support but I also want to make sure that there are going to be supportive services in the senior housing because we have seen a lot of senior housing across the city and some of them in my district they don't have support services and the Council has to fund them, right and so I think that I wanted to get a commitment from OMB

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2 to really look at it because I know when we talked to
3 DFTA I say is there a dollar value that we can show,
4 a dollar investment yields how many dollars in
5 savings in the future, I mean maybe there should be
6 some kind of study that can showcase what we're
7 talking about that these investments are important
8 and to make sure that the administration don't forget
9 about the older adults, the seniors because a lot of
10 them are still working and they're still contributing
11 to our tax base, to society and we want to make sure
12 that they get the support that they need.

13 MELANIE HARTZOG: So, just on your point
14 of trying to quantify the investments and what the...
15 you know the return on that investment is, we'd be
16 happy to work with, with you on that and I think the...
17 we can bring in other agencies to help us do that
18 DFTA included but others who have the capacity to do
19 a little bit more refined analysis on metrics, yep.

20 COUNCIL MEMBER CHIN: Yes, I, I look
21 forward to that because we just got to showcase this
22 is what's going on, I mean if you go to anyone of
23 those centers, right, these seniors they could be in
24 their 90's and still volunteering, I mean right now
25 we're going to be organizing a showing of a

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documentary that was done in one of the, the senior centers in my district and I'm going to invite you to come and you'll see that the investment that we make every day makes such a big difference in these lives of these older adults. Thank you.

CHAIRPERSON DROMM: Thank you, Council Member Levin followed by Council Member Rose.

COUNCIL MEMBER LEVIN: Thank you Chair. Director I just wanted to ask a little bit about the broader financial picture that we're going into FY '20 with, the Mayor in his preliminary budget asked for essentially a PEG or by another name of PEG of 750 million dollars across the agencies, what... is, is, is the last two months of, of economic picture look any better than, than the end of the, the fourth quarter of last year and are we anticipating that all, all 750 million of those PEGS is... are going to be required this year and, and what... can we maybe get a little bit more of a picture about what, what our... or a little bit, you know more color to what, what our picture is looking like right now?

MELANIE HARTZOG: Sure, so I want to just make sure that I clarify the 750 million is the

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2 overall citywide savings with 544 million coming from
3 the city agencies... [cross-talk]

4 COUNCIL MEMBER LEVIN: Okay... [cross-talk]

5 MELANIE HARTZOG: ...and the balance we
6 will look to citywide initiatives that we've done in
7 the past, Ken who manages the citywide savings
8 program as well as debt service and other initiatives
9 that we can do citywide.

10 COUNCIL MEMBER LEVIN: Okay.

11 MELANIE HARTZOG: In terms of the overall
12 economic picture, I mean the... it's... it remains the
13 same, what I would say is... oh and... oh, sorry, let me
14 just backtrack, the 750 million is over the two
15 fiscal years so fiscal year 19 and 20 agencies can
16 look to achieve those savings it doesn't have to all
17 be... [cross-talk]

18 COUNCIL MEMBER LEVIN: Okay, 19 and 20...
19 [cross-talk]

20 MELANIE HARTZOG: ...in fiscal year 19...
21 [cross-talk]

22 COUNCIL MEMBER LEVIN: ...alright... [cross-
23 talk]

24 MELANIE HARTZOG: ...or fiscal year 20, yes
25 so that's really important I wanted to clarify that

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2 but I think the real concern for us in the current
3 year is looking at where we are with our revenue
4 collections, we are essentially holding to the
5 current plan and April is a critical month to see
6 where we are with personal income tax collections...

7 [cross-talk]

8 COUNCIL MEMBER LEVIN: Uh-huh... [cross-
9 talk]

10 MELANIE HARTZOG: ...but we're essentially
11 holding to where we are currently planned meaning
12 current forecast not looking at anything growing,
13 this picture could change in April but we're not
14 seeing signs of that as of today and that's obviously
15 of concern. I think the other piece that we need to
16 be concerned about is where the state is going, the
17 state in the executive budget when the Governor first
18 announced his budget took down 1.3 billion in
19 personal income tax for the next fiscal year
20 beginning in April and then came back and announced
21 2.3 billion dollars in the current year coming down
22 for personal income tax and with that came a half a
23 billion dollars in Medicaid cuts statewide so how
24 that all ends... we were facing at that point in time
25 when he released the executive budget 600 million

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dollars' worth of cuts and cost shifts to the city so

3

at, at that point in time... I mean that... those two

4

things are of concern where the state's revenues are

5

and obviously what the proposed cuts are to the city...

6

[cross-talk]

7

COUNCIL MEMBER LEVIN: Uh-huh... [cross-

8

talk]

9

MELANIE HARTZOG: ...and so there's a lot

10

at stake over the next couple of weeks as we move

11

into our own executive budget that's released at the

12

end of April.

13

COUNCIL MEMBER LEVIN: And what, what

14

has... what changed between the November plan and the

15

preliminary budget in terms of, of how we're

16

anticipating next year's... or this year... current year

17

revenue and next year's revenue?

18

MELANIE HARTZOG: The volatility in the

19

stock market I think that this December was a worse

20

month since the, the fiscal crisis... [cross-talk]

21

COUNCIL MEMBER LEVIN: Uh-huh... [cross-

22

talk]

23

MELANIE HARTZOG: ...and so in November

24

plan we were looking to see where we were with

25

estimated payments, the... we actually increased our

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2 forecast at that point in time and then as December
3 hit we started to look at where we were with
4 estimated payments, we were seeing that weren't
5 making the plan and actually adjusted down. The fact
6 that we have other diverse revenue sources actually
7 offset what that reduction is but I think it's
8 definitely cause for concern moving forward as to
9 that volatility and if it were to continue in that
10 nature and be that strong what it would mean for our
11 overall revenues.

12 COUNCIL MEMBER LEVIN: And I'm sorry, the
13 last question, so with... because the stock market came
14 back in January and is around where it was now in
15 November because of... because it was in January are we
16 not going to be seeing any of that revenue in, in
17 April because it's... because it's the... it's, it's
18 calendar year 2019?

19 MELANIE HARTZOG: That's why I kept
20 emphasizing we are where we are with our plan, we're
21 continuing to monitor collections it's not as if
22 we're... [cross-talk]

23 COUNCIL MEMBER LEVIN: Uh-huh... [cross-
24 talk]

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MELANIE HARTZOG: ...seeing anything coming in above our plan based on where collections are now but as you point out April is a critical month to see where we are.

COUNCIL MEMBER LEVIN: Okay, thank you.

MELANIE HARTZOG: Uh-huh.

CHAIRPERSON DROMM: Thank you, Council Member Rose.

COUNCIL MEMBER ROSE: Thank you Chair and good afternoon. As the Youth Chair, you know I have some concerns about the impact of the 11.5 million dollar PEG on DYCD so I was wondering how did OMB and DYCD derive that 11.5 million in PEGs was reasonable for this agency that is a contracting agency and that these are essential and vital youth and community based programs that are being provided, certainly they are not nonessential and PEGs were supposed to target non-essential services and did Commissioner Chong indicate that these... this PEG would, would be made possible without reducing the services?

MELANIE HARTZOG: So, for each of the agencies we actually took into account a number of different factors and DYCD being one of them, we looked at the overall size of their budget, we looked

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2 at historical savings and where they actually derived
3 historically savings from and we also looked at where
4 they are in the investments that we've made and part
5 of the conversations that we want to have with all
6 the agencies is if in fact we get to the point where
7 we have to look at taking back services, reducing
8 services or eliminating programs if... what is the
9 framework in which we think of those how effective
10 they are, what have they achieved, are programs fully
11 utilized, if they haven't been why haven't they been,
12 those are all the types of questions that we will be
13 asking all the agencies as we're going through this
14 process over the coming months. There's been no
15 decision made as to what will make up DYCD savings
16 initiatives, we're going to be working with that
17 agency as well as all the other agencies and the team
18 here will be working with them to actually develop
19 what those initiatives will be and we'll reflect them
20 in the executive budget released in April.

21

COUNCIL MEMBER ROSE: So, those services

22

that... those savings that you indicated, you know

23

initially they are not a result of the fact that

24

funds were given, given to some of these agencies and

25

they were not able to use them or execute them

COMMITTEE ON FINANCE JOINTLY WITH SUBCOMMITTEE

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2 because of the lateness in, in the... in the decision,
3 budget decisions on whether to fund like say summer
4 Compass and, and therefore they were not able to meet
5 their threshold in terms of recruitment, summer youth
6 employment, you know because of the... when the funds
7 were actually given?

8 MELANIE HARTZOG: I appreciate that
9 question, because you're asking the... in the
10 evaluation or an assessment of a program are we taking
11 into consideration that there might have been lags in
12 startup due to the fact that the agency was either
13 starting up a program or the challenges in perhaps
14 getting a contract registered and all those things
15 would definitely be taken into consideration and in
16 fact if an agency does have underspending as you know
17 in the past we have taken that as part of the
18 savings, natural underspending we have taken that as
19 part of the savings program.

20 COUNCIL MEMBER ROSE: I just don't want
21 it to be looked at as a savings when it's... they were
22 there because of the late funding decisions and that
23 they really could be utilized and they are needed but
24 I, I don't want them to be a target, a, a target and
25 considered of savings.

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MELANIE HARTZOG: I appreciate the question, I, I understand what you're saying.

COUNCIL MEMBER ROSE: Thank you.

CHAIRPERSON DROMM: Okay, thank you, Council Member Powers followed by Adams.

COUNCIL MEMBER POWERS: Thank you, nice to see you, thanks for the testimony and staying here for a few hours now answering questions. I wanted to talk about the capital plan and talk about the... what will be starting at the end of this month which is the ULURP process for new jail facilities for Rikers... for them to close Rikers Island down. I think the ten year capital plan has like the number 756... six... 765.6 million for the new facilities in 2020 with nothing in the out years and the capital commitment plan for 2019 includes 300 million dollars with... and so I got a couple questions on that what... as we sort of start this process there's going to be a lot of questions about how much it's going to cost and, and what... where we are in the process so for starters 300 million dollars in the fiscal 2019 was for design or what was the purpose of that money?

MELANIE HARTZOG: That, that is just the, the placeholder of what has been in the budget, it

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has been for some time, the... what we did in the

3

preliminary budget was fund a consultant who's

4

helping OMB, multiple agencies to actually accurately

5

project what the cost will be for the borough based

6

jail plan and as we refine that over the coming

7

months in looking into what the costs would be we

8

have design build, many other factors to consider we

9

would then reflect the full cost in the plan.

10

COUNCIL MEMBER POWERS: And so, is the

11

300 million dollars is any of that spent... that... some

12

of that is spent already and how much?

13

MELANIE HARTZOG: No.

14

COUNCIL MEMBER POWERS: None, so that's

15

rolling over then from... for, for... that 300 million

16

dollars is reflected... [cross-talk]

17

MELANIE HARTZOG: It will eventually...

18

[cross-talk]

19

COUNCIL MEMBER POWERS: ...in that... [cross-

20

talk]

21

MELANIE HARTZOG: ...roll that is... [cross-

22

talk]

23

COUNCIL MEMBER POWERS: So, does that

24

765-million-dollar amount include that 300-million-

25

dollar rollover?

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2 MELANIE HARTZOG: No, I, I think it's
3 just helpful to look at it over the course of what's
4 allocated over the multiple years of the plan..
5 [cross-talk]

6 COUNCIL MEMBER POWERS: Okay, sure..
7 [cross-talk]

8 MELANIE HARTZOG: ...and... it's a total of
9 1.1.

10 COUNCIL MEMBER POWERS: 1.1... [cross-talk]

11 MELANIE HARTZOG: Uh-huh... [cross-talk]

12 COUNCIL MEMBER POWERS: ...total, correct.

13 So, why, why is there no funding for the out years
14 for the new jails, I don't understand.. I don't
15 believe the cost is 1.1 billion dollars in terms of
16 the anticipated cost for the jails and if our budgets
17 are supposed to, you know reflect our commitments and
18 our values here and we've all made a commitment to
19 move forward in that process is the.. where is.. what
20 is the 1.1 billion dollars actually reflect in terms
21 of the new jails and how much money do, do we need
22 total and why isn't that reflected in the, the, the
23 long term plan?

24 MELANIE HARTZOG: So, as I said the 1.1
25 billion was a placeholder that was put in some time

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2 ago, we just funded the consultant in the preliminary
3 budget who will be working with us to actually
4 calculate and get what the actual true cost is. As
5 I've said to Chair Gibson many of... times on this we
6 want to make sure that we're accurately reflecting as
7 much as possible what the costs are and that's been
8 as you know one of the challenges we've had and we're
9 trying to get very much better at it and as we get
10 that we will actually reflect it in the, the plan...
11 the capital plan.

12 COUNCIL MEMBER POWERS: I'm just going to
13 ask two more questions, one... and just a follow up to
14 that which is when do you... when do we expect to get a
15 more accurate, accurate picture of the spending on
16 that project or anticipated?

17 MELANIE HARTZOG: I believe it's some
18 time in the spring if I'm correct, yes, in... [cross-
19 talk]

20 COUNCIL MEMBER POWERS: In the spring..
21 [cross-talk]

22 MELANIE HARTZOG: ...in the spring.

23 COUNCIL MEMBER POWERS: Okay and that
24 will be reflected in April's... I'm sorry, in the
25 executive budget?

COMMITTEE ON FINANCE JOINTLY WITH SUBCOMMITTEE

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ON CAPITAL BUDGET

MELANIE HARTZOG: You know it all depends on what the timing is, if not in the executive then we reflect it in a future plan.

COUNCIL MEMBER POWERS: Okay, lastly is on the same topic of... as I anticipate seeing DOC when they come before us there's been a long discussion around getting a new academy for the officers, a new training facility and we certainly are asking them to do a lot more training these days especially in anticipation of the new jail facilities, can you tell me how much money is in this year's budget for a new academy for DOC and then similarly where we stand in terms of acquiring or leasing a property?

MELANIE HARTZOG: So, the total over multiple years is 100 million and we're still in the process of searching for a site.

COUNCIL MEMBER POWERS: And you... I... last year's budget I think the budget before we've heard that similar answer, I wasn't here for the two, two times ago but certainly I heard it last year, it seems like we've made no progress in terms of spending, that 100 million dollars to get a new facility, is there an explanation why we keep rolling the money over rather than...

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ON CAPITAL BUDGET

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MELANIE HARTZOG: You know I'm, I'm not

3

really privy to what the agency has been doing around

4

looking for a site, I, I will get back to you with an

5

answer on what we're doing.

6

COUNCIL MEMBER POWERS: We'll ask them as

7

well.

8

MELANIE HARTZOG: Okay... [cross-talk]

9

COUNCIL MEMBER POWERS: So, okay, thank

10

you.

11

CHAIRPERSON DROMM: Okay. Alright, thank

12

you, Council Member Adams and then we're going to end

13

it there.

14

COUNCIL MEMBER ADAMS: Thank you Mr.

15

Chair and thank you Madame Chair. Good afternoon

16

Director Hartzog, thank you for being here today and

17

thank you as always for your testimony we appreciate

18

it. The universal after school is a budget priority

19

for the Women's Caucus for several of us this year

20

and I'm a former Board of Directors member for a, a

21

daycare system for some years, when we lost after

22

school under the Bloomberg administration we truly

23

lost a lot and we noticed parents primarily single

24

mothers having to adjust their schedules because of a

25

two p.m. dismissal time for children having to find

COMMITTEE ON FINANCE JOINTLY WITH SUBCOMMITTEE

ON CAPITAL BUDGET

1
2 expensive babysitters now to care for their children
3 because after school care disappeared quickly. A 2017
4 survey done by United Neighborhood Houses found that
5 at least 101 schools in the five boroughs do not have
6 any after school program and at least 91 programs had
7 wait lists for elementary school students, does this
8 administration support a universal after school
9 program that would have enough seats for all students
10 who need it?

11 MELANIE HARTZOG: So, obviously the Mayor
12 has been very supportive of a number of initiatives
13 that we have funded; universal Pre-K and universal 3-
14 K and universal middle school. I think given where we
15 are and the situation that we're in facing 750
16 million dollars in cuts that we need to make between
17 now and the executive budget and the uncertainty of
18 where we are with both our revenues and the state
19 budget it's, it's, you know very difficult to commit
20 to any additional funding at this point moving
21 forward but I do think it's part of our ongoing
22 conversations with the Council as we move into the
23 adopted budget understanding that this is a critical
24 priority for the Council.

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ON CAPITAL BUDGET

COUNCIL MEMBER ADAMS: Okay, what's the current system of after school programming for elementary school students?

MELANIE HARTZOG: Give me one second... its at 325 million across all DYCD after school programs serving about 150,000 youth, elementary is 127 million for 43,000 slots, SONYC is 66 million.. oh, I'm sorry, 166 and about 1,500 in high school which typically is a low demand for that age population.

COUNCIL MEMBER ADAMS: Okay, thank you. I, I would also just like to leave, leave this as my colleague Council Member Rose is constantly pushing for the needs and because of the needs of our children, our students who are really some of the most vulnerable of our population and realizing and knowing and appreciating everything that the Mayor has done in, in, in light of 3-K, universal Pre-K as well we are extremely grateful for that but we also would like to make sure that the Mayor does not forget the other students that need this administration tremendously primarily after school children and we would really love to see universal after school prioritized in this administration's budget. Thank you.

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ON CAPITAL BUDGET

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MELANIE HARTZOG: Thank you. Chair Dromm

3

if I might just for the record, I wanted to answer

4

the Speaker's question about how many units are

5

actually online. So, as of 12/31/18 HPD completed and

6

are online 3,233 units and they financed 4,777.

7

CHAIRPERSON DROMM: Okay, good and I

8

spoke to soon, we have a couple of follow up

9

questions. Let me just start off with Council Member

10

Chin.

11

COUNCIL MEMBER CHIN: Thank you Chair. I

12

wanted to get a commitment from OMB that DFTA should

13

have a capital budget because DFTA does not have a

14

capital budget and there's such a great need because

15

a lot of the centers that our seniors go to are in

16

public housing or in community facilities and they've

17

been around for a long time and there's so much

18

critical need and when we had the hearing with DFTA

19

on capital budget they really don't have a capital

20

budget so can I get a commitment from OMB that DFTA

21

as an agency should have their own capital budget so

22

this way the community senior center can go to them

23

and be able to upgrade the center, make it healthier,

24

nicer for our seniors and also when new facilities in

25

the community are built and if they are a good site

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ON CAPITAL BUDGET

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for senior centers there's money available to help,

3

you know make those... turn those into senior centers

4

and also I was really surprised to see the PEG which

5

is like come on DFTA's budget is like less than half

6

a percent of the city's budget maybe even less than a

7

quarter and so that should not even be there but, but

8

main... my main question is getting a commitment from

9

OMB for a capital budget for DFTA.

10

MELANIE HARTZOG: I'm, I'm happy to say

11

that I've delivered that, and it's done, DFTA does

12

have a capital budget and they do have a capital

13

plan. One of the things that we have been working on

14

is really looking at how much we've invested in

15

upgrades, I know that this is a, a concern that's

16

been raised both by you and by the nonprofit

17

community and so that's something that we're

18

constantly having conversations about especially in

19

light of all the work that we've done around the

20

senior centers but they do have a, a capital budget.

21

COUNCIL MEMBER CHIN: What, what is the

22

amount... what is their amount?

23

MELANIE HARTZOG: Sure, we can get that

24

to you and I think what we can also do is I can have

25

David sit down with you and go through the major

COMMITTEE ON FINANCE JOINTLY WITH SUBCOMMITTEE

1 ON CAPITAL BUDGET

2 areas of it, we can take you through the history of
3 what the commitments have been and some of the
4 challenges that they've had.

5 COUNCIL MEMBER CHIN: Because when we
6 talked to the, the agencies that provide the services
7 that runs the day care center they don't... there's no
8 capital budget, they don't even know how to ask and
9 DFTA just uses a lot of expense money to do small
10 repairs but I'm talking about... [cross-talk]

11 MELANIE HARTZOG: Well those repairs may
12 not be capitally eligible and so that may be the
13 case, but we should definitely sit down and have a
14 conversation, so you have the full scope of what
15 their capital budget looks like.

16 CHAIRPERSON DROMM: Let's... [cross-talk]

17 COUNCIL MEMBER CHIN: Okay, thank you.

18 CHAIRPERSON DROMM: ...stop... end it there
19 it's a priority of mine as well and I sit on the
20 aging committee so... [cross-talk]

21 MELANIE HARTZOG: Of course... [cross-talk]

22 CHAIRPERSON DROMM: ...I'd like to do some
23 follow up... [cross-talk]

24 MELANIE HARTZOG: Yep.

25

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ON CAPITAL BUDGET

CHAIRPERSON DROMM: Council Member Levin really quick and then followed by Council Member... Chair Gibson.

COUNCIL MEMBER LEVIN: Thank you very much Chair, I just have one question Director on the early learn RFP and pay parity between early learn teachers and UPK teachers and as you know this is a... this is an ongoing problem that threatens to undermine the entire system if we can't retain teachers because they're making significantly less than their counterparts while, while their counterparts while the UPK system continues to grow and continues to recruit teachers the early learn system is at... is in a very precarious position, you know not to mention the fact that the days are longer and the year is longer and it serves a... you know an additional purpose than, than the new PK does because it covers time... additional time in the afternoon so that parents can, can work a full work day. Can you speak a little bit about where the city is, where OMB is on this really important question?

MELANIE HARTZOG: Well I can tell you that the, the Mayor shares the, the fact that the early childhood system is a priority overall, given

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ON CAPITAL BUDGET

2 where our investments have been and in fact as you
3 very well know that when he came into office the
4 contract had been inspired for some time and we made
5 the investment of 25 million annually by full ramp up
6 of the contract in fiscal year 21 to equalize pay for
7 Pre-K teachers, it was about a 27 percent increase in
8 compensation. I think moving forward that commitment
9 reigns... remains to have the conversations about how
10 we continue to build on what we've already done.

11 COUNCIL MEMBER LEVIN: Okay, so to get
12 pay parity across the board is that the ultimate
13 objective to get pay parity across the board?

14 MELANIE HARTZOG: It, it continues to be...
15 to reflect effective compensation across the early
16 childhood field.

17 COUNCIL MEMBER LEVIN: Okay. Okay, from
18 our perspective it's... the objective is to get pay
19 parity across the board.

20 MELANIE HARTZOG: I understand.

21 COUNCIL MEMBER LEVIN: Okay, thank you.

22 CHAIRPERSON DROMM: Important question,
23 thank you, our last question is from Council Member...
24 Chair Vanessa Gibson.

25

COMMITTEE ON FINANCE JOINTLY WITH SUBCOMMITTEE

1 ON CAPITAL BUDGET

2 COUNCIL MEMBER GIBSON: Very quickly can
3 you clarify the numbers you gave for the Speaker on
4 the 5,000 units of supportive housing, you said 4,777
5 were financed and 3,233 were online?

6 MELANIE HARTZOG: Uh-huh.

7 COUNCIL MEMBER GIBSON: Okay...

8 MELANIE HARTZOG: Yes... [cross-talk]

9 COUNCIL MEMBER GIBSON: Is the 3,233 in
10 the 4,777, can you just clarify that?

11 MELANIE HARTZOG: Yes, there's a large
12 overlap between those.

13 COUNCIL MEMBER GIBSON: Oh, okay, okay...
14 [cross-talk]

15 MELANIE HARTZOG: Uh-huh.

16 COUNCIL MEMBER GIBSON: ...so 3,233 means
17 that's the amount that we are ready to close on and
18 also construction?

19 KENNETH GODINER: They're online right
20 now.

21 MELANIE HARTZOG: It means that they're
22 on... they're, they're done, they're online, they're
23 ready for a family to move in that's what that means...
24 [cross-talk]

25

COMMITTEE ON FINANCE JOINTLY WITH SUBCOMMITTEE

1 ON CAPITAL BUDGET

2 COUNCIL MEMBER GIBSON: Okay... [cross-
3 talk]

4 MELANIE HARTZOG: Yes, sorry if that
5 wasn't clear.

6 COUNCIL MEMBER GIBSON: Okay, okay...
7 [cross-talk]

8 MELANIE HARTZOG: And I think he was
9 asking because of the... we're always talking about it
10 with the number of units that we've financed... [cross-
11 talk]

12 COUNCIL MEMBER GIBSON: Right... [cross-
13 talk]

14 MELANIE HARTZOG: ...but actually how many
15 are for... ready to be moved into so we wanted to make...
16 [cross-talk]

17 COUNCIL MEMBER GIBSON: Okay... [cross-
18 talk]

19 MELANIE HARTZOG: ...sure we got that out.

20 COUNCIL MEMBER GIBSON: Okay and my final
21 question I just wanted to ask about NYCHA and during
22 the briefing with the Mayor we were asking about the
23 federal monitor, the impact that would have on
24 NYCHA's capital budget and I wanted to understand
25 what OMB is doing and this is again all city dollars

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ON CAPITAL BUDGET

what OMB is doing to work better with NYCHA on efficiency on prioritizing capital projects so the roof, the boiler, elevator replacements across the portfolio, certificates to proceed, are we looking at that, how are we helping NYCHA so that they can, not only draw down on city funds but make sure that a lot of the larger priority capital projects are coming offline faster?

MELANIE HARTZOG: So, just to clarify the, the total commitment in terms of mayoral capital at this point given the ten-year plan for NYCHA's 4.1 billion we added an additional 1.1 billion to the..

[cross-talk]

COUNCIL MEMBER GIBSON: To the three million... [cross-talk]

MELANIE HARTZOG: ...ten-year plan... [cross-talk]

COUNCIL MEMBER GIBSON: Right, okay... [cross-talk]

MELANIE HARTZOG: ...and as you'll recall Chair there was 1.1 billion that we added at the adopted budget and so that brings the total mayoral commitment to 4.1 billion... [cross-talk]

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ON CAPITAL BUDGET

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COUNCIL MEMBER GIBSON: 4.1, okay...

3

[cross-talk]

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MELANIE HARTZOG: ...in capital and I would say that the team at OMB spends a significant amount of the... our time really working with NYCHA on how we can be as responsive as possible on one trying to prioritize what their capital projects are, two making sure that we're able to as much as possible anticipate and again you and I share the goal of how we can better expedite and move those projects forward and in fact we've made an investment in community development block grant dollars into NYCHA for some of that work and we've also spent a lot of time making sure we can move those projects forward as well.

17

COUNCIL MEMBER GIBSON: Okay, okay, more to come, we'll keep talking about that, thank you.

19

MELANIE HARTZOG: Okay.

20

COUNCIL MEMBER GIBSON: Chair.

21

CHAIRPERSON DROMM: Thank you very much,

22

I'd like to thank you Director Hartzog and Ken

23

Gardiner for coming in and for giving testimony

24

today, we look forward to continuing to work with you

25

COMMITTEE ON FINANCE JOINTLY WITH SUBCOMMITTEE

1 ON CAPITAL BUDGET

2 and we'll see you I think at the end of the month...

3 [cross-talk]

4 MELANIE HARTZOG: Yes... [cross-talk]

5 CHAIRPERSON DROMM: ...and then again for
6 the executive budget so thank you very much.

7 MELANIE HARTZOG: Thank you Chair and I
8 just want to point out and be really clear that I
9 have the utmost respect for Latonia McKinney as my
10 counterpart as the Director of Finance for the City
11 Council, we've worked together very well for many
12 years and we will be working together very well for
13 many more.

14 CHAIRPERSON DROMM: Hear, hear, I agree,
15 thank you very much... [cross-talk]

16 MELANIE HARTZOG: Thank you... [cross-talk]

17 CHAIRPERSON DROMM: ...she's wonderful, we
18 love her. Thank you. We're going to take a five-
19 minute break before we start with IBO. Okay, good
20 afternoon and welcome to the first day of the
21 Council's preliminary budget hearings. My name is
22 Daniel Dromm and I Chair the Finance Committee, we
23 are joined with the Subcommittee on Capital Budget
24 Chaired by Council Member Vanessa Gibson. We just
25 heard from the Office of Management and Budget, we

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ON CAPITAL BUDGET

2 will now hear testimony from Ronnie Lowenstein, the
3 Director of the New York City Independent Budget
4 Office. In the interest of time I will forego an
5 opening statement so we will begin with the IBO's
6 testimony as soon as they are sworn in by Counsel.
7 George what happened to your arm? You could tell us
8 under, under oath.

9 COMMITTEE CLERK: Okay, good afternoon.
10 Do you affirm that your testimony will be truthful to
11 the best of your knowledge, information and belief?

12 RONNIE LOWENSTEIN: Yes.

13 GEORGE SWEETING: yes.

14 COMMITTEE CLERK: Thank you.

15 CHAIRPERSON DROMM: Whenever you want to
16 begin.

17 RONNIE LOWENSTEIN: First of all, thank
18 you very much Chairman Dromm for the opportunity to
19 testify. Just earlier this morning we released a
20 report on the Mayor's preliminary budget and
21 financial plan. Today's release it should... you should
22 have in front of you is the overview and it's going
23 to be followed by a succession of budget briefs,
24 they're in fact really are briefs, they're two pagers
25 that focus on important issues raised in the

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ON CAPITAL BUDGET

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2 preliminary along with very much greater detail on
3 our economic and revenue forecast. The overview
4 presents highlights though of our economic forecast
5 and our estimates of revenues from major taxes. We
6 also re-estimate expenditures including areas where
7 the city can expect to get more than was budgeted
8 such as charter schools and homeless shelter.. I'm
9 sorry, I just said it backwards, areas where we
10 expect the city to spend more than is budgeted;
11 charter schools, homeless shelters, overtime for
12 uniformed officers and areas where we expect the city
13 to spend less; debt service, healthcare, public
14 assistance. Based on IBO's own economic and tax
15 forecast and our re-estimates of spending onto the
16 Mayor's plans we forecast the city will end this
17 fiscal year with a surplus of 3.4 billion dollars
18 which is a little over 200 million more than the
19 Mayor forecast and unlike the administration which is
20 forecasting a balanced budget for 2020 we also expect
21 a modest surplus in '20 as well of roughly 720
22 million dollars. Assuming this 720 million dollars is
23 rolled into the following year the remaining
24 shortfall for 2021 is just under two billion dollars,
25 that's a little under three percent of projected city

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ON CAPITAL BUDGET

fund spending which is manageable particularly given the fact that we've got reserves of one and a quarter billion dollars in each year of the financial plan. That one point... that one and a quarter billion is sufficient to offset nearly two thirds of, of the gap that we're looking at and the story is the same for the shortfalls for '22 and '23, their gaps are the size that the city is readily managed in the past and they've been made easier to close because of the reserves budgeted, budgeted for each year. I'd like to stress that although we're not anticipating a recession in the financial plan period, we are forecasting a very steep decline in economic activity both at the US and the local levels. At the US level we're forecasting somewhat slower GDP growth this year than last, last year was very strong at 2.9 percent, this year we're expecting 2.7 percent which is also strong but we expect that to be followed by very, very much weaker growth than 2020, 1.6 percent real GDP growth which is just roughly half of the growth rate the city enjoyed last year, this... the US enjoyed last year and we enjoyed it too. At the city level job growth has already slowed significantly, it was only five years ago that the city added 136,000

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ON CAPITAL BUDGET

jobs which was a record and it's been decline..
generally declining since, it was 93,000 jobs in 2017
and 72,000 jobs in 2018. We've expecting a moderate
growth of about 59,000 jobs added to the local
economy this year followed by a very weak growth of
just 26,000 jobs in 2020 which is of course a
reflection of what we expect to be happening at the
US level. So, the bottom line in all of this is
despite our assumption of really much weaker economic
growth New York City's fiscal, fiscal condition
remains stable and it remains stable over the entire
plan period. The average annual growth in tax
revenues exceeds the average annual growth in
spending and what that means is we've got outyear
gaps that are not just roughly level and manageable
but are actually declining over time and on that
basis the city, yes, fiscal condition could be better
but stable over the plan period. Thank you, and any
questions we'd be delighted to answer.

CHAIRPERSON DROMM: Sure, thank you very
much. In the beginning of your testimony you mended..
you mentioned additional spending for charter
schools, is that more than the 100 million that the
Mayor put into the preliminary budget?

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GEORGE SWEETING: Yes, it is. The... this

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is additional money due to basically two factors one,

4

our projection is that enrollment will be somewhat

5

higher than the Mayor is... that... than OMB has

6

projected for, for charter schools and also there's

7

an issue about the amount of the city's exposure on

8

lease costs in private, private space, our reading of

9

the, the law is that the city actually faces a, a

10

bigger exposure than OMB has been counting on.

11

CHAIRPERSON DROMM: Is that due to the

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60/40 breakdown rule of the state?

13

GEORGE SWEETING: Yes, and the question

14

is what... is it 60 of what...

15

CHAIRPERSON DROMM: Right. So, what's

16

your estimate in terms... what did you say the estimate

17

was for the additional spending over 100 million?

18

GEORGE SWEETING: The total is 73 million

19

in 2019 growing to 80 and then 101 and then 127

20

million and again that's almost entirely those two

21

factors.

22

CHAIRPERSON DROMM: Okay. Alright, thank

23

you for that information. This morning I asked... I, I

24

spoke a little bit about reserves and about the

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rating agencies and rating agencies consider the end

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ON CAPITAL BUDGET

of the year reserves in their rating so Moody's recently upgraded New York City's general obligation bonds from Aa2 to Aa1, among other things the upgrade reflects the city's ongoing strong financial management including stronger reserves that position it better to withstand an economic downturn. In the financial plan the city intends to issue 19.5 billion dollars in general obligation bonds so do you have an idea of what an upgrade could save the city in borrowing costs?

RONNIE LOWENSTEIN: That's something we

have not and to the best of our knowledge anyone has been able to effectively model and the reason is that the price that those bonds go for when they go... when we go into the market it's effected not just by the fiscal health of the city as we presented but also by the very moment you go into the market so if you watch what OMB does and what the Comptroller's Office does they, they strategize on when we're going to sell this issue and how well they do when they sell that issue depends upon so many factors including what other bond issuers are going into market at exactly the same time and that's makes the modeling tremendously difficult in a way that we can't tell

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you exactly how much one tick up in our ratings is

3

going to bring in terms of... [cross-talk]

4

CHAIRPERSON DROMM: The Council is

5

estimating it at about 343 million over the course of

6

the plan, does that seem reasonable?

7

RONNIE LOWENSTEIN: I don't... I don't... I'd

8

love to see the work and we'll certainly get back to

9

you on it but I don't have a basis to say that that's

10

a lot or a little.

11

CHAIRPERSON DROMM: Okay, fair enough. In

12

the, the previous... in, in... this morning I spoke about

13

the city's reserves being at about ten percent of the

14

overall budget, other cities are between 13 and 15

15

percent and although Moody's moved us up to an Aa1

16

rating are you comfortable with the fact that we're

17

at ten percent rather than the 13 to 15 percent

18

range?

19

RONNIE LOWENSTEIN: We'll be actually

20

testifying before the charter revision commission on

21

Monday and even though we normally don't take

22

positions we will do so here because we're very much

23

in favor of the city establishing a true rainy-day

24

fund. As I'm sure you understand our need to use GAAP

25

generally accepting accounting practices precludes us

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from having a true rainy day fund and so we rely on the retiree health benefits trust and upon the general reserves as a proxy for that but there are structural problems with both of those solutions so looking first at the retiree health benefits trust there's a limit to how much you can take out in any given year which is how much otherwise would have been spent by the trust fund to support retiree health benefits that's about two and a half billion dollars a year which is obviously not a great deal of money if the city were to in fact be facing a downturn or maybe if it falls at the right time of year you could get twice that but that's a real problem. Moreover, an administration in the future combined with the Council could choose to withdraw those funds that we've built up in a trust fund without any possibility of reign at all and so even in a good time that could be wiped out. There is of course one major plus that we've started socking away money for an obligation for... to pay for retiree health benefits that in the past we hadn't done and the general reserve presents problems as well, it is way too tempting a target so given the strength of the city's economy particularly when comparing to

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upstate, you know there's a reason that the Governor is looking down the, the turnpike to say and through way to say, you know here's some place where we can get some relief. Moreover and this is going to get a little technical if you roll too much in the way of debt service from one year to the next, if you use that as a vehicle to move the general reserve at some point you wind up running up against the operating limit which is in the state constitution that limits the amount of property tax that the city can levy which is certainly something that we've avoided in the past but wouldn't want to deal with in the future and then I guess the last thing I would say is the other thing we would support would be a greater use of pay as you go capital which is a very long term solution but you know if the city were to take, you know some share of the surplus each year and put it into pay go that's monies that can't be tapped by the state or for anything else and it doesn't help you short term but over the longer term what it would mean was... would be that when the next downturn hits if some portion of your capital program is being funded by the pay go... by pay go and if you don't want to decimate your capital program during a recession

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2 what you do is you take that portion of the capital
3 program start bonding it out that way you're able to
4 keep those projects going and in a sense it's almost
5 like a fiscal stabilizer but at the local level
6 rather than at the US level so it keeps economic
7 activity going. So, for all those reasons we'd love
8 to see a rainy day fund, we won't be able to see one
9 until 2033 I think but we should be thinking about
10 how to make that happen and pay go could happen a lot
11 sooner but wouldn't have major impacts for quite some
12 time.

13 CHAIRPERSON DROMM: Okay, so your office
14 recently released a report titled affordable for whom
15 comparing affordability levels of the Mayor's Housing
16 New York with neighborhood incomes, in it IBO found
17 that a quarter of the 78,000 housing units financed
18 from January '14 through June '17 are located in
19 neighborhoods where the typical household doesn't
20 earn enough to qualify for the housing. The remaining
21 25 percent of those units are located in
22 neighborhoods where the typical household would meet
23 the income eligibility limits but the poorer
24 residents in those same neighborhoods would not earn
25 enough to qualify. What would you say is the most

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important thing that you learned from conducting this study?

RONNIE LOWENSTEIN: I think you just said it. We issued this report by Sarah Stefanski of our staff which tackled a very difficult problem, I think there's been a lot of talk about hey we're building affordable housing units that people in neighborhoods can't afford and indeed that is true for about 24 percent of the neighborhoods we looked at but that leaves 75 percent of the neighborhoods with affordable housing in them that's either at the income... affordable for somebody at the income level of a typical house or below the income level for a typical household so it's a real mix. I think... I... as I've been watching the press coverage of the report it... they call it complex and nuanced and it's all of those things, it's just try... it doesn't have a bottom line, it's trying to shed some light on where those units are and who they are affordable to and I think it does a good job of that. Finally, the last thing to say about it is I think that the thing that surprised me most was that based upon those area median income levels that are issued by the federal government and form the basis of the understructure

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for the housing plan there's only something like four percent of neighborhoods in the city of New York in which the median households or typical households... where... neighborhoods where there aren't people poor enough, a typical household poor enough to actually be part of the affordable housing plan which is kind of amazing.

CHAIRPERSON DROMM: Do you agree with the administration's methodology to calculate eligibility for these units?

RONNIE LOWENSTEIN: We, we spend a bunch of the report talking about the problems with the area median income figures, they're regional, moreover there's a special adjustment for places that have high housing cost like New York but at the end of the day it didn't matter because the administration chooses what... where to set the income bands with their survey so it's not a question of agreeing or not it's... you know the vacant at the income bands are wherever they want it and that's what they did even though the AMI numbers on their face looks silly.

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CHAIRPERSON DROMM: Do you have a model

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of what things might look like under other

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conditions?

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RONNIE LOWENSTEIN: Other economic

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conditions... [cross-talk]

7

CHAIRPERSON DROMM: No, under... [cross-

8

talk]

9

RONNIE LOWENSTEIN: Oh, other, other

10

income bands.

11

CHAIRPERSON DROMM: Right.

12

RONNIE LOWENSTEIN: No, I mean... no, we

13

didn't try modeling that, but we can certainly give

14

it some thought, is there...

15

GEORGE SWEETING: I mean we, we did not

16

do any explicit modeling or try to find an

17

alternative but I mean one consideration when you

18

think about it is that if you... if you were to

19

increase the, the, the share of the program targeted

20

at lower income... your lower income households you're

21

going to wind up needing a... you know you'll, you'll

22

have... the... you have to increase the subsidy that

23

you're giving into those projects and assuming the

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size of the program stays the same you therefore

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would wind up with fewer units so that's... you know

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that's... as I said we didn't do it... do the analysis

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but I suspect that that would be part of the

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conclusion you would get and that's... you know people

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have to think about what's, what's the most important

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thing there, the number of units you're getting or

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the number of... the, the types of households.

8

CHAIRPERSON DROMM: Okay, I got some

9

questions on Medicaid, in 2013 you released a report

10

on the growth in New York's Medicaid enrollment and

11

cost and in it IBO touched on the various policy and

12

economic changes that have driven enrollment growth

13

and highlighted the variation enrollment and

14

expenditure trends by categories and region. Since

15

the release of that report the number of people

16

enrolled in Medicaid has increased by over 800,000

17

people, considering everything that's going on with

18

Medicaid right now including the Governor's proposed

19

cuts in the state budget is IBO considering updating

20

this report?

21

RONNIE LOWENSTEIN: Yes, we've... actually

22

in the early stages of taking another hard look at

23

Medicaid and enrollment in particular, it's not going

24

to have as much in the way of comparison upstate and

25

downstate because with the affordable care act

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2 there's been a lot more growth in Medicaid enrollment
3 upstate since then, not as much in the city because
4 we were already covering many of those people but
5 we'll be looking in enrollment in particular and how
6 the program itself has changed because the
7 overwhelming majority of people who are on Medicaid
8 are now on managed care so it's, it's a different
9 program that it used to be but we'll certainly be
10 looking at enrollment and updating some of those
11 results from '13.

12

CHAIRPERSON DROMM: Okay. Regarding tax
13 expenditures, many of our economic development tax
14 incentives date from a period in which property
15 values were depressed and the incentives were
16 designed to keep businesses from leaving the city.
17 However, now circumstances are nearly reversed, and
18 the city is booming but we're having difficulty
19 managing our growth and keeping neighborhoods
20 affordable. Given the changing context of the city do
21 you feel these incentives are still necessary and
22 relevant to our development needs and are there some
23 that may be completely irrelevant?

24

25

RONNIE LOWENSTEIN: Okay, I'm going to
hand this off to George but I did want to mention

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that we really appreciate, this is the first... tax

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incentives is really the first joint enterprise we've

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had the Council and we really appreciate the support

5

we've been getting so, do you want to take it?

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GEORGE SWEETING: So, you know the, the

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purpose of the legislation that was passed a year or

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so ago was to, you know have a formal process, a

9

regular process for evaluating these expenditure

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programs, you know doing at least one serious look

11

each year and I think, you know the, the assumption

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was you would do that and some would turn out to

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still be useful and necessary or maybe useful with

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some modifications and others would turn out to, to

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not be. We've done one, our conclusion on the first

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one was that, you know the, the case for it is pretty

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weak today compared to, to what it may have been back

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in, in the 1990's when it was created so you know I,

19

I don't like to pre-judge the results of, of an

20

analysis but it wouldn't surprise me if we... as we dug

21

into some more of these that, you know we'd find

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other ones where we came to a similar conclusion.

23

CHAIRPERSON DROMM: Do you think this is

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a common problem with the tax incentive programs, you

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know citywide?

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GEORGE SWEETING: Well I think the, the,
the fact that conditions and circumstances change is
absolute... I mean that's, that's common, you know
throughout our experience of, of all... of all public
policy making; situations change, what you needed to
do 25 years ago may not be what you need to do today
and I think the... I mean the spirit of this... of this
effort with the... with... between IBO and the Council is
to make sure we're taking the time to stop and have a
look and say... you know make... you know ask the
questions, you know this program was supposed to be
doing this, okay, so today we're going to look and
say, you know does it still need to be doing that and
then if it still needs to be done are we doing it in
an effective way. So, I guess it's, it's, it's
certainly not surprising to me that, that... maybe...
excuse me, it's... yeah, I think it's, it's a very good
thing that the city has put in place a process where
we can ask those questions because it's absolutely
certain that some things have changed in a way that
we no longer need to be doing them, others may... you
know as, as the economy and the mix of industries and
the, the shifts of population across the city have
changed maybe you still need to do them or maybe you

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2 need to do them a little differently but, you know
3 you... it's, it's wonderful that there's a process that
4 lets us go and look at that.

5 CHAIRPERSON DROMM: Are there any data
6 constraints that may prevent you from conducting an
7 evaluation of any of the city's economic development
8 tax expenditures?

9 GEORGE SWEETING: There are some, they
10 mostly revolve around tax secrecy provisions that are
11 built into the... into the laws that, that create
12 either the particular incentive or the broader tax in
13 which the incentive works as a part, you know one of
14 the... and this... you know obviously this, this drew
15 particular attention because of the Amazon proposal,
16 you know one of the programs they were going to use
17 is called REAP, REAP was established back in the mid-
18 1980s at a time when the city was very concerned
19 about trying to spread business activity away from
20 Manhattan and, and get, you know promoted in the
21 outer boroughs, you know 30 years later those
22 conditions look a lot different so REAP would be a,
23 a... you know a program that even, even if Amazon
24 hadn't happened REAP was probably a program you'd
25 want to take a look at and moreover REAP is up for

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2 approval... for renewal next spring so this is the
3 ideal time to take a look at, at the REAP program and
4 how it's working. REAP because it works against the
5 business income taxes is actually one of the tougher
6 places for us to go and get data, the Department of
7 Finance is under very strict requirements about how
8 much information they can release that's... you know
9 that's set in state law, they can tell us aggregate
10 numbers but they can't tell us individual... you know
11 we can't see individual tax returns essentially which
12 is what you would probably need to do to really do a
13 comprehensive analysis of REAP so that's, that's one
14 that, you know if we could get the state law changed
15 and give us access, you know at least in some limited
16 way to that tax return data we could... we could take a
17 good look at REAP and it would be timely with its
18 renewal coming up.

19 CHAIRPERSON DROMM: Uh-huh, is that one
20 of the ones you're thinking of perhaps looking at?

21 GEORGE SWEETING: It's certainly... yes,
22 if... you know but again I think the, the access to the
23 data is going to be critical there, I mean we, we
24 don't want to try to tackle a big comprehensive study
25 if, if it looks like the data is not going to be

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available, number... you know there's, there's time to get... to, to get legislation changed... you know put in, in front of the legislature in Albany and, and maybe get, get those things changed. The other program Amazon was going to take advantage of is called ICAP where again you would want it to see... that... I mean that works with the property tax which generally there's more access to property tax information than business income taxes but one of the key pieces you'd want to take a look at there are the income and expense statements of the individual firms that are receiving ICAP and those are again treated with a... with a... you know they, they have a lot of protection built into the state tax law, there it's actually a mix I think of city and state law though, I'm not a lawyer so I don't, don't count me on that but you know it's, it's... that would be another one you'd want to take a look at, that is not up for renewal for another year or two I think so.

CHAIRPERSON DROMM: Okay, Council Member

Gibson did you have any questions?

[off mic dialogue]

COUNCIL MEMBER GIBSON: Thank you so

much, thank you for being here. I just wanted to ask

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a quick question specifically about uniformed overtime in the NYPD and the FDNY and in your report you anticipate that the NYPD and both FDNY are going to go over the projected amounts. I know a few years ago under the last term we worked very closely with NYPD on trying to meet a 50 million dollar savings target and while we did meet that I also understand that overtime still goes up so I guess my question is and what IBO's thoughts are moving forward is how can we get a handle, I think OMB acknowledged today that there are challenges particularly with all uniform staff, you know where they're looking at the PEG cuts, you know that's not really something where we can necessarily cut uniform staff and reduce overtime, I get it, however there has to be something that could be done and conversations that can be had with the NYPD, with corrections, sanitation and with FDNY about overtime cost control. So, what do you think are some of the suggestions for us that we could try to tackle in terms of some of the goals that we could at least talk about as we get to adoption because for me it's just really a concern with NYPD because we're accelerating crisis intervention training, we are adding more officers on

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the street, more are retiring on the backend so it

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almost seems like the number of uniformed officers is

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growing but more officers are utilizing overtime and

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it's a concern for us so is this something that's

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even attainable, I mean should we start talking about

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it and if so what angle should we be looking at?

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RONNIE LOWENSTEIN: This is going back a

9

few years but we had a request from a Council Member

10

I believe some years ago who basically noted the same

11

conundrum you just raised, you know you think that if

12

you hire more cops that there will be more people to

13

go out on the street and therefore there will be less

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need for overtime and that's not typically how it's

15

worked out and correct me if I'm wrong we couldn't in

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the equations find any consistent pattern, any

17

consistent relation even positive or negative what

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the direction of change is so we couldn't tell you

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from one year to the next if you hired more policemen

20

whether overtime would go down or not and we don't

21

have the access, you know that... we don't go out there

22

talking to, to police officials and trying to tease

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out what's causing this but just running the numbers

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did not get us any place. Is there anything you can

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add?

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GEORGE SWEETING: No, other than just to
3 note as I, I'm sure you're aware, I mean the... we, we
4 have this... we have this rigged pricing in almost
5 every year, in fact I think... [cross-talk]

6

RONNIE LOWENSTEIN: Yeah... [cross-talk]

7

GEORGE SWEETING: ...probably every year we
8 have said that we expect overtime to exceed what
9 they've budgeted, and you know I'm sorry to say
10 we're, we're generally correct which isn't, isn't
11 good news for the city.

12

COUNCIL MEMBER GIBSON: So, two
13 suggestions that have come to me and I mentioned it
14 to OMB offline, the idea of as we're going through
15 contract negotiations with NYPD and the Office of
16 Labor Relations the idea of paying officers more on
17 the starting salary, many of the newer officers,
18 officers less than ten years don't always stay on the
19 job, many of them you know transfer up state and go
20 to Long Island where they can make more but also the
21 idea of a lot of the efforts like the crisis
22 intervention training that we're doing department
23 wide where officers engage with the public as you
24 take more senior officers off the streets or off
25 investigative work and you put them in the academy

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for CIT training someone has to back fill that work and usually what happens is it's a uniformed officer and it's overtime and so I understand and one of the reasons why we've accelerated the CIT training is to reduce that which you assume would reduce overtime costs but we've not yet seen that because they're still in the process of accelerating CIT training and then there's also the idea of the training itself, the class size is much smaller so you can't take out, you know 100 officers at one time it's a much smaller ratio so there are a lot of different factors we've, you know talked about but I just wanted to know from your perspective if there's anything that we're missing that we should be looking at as it relates to cost control for overtime? Never-ending... [cross-talk]

RONNIE LOWENSTEIN: I, I think... I think

you've got more information than we do, I mean we ran the numbers but that's a... in this case a futile exercise. I also know that there have been very sincere efforts to, to clamp down on overtime over, over, over the period that IBO is around that have generally been unsuccessful, I mean even city time itself was initially billed as a way to start making progress there and it hasn't yet paid off.

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2 COUNCIL MEMBER GIBSON: Thank you, thank
3 you for your... [cross-talk]

4 RONNIE LOWENSTEIN: Thank you... [cross-
5 talk]

6 COUNCIL MEMBER GIBSON: ...thank you for
7 everything you've done, thank you, we appreciate it.

8 CHAIRPERSON DROMM: Okay, Council Member
9 Adams.

10 COUNCIL MEMBER ADAMS: Thanks again to
11 both of my Chairs today for, for these hearings and
12 thank you both for being here today. I represent
13 Southeast Queens where we have the highest level of
14 shelters in the entire borough so my couple of
15 questions are going to revolve a little bit around
16 that. Regarding the performance incentive program for
17 providers of shelters in your report you recommend
18 that we reinstate the performance incentive program
19 that was in place during the Giuliani and Bloomberg
20 administrations which would provide bonus payments to
21 shelter providers who help adults leave the shelter
22 and move into permanent housing so can you provide
23 any additional information as to how you project the
24 city would save 21 million dollars annually through
25 this process?

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GEORGE SWEETING: First of all that, that's one of our... that was an item in our recent budget options book which just, just for the record and to be clear we're not necessarily advocating that you do that or not do that, that's an... we're just putting that idea out for, for people to take... you know to, to think about and there are pros and cons to, to that option and other ones. In terms of the... we, we can get back to you on exactly how we calculated the 21 million, don't have that with me but, you know we're, we're happy to share that with you.

COUNCIL MEMBER ADAMS: Thank you, you touched on another part of my question with regard to this plan, did you have in mind any rate of success?

GEORGE SWEETING: I, I assume... [cross-talk]

RONNIE LOWENSTEIN: Yes, there, there must have been some assumption... there are always assumptions that go into these options, there.. when we estimate things, we, we do them broadly but we'll happily share with you exactly how we got to the numbers we got to.

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COUNCIL MEMBER ADAMS: Okay, do you have
3 any idea or recollection of what those bonus payments
4 were?

5

GEORGE SWEETING: I believe they were
6 modeled pretty closely on what the Giuliani program
7 had been but again we'll, we'll get back to you with
8 that.

9

RONNIE LOWENSTEIN: Yeah.

10

COUNCIL MEMBER ADAMS: Okay, I, I was
11 asking that because, you know obviously you know any
12 suggestions to alleviate the issue and help move,
13 move this process along... [cross-talk]

14

GEORGE SWEETING: Uh-huh... [cross-talk]

15

COUNCIL MEMBER ADAMS: ...quicker is
16 welcome.

17

GEORGE SWEETING: Uh-huh.

18

COUNCIL MEMBER ADAMS: Thank you very
19 much.

20

RONNIE LOWENSTEIN: Thank you.

21

CHAIRPERSON DROMM: Okay, thank you just
22 a couple more questions. We're currently three
23 quarters into the security's industries bonus season
24 which goes from December through March and the
25 securities industry contributes disproportionately to

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the city's economy. According to the State Comptroller it accounts for a full seven percent of city tax collections, in 2017 the average securities industry bonus increased 17 percent to 184,220 dollars the highest in a decade after adjusting for inflation. So, do you have any information on how well the 2018 bonuses are doing?

GEORGE SWEETING: We're, we're trying, one thing that would help would be if the securities industry earnings and profits data were, were complete for 2018, we're still waiting for the, the fourth quarter and those, those... they should be coming any day now, they may even come today while I'm... we're here, you know as you said there's, there's an expectation that the 2018 bonus period is going to be... is going to be quite bad, so far our try... you know trying to read the tea leaves of what's happening and the way you do it is you look at income tax withholding data in December, January, February and sometimes March looking at that so far... I mean our conclusion is things have not collapsed but using back of the envelop calculations from what we can see we think it could be down around ten to 15 percent which I believe is better than what the state

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2 comptroller was looking at but it's still definitely
3 a... you know our, our, our number would be a decline
4 of probably at least ten percent.

5 CHAIRPERSON DROMM: Therefore, having a,
6 a big effect on, on, on budget... on the budget here
7 obviously in terms of collection of the personal
8 income taxes.

9 GEORGE SWEETING: It has some effect but
10 I mean one, one thing that's... you know here's another
11 example of how, you know the, the economy changes
12 over, over the years, you know if the... if you had had
13 a ten percent decline in the bonuses in 2006 or 2007
14 the city would be looking at really significant
15 revenue shortfalls, the fact of the matter is Wall
16 Street is a smaller part of, of our economy today
17 than it, it was ten and certainly you know longer,
18 ten years ago so, you know we... our... you know it will
19 have an effect no doubt but it probably has less of
20 an effect than it... than it did in the past.

21 CHAIRPERSON DROMM: Do you have any
22 opinions on the health of the securities industry
23 moving forward?

24 GEORGE SWEETING: I don't know about
25 opinions, I mean the, the data and the forecast we

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have, you know say first of all we're not calling for any major drop in, in Wall Street profits, we're... you know I'll define major as something bigger than ten percent because we're seeing a ten percent decline in 2019 about 20... its about... it averages about 20... excuse me, about ten percent in each year of 2019 and 2020 and that's sort of consistent with the slowdown of the... in the US economy, you know it falls from about almost 25 billion to about 20 billion over those years but then we bounce back in 21 and 22, slow growth years after that about one, one and a half to two percent a year so no big drop in profits or that we would define as a big drop, steady, slow employment growth and you know some moderate wage growth but not... you know a positive but not... again not gang busters not like... not like the early 2000s. One of the big unknown changes is what's going to happen to the firm's interest costs with the federal reserve pausing their process and maybe ending it we don't know in terms of, of raising the, the federal funds rate that filters through into other interest rates and one of the biggest costs other than, than labor in those... in the securities industry is essentially the cost of money which you know that's

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2 their... they, they borrow money and then they process
3 that so interest costs are a very important driver
4 for their, their cost structure and then their... that...
5 ultimately their profits and we... you know there's
6 some unknown there, we're not... we're not sure, a
7 pause probably... you know certainly helps at this
8 point.

9 CHAIRPERSON DROMM: Okay. Alright, I
10 think that that is it for now and I want to thank you
11 for coming in and for giving testimony and we
12 appreciate your presence here.

13 RONNIE LOWENSTEIN: Thank you.

14 GEORGE SWEETING: Thank, thank you.

15 CHAIRPERSON DROMM: Okay, we're going to
16 take like a three to five-minute break, the
17 Comptroller will be here shortly and... he's here, oh
18 okay, good. Well give us a couple of minutes just to
19 get set up with the... with the equipment. Thank you.

20 [off mic dialogue]

21 CHAIRPERSON DROMM: Alright, this is so
22 much fun. So much fun. Hi Susan. Alright. Okay, thank
23 you and good afternoon and welcome to our first day
24 of the Council's preliminary budget hearings. My name
25 is Daniel Dromm and I'm the Chair of Finance

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2 Committee. We are joined by the Subcommittee on
3 Capital Budget Chaired by Council Member Vanessa
4 Gibson. So far, we have heard from the Office of
5 Management of Budget and the Independent Budget
6 Office. We will now hear testimony from New York City
7 Comptroller Scott Stringer. In the interest of time I
8 will forego an opening statement, so we'll jump right
9 into the Comptroller's testimony once he is sworn in
10 by Counsel.

11 COMMITTEE CLERK: Do affirm that your
12 testimony will be truthful to the best of your
13 knowledge, information and belief?

14 SCOTT STRINGER: Uh-huh, yes.

15 COMMITTEE CLERK: Thank you.

16 SCOTT STRINGER: Alright, well thank you
17 Chair Dromm and members of the Committee. I
18 specifically want to thank Council Member Adrienne
19 Adams and Council Member Vanessa Gibson, it is always
20 good to see so many people turn out for my testimony
21 and this is a record turn out so for all the Council
22 Members who went home early they are not going to be
23 as briefed as they could be so we rely on you but
24 thank you very much and always it's exciting to come
25 to the Council to talk about the city's FY 2020

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2 preliminary budget and joining me is an old hand at
3 the City Council and is now the Deputy Comptroller
4 for Budget, Preston Niblack, Preston thank you for
5 joining us today. Each year we have an opportunity to
6 consider how best to ensure our city is serving
7 working families and promoting policies that empower
8 historically disenfranchised New Yorkers. I hope that
9 my testimony today will give you help with crafting a
10 budget that lifts people up, while also managing our
11 finances for the long term. The national economy has
12 now experienced a nearly decade long expansion, the
13 longest and strongest in recent history. A booming
14 economy and growing tax revenues has enabled us to
15 invest in critical initiatives, such as Pre-K for
16 All, eviction prevention, and legal services for
17 immigrants. And I am happy to see additional new
18 investments in this budget, from the expansion of 3-K
19 to speeding up the slowest buses in the nation and a
20 commitment to remove lead paint from housing. I hope
21 that you will also consider funding other important
22 programs like the citizenship fund that I proposed
23 with more than 100 organizations just a year ago. As
24 you know Chair... Mr. Chair about 670,000 New York City
25 immigrants are eligible, eligible to become US

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citizens but have not done so in part due to the high application fees and I was pleased that the City Council progressive caucus included three million in your preliminary budget response last year to seed the initiative but now I'd like to get it to the finish line so I ask you to consider this critical funding. But today, while the economic expansion continues for now, I have to say that the rate of growth is slowing, and the risks are multiplying. From slowing global growth to the federal government to high yield corporate debt, we are starting to see a tightening of the economy. Fiscally responsible management of the city's budget really requires taking the long view; not just balancing this year's budget but ensuring that actions taken today protect our ability to provide the critical services that New Yorkers rely on tomorrow. Given the uncertainty on the horizon, I am increasingly concerned that we simply have not done enough to hedge against the risks. We know from experience that a downturn will help... will hurt our most vulnerable residents the hardest but the window for action is closing. So, with this in mind, I want to begin with a review of the city's fiscal year 2020 preliminary budget and

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the financial plan. Over the city's financial plan, spending is expected to grow to an average annual rate of 2.2 percent. In contrast, revenues are projected to grow 1.8 percent each year, resulting in budget gaps of 3.5 billion in FY 2021, 2.9 billion in FY 2022 and 3.3 billion in FY 2023. My office expects tax revenues to rise by 3.7 percent per year, slightly higher than the administration's assumption of 3.2 percent. As a result, we expect additional revenues of 434 million in FY 2020, 974 million in FY 2021 and more than 1.2 billion in each subsequent year. However, we've also identified several large risks on the spending side of the budget, including overtime, charter school tuition and reimbursements for special education services. Taken together, our revenue and expense projections result in a minimal change to the FY 2020 budget gap and a modestly smaller gaps in the last three years of the plan. As you work with the Mayor to adopt a final budget, I would urge you to take action to protect the important gains we have made toward creating a more equitable and just city. As I've said every year that I've testified here, my office has determined that the city should have a budget cushion of between 12

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and 18 percent of spending but since 2017, progress in increasing the cushion has stalled around 11 percent. Now to put things in perspective, at the start of the last recession in FY 2009, the city's budget cushion was equivalent to nearly 18 percent of spending. Despite these resources, and even with the help of the Obama stimulus bill, we still were forced to raise taxes and cut services to weather the storm. I cannot emphasize enough how critical it is that we set and reach these targets, we should have done more about this five years ago. In FY 2020 budget, we should at least reach the bottom of the optimal range. To do that, we need an additional 2.4 billion and I understand we're not going to get there today nor should we but we should plan to increase our target by a percentage point each year to try to reach that 15 percent by FY 2023, we just don't know what's going to happen and an ounce of prevention is really worth a pound of cure. So, in order to achieve these targets, we need to generate more recurring agency spending. The most recent citywide savings plan is expected to provide budget relief totaling 770 million this year, however, nearly half of the FY 20, 2019 savings is due to reimbursement from the NYC

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Health and Hospitals for payments made on its behalf in prior years. In fact, the 3.1-billion-dollar surplus that has been built up so far this year does rely too heavily on one shots such as asset sales and bank settlements, those are savings that you can only get once and can never be used again. Now I want to be clear, I'm not arguing that we should never use one shots, what I am saying is that we should use one-time revenues for one time spending needs or we should hold those funds aside for a time when we may really need them. The Mayor also committed to a 750-million-dollar program to eliminate the gap, PEG, for fiscal years 2019 and 2020 in the executive budget. This is a good but modest start. That represents less than one percent of agency spending in fiscal years 2019 and 2020. I hope that the majority of the actions in the PEG programs will involve real and recurring agency efficiencies but I was a little disappointed to read reports yesterday that agency savings will account for just 550 million of the 750 million total, with debt service savings and the hiring freeze accounting for the rest. We can do better. Not only must city agencies contribute more to savings, they must be accountable to the public..

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for the public money they spend. Last year I introduced the Comptroller's watch list to highlight agencies with high spending growth and lackluster results. This year the agencies on the list include two from last year, the Department of Correction and spending on homeless services, and one new agency, the Department of Buildings. Despite great efforts and increased spending, the number of New Yorkers who sleep in homeless shelters continue to rise. We are now spending more than double what we spent in 2014 on homeless services, 2.9 billion dollars will be spent next year across all agencies. I believe it's unacceptable to continue spending nearly three billion a year and not make a dent in the homeless population. Similarly, our city jails now spend more 300,000 per year to house one person on Rikers Island and we have reported for five years now, you get my reports, the jail population has been steadily falling, yet the costs are growing and despite a concerted effort, the culture of violence has not abated, 300,000 dollars per inmate. This year we added a new agency to the list, where, despite greatly increased resources, we're just not seeing the results for New Yorkers. I mentioned the

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Department of Buildings. So, since 2014, DOB has increased it's budget by over 60 percent and staffing by 50 percent and yet there has been no measurable impact on construction safety. In fact, accidents, injuries and fatalities are on the rise. I know that the City Council is well aware of the problem and I commend you because you passed essential legislation in 2017 to address the issue head on but we need to ensure that the new spending and requirements are on the path towards making a meaningful difference. So, I hope that you will take a look at that through your budget hearings. So, as I wrap up, I just want to sort of retell my message because I do think it's urgent. The economic growth we've relied on in recent years is slowing down, especially when we look ahead to 2020. The Mayor's agency savings are a start, but we need to do a lot more. We cannot take these risks lightly. We need to prepare our city so that regardless of what we face down the line, the critical services that lift up New York's working families and low-income communities will weather the storm. One of the reasons why looking at efficiencies after five years is critical is because we all know that in a downturn in a crisis the first thing to go

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are critical services for children, for seniors, the most vulnerable among us, that is how budgets get cut and slashed and that is why we have to make sure that we continue to provide the services that you have championed in this City Council but again we have to start holding City Hall accountable, you cannot throw money at the wall and see what sticks and that is why we have to also be more vigilant and we have to stand up and ask the tough questions and that's why we will ask those questions at the various agencies on the watch, watch list, that's why we are now asking for reasonable documents, documents on the Thrive initiative, 850 million dollars. The more questions we ask the better government is and I know that working together with this Council we will create the checks and balances that is so vital to our city and with that said I want to thank you Chairman Dromm for everything you've done and you've been a pleasure to work with across... you know across the street at City Hall so thank you very much.

CHAIRPERSON DROMM: Thank you Mr.

Comptroller, same, same here, same sentiment here. In your testimony you mentioned that we... that you'd prefer to see us at about a 15 to 18 percent budget

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2 cushion if I'm not mistaken, I asked some questions
3 this morning of OMB around that issue and I think we
4 used the number about ten percent and you're saying
5 its closer probably to about 11 percent at this
6 point... [cross-talk]

7 SCOTT STRINGER: We're at 11... we're at 11
8 percent now... [cross-talk]

9 CHAIRPERSON DROMM: Eleven percent and..
10 [cross-talk]

11 SCOTT STRINGER: ...and we think the
12 optimal is somewhere between... you know and I want to
13 be realistic because we obviously have a lot of needs
14 in the city and I certainly don't want us to have to
15 choose between critical funding needs and the surplus
16 but we do think there's a... there's room for an
17 optimal range...

18 CHAIRPERSON DROMM: Uh-huh. So Moody's
19 just increased our rating from a... to an Aa1 and we
20 could go a little bit higher if we were to put some
21 more into the reserves, do you think that there's any
22 benefit to the city, would we be able to save in
23 borrowing costs if we had a better rating or a higher
24 reserve?

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SCOTT STRINGER: So, we don't... so, we're going to go into the market later this year with the new rating so we'll get a sense of, you know what the savings are, obviously it, it's a good start working very closely with OMB, the Comptroller's Office and OMB we have refinanced debt at lower rates to the tune of... you... a savings of 3.8 billion dollars so this is something we continue to look at and hopefully this will result in even further savings.

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CHAIRPERSON DROMM: Okay. A recent report by the Center for Retirement Research at Boston College looked at the assumed rates of interest returns across public and private to find benefit plans in the United States interestingly they found that public plans invest more in riskier assets than private plans. Additionally, they found that for any given asset allocation public plans tend to have more... a... more optimistic assumptions, do you believe that this is true of the city's pensions and are we being too optimistic?

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SCOTT STRINGER: Well when I... when I became Comptroller we looked at a top to bottom review of the pension fund as, as you know and a rate of return has now gone from eight percent down to a

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seven percent actuarial target which we are meeting even in these challenging times and so I don't know if we're more optimistic, we're, we're long term investors so we're not trying to beat the system, sometimes we, we, we... sometimes we don't try to create investments that are not for ten, 20 years, we're not trying to do this on a yearly basis, it really is the long haul and I think our asset allocation and the due, due diligence that we're doing with the reforms we've put in place I think have made a... made a... this pension system more secure over the last six years.

CHAIRPERSON DROMM: You had previously

requested a study by the short center for economic policy analysis to look at the retirement readiness of New York City that report found that the number of workers in the city participating in a retirement plan at work actually dropped by 17 percent between 2001 and 2011, that study was recently updated and indicated that coverage rates are very low and declining with particularly dramatic drops for older workers and women. Has your office conducted any further research on this matter?

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2 SCOTT STRINGER: You... on, on, on
3 participation?

4 CHAIRPERSON DROMM: Yes.

5 SCOTT STRINGER: First of all, we, we
6 haven't as of yet but it's something that we can
7 certainly work with you on. I am very concerned about
8 retirement security, lack of participation, it's,
9 it's critical, you know as we all get a little older
10 we realize just how much you actually need in those
11 retirement savings and to find benefit and other
12 savings actually I think pressing the average pension
13 that people get is something like 38,000 dollars so
14 think about where you could survive in the city on
15 that kind of money, I do think it is critical that we
16 have a, a retirement system that continues to grow
17 and get people involved in, you know I always try to
18 say to the younger people, you know it's hard to
19 think about retirement when you're coming into the
20 workforce for the first time, you know and, and yet
21 it catches you very quickly and you think about study
22 after study that shows that this country for people
23 from around the country are not saving nearly at the
24 rate that they have to and because the pension system
25 and define benefit is under attack and we're actually

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2 losing that crucial retirement savings or that
3 retirement option certainly the financial sectors
4 done away with it and people constantly attack our
5 own pension system, these are going to be real
6 critical issues.

7 CHAIRPERSON DROMM: So, we, we certainly
8 agree with you that more and more households, retired
9 households are facing poverty as well, do you have
10 any programs that you would suggest that we involve
11 ourselves in and are you in support of the, the
12 Mayor's proposal for private sector employers to auto
13 enroll their workers in city facilitated ROTH, IRAs?

14 SCOTT STRINGER: So, in 2016 I convened a
15 group of experts working with our then CIO Scott
16 Evans to come up with a more comprehensive plan which
17 included multiple plan options for employers and
18 default contribution rates based on a worker's
19 earners and age. We still have questions about the
20 Mayor's proposal and how it would work under existing
21 federal regulations. In fact, when Trump came into
22 office a lot of the federal changes sort of neutered
23 the, the forward progress we were making nationally,
24 I would love to share with you the report that we did
25 because I think it really is a solution base model

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for the country and while I appreciate the Mayor

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moving forward on this, I think we need a more robust

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comprehensive retirement proposal with many more

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options, you simply don't want to have, you know just

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a recycled 401k plan because that's not enough for

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your retirement.

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CHAIRPERSON DROMM: Okay and in your

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testimony today you talked a little bit about the

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Department of Correction and it's been on your

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office's watch list for two consecutive years now,

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your office has conducted an analysis and found that

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even though the detainee population continues to

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decline costs continue to rise with the full cost per

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detainee up 66 percent and I think you said at about

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300,000 dollars per detainee. Based on your analysis

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what are the budgetary controls that OMB and the

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Department can consider placing in order to curb

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these spend... this spending in the out years?

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SCOTT STRINGER: Look I, I... the reason

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they're on the watch list is because we're looking at

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less, less detainees, more violence over time,

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there's a management issue there, you know we've been

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a little surprised that this keeps coming up after

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every iteration of quote, unquote reform, somethings

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2 not working there and I don't know if this is going
3 to take a hearing by the Council or more public
4 pressure but the numbers tell a very different story
5 about what's happening on the inside than what we're
6 learning on the outside. I think it's probably a
7 management issue or we need new fiscal approaches to
8 the... to the... to the problem.

9 CHAIRPERSON DROMM: Miss Hartzog seemed
10 to imply in her testimony this morning that a lot of
11 the violence might be due to the mental health issues
12 that a number of the detainees have, would you agree
13 with that and do you have any ideas on what type of
14 programs they should be using or, or... [cross-talk]

15 SCOTT STRINGER: I have a... I have a lot
16 of respect actually for the... for the OMB Director and
17 I think she's very much focused on these issues so I
18 would certainly take her at her word, we have an
19 initiative called Thrive which is 850 million dollars
20 and perhaps we should measure whether some of those
21 interventions could be used to, to create opportunity
22 for some of the detainees that would be something I
23 think would be very helpful.

24 CHAIRPERSON DROMM: Let me just ask you a
25 little bit about judgements and claims and then we'll

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2 go to my Co-Chair, Vanessa Gibson. During the last
3 year's preliminary budget hearing we asked you for
4 data on how many claims were settled by your office
5 on the basis of notice of claim... [cross-talk]

6 SCOTT STRINGER: Uh-huh... [cross-talk]

7 CHAIRPERSON DROMM: ...and how many were
8 settled on the basis of approval of a request from
9 authorization to settle from the Law Department
10 including the amounts of those settlements, I don't
11 know that we ever got that Mr. Comptroller, and would
12 it be possible to get that before the executive
13 budget?

14 SCOTT STRINGER: You, you, you should
15 have it and I will certainly get you all the detailed
16 analysis, I want you to have it so Preston we should
17 do that. I can give you just a, a quick snapshot that
18 I have here, judging and claim payouts were 730
19 million dollars in FY 18 following a record high of
20 750 in FY 17, what share of payouts are settled by...
21 our... so, what... the way we go about it is we do a risk
22 management and legal analysis, we, we review
23 documents and, and medical and court records, we go
24 through a very rigorous process with professionals in
25 the office, I can tell you in FY 2018 we settled

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3,593 claims pre-litigation with a total payout of 52 million dollars on our end but I will... if, if you want Chair either orally or by letter more information... more documentation I'd be happy to, you know provide it. One of the ways we've been able to sort reduce claims and I think we've reduced them by, would you say 50, 50... maybe I don't want to... I think we're at 15 percent reduction from when I started, I don't, don't quote me though... [cross-talk]

CHAIRPERSON DROMM: Uh-huh... [cross-talk]

SCOTT STRINGER: ...let me... let me just double... oh that's why I'm here, so you can quote me, but, bet let me... let me... let me double check that number and, and get back to you but our claim stat initiative I think has borne fruit. For example, on police cases we work closely with the NYPD now for many years where we're working collaboratively so if we see police claims up in a different precinct we share that information with the Police Department as a way of maybe focusing energy on prevent... on the prevention side of this, we've had success and it... I... it's a... and as a result police claims are down 30 percent obviously claim stat is not the only reason,

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but this has been a partnership between my office and the PD that its never been before... [cross-talk]

CHAIRPERSON DROMM: Uh-huh... [cross-talk]

SCOTT STRINGER: ...and we encourage that and it's working.

CHAIRPERSON DROMM: Okay, good, thank you. Council Member... excuse me, Chair Gibson.

COUNCIL MEMBER GIBSON: Thank you, thank you Chair, good afternoon Comptroller, good to see you. I wanted... [cross-talk]

SCOTT STRINGER: Thank you so much...

[cross-talk]

COUNCIL MEMBER GIBSON: ...to ask about your office's analysis if anything of the ten year capital strategy, so my Subcommittee does all of the capital work and the ten year capital strategy is 104 billion dollars for fiscal 2020 through 2029 and OMB earlier today acknowledged that the ten year capital strategy is frontloaded so most of the money is in the first four years of the capital with the assumption from our perspective that in the latter part, the last four years of the capital a lot of the agencies are going to be spending less on capital. So, as an example Parks Department or even the SCA's

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2 five-year capital plan so I wanted to understand if
3 any has your office started to look at all at the
4 capital budget process and do you have any thoughts
5 on... [cross-talk]

6 SCOTT STRINGER: So, I don't want to..
7 [cross-talk]

8 COUNCIL MEMBER GIBSON: ...the ten year?

9 SCOTT STRINGER: I don't want to be the
10 bearer of bad news but... [cross-talk]

11 COUNCIL MEMBER GIBSON: More bad news?

12 SCOTT STRINGER: No, no, no it's, it's..
13 the, the ten year capital plan is really not a
14 planning document and I think we need to have a lot
15 more ways to measure the capital plan, I think the
16 charter vision is one place where we can look at it,
17 I've made proposals to the charter commission to
18 address both budget and the procurement side to the
19 problem, budget lines should be aligned with
20 individual projects, reporting on delays in budget
21 changes on actual final spending should be part of
22 it. There's a bill by Council Member Lander that gets
23 at this but it shouldn't be separate from the budget
24 and so if you really want to have a planning document
25 I think we have to change the way we approach the

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capital spending and there are some real reforms that

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we could work on together to get to that place.

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COUNCIL MEMBER GIBSON: Okay and to their

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credit I will acknowledge that from last year's

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adopted we worked very closely with OMB on excess

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appropriations which they agreed to reduce by 5.9

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billion dollars which is a start and also the

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frontloading, many of the agencies frontloaded most

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of their money in years one and two and not spread

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them out over several years so we were able to get

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those two big buckets as agreements which is great..

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SCOTT STRINGER: That's great, can I also

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mention that there's something.. I think some good

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news in the capital spending, I think we've come to

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the Council numerous years with some reports that

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actually were showing that the money wasn't going out

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the door, right, so there was some real delays in the

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capital spending so I'm glad to report that in fiscal

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year 18 we went from a 56 percent success rate on

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getting money out the door for projects and now we're

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up to 71 percent and that's a credit to all the

23

agencies and all the offices so that is some good..

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[cross-talk]

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COMMITTEE ON FINANCE JOINTLY WITH SUBCOMMITTEE

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ON CAPITAL BUDGET

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

SCOTT STRINGER: ...news for us.

COUNCIL MEMBER GIBSON: That's really good to hear.

SCOTT STRINGER: Yeah.

COUNCIL MEMBER GIBSON: I wanted to ask a question and it's a topic that you consistently talk about and that is NYCHA, with the federal monitor in place I asked OMB earlier what impact that would have on NYCHA's capital budget in their overall strategy and the ongoing work that OMB does with NYCHA as it relates to the spending of city capital dollars so I wanted to ask what your thoughts are because after the agreement that was made with Mr. Carson the administration added more money so over the next ten years there's about 4.1 billion dollars of capital that will be invested but while that's laudable and it's great there were some criticism that it really, you know the agreement didn't look at all of the other important things we talk about like operating dollars and basic necessities of heat, hot water, individual apartment upgrades, etcetera so I wanted to ask what your thoughts are, I'm still trying to

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2 understand what the impact on the capital strategy
3 will be with this federal monitor because everything
4 is so relatively new... [cross-talk]

5 SCOTT STRINGER: Uh-huh... [cross-talk]

6 COUNCIL MEMBER GIBSON: ...and we're still
7 digesting it, but did you have any thoughts on that?

8 SCOTT STRINGER: So, we have worked very
9 closely and I can elaborate, you know with you given
10 your role with the capital budget but we are now
11 working cooperatively with OMB and we are going to
12 have much more detailed and timely data from OMB on
13 NYCHA capital spending and that was a negotiation and
14 agreement reached because we want to streamline as
15 much as possible the ability to get capital dollars
16 into projects related to NYCHA but we also want to
17 make sure that we are holding all agencies to the
18 highest... the highest standards. So, just like we
19 looked at the capital spending, we see some
20 improvements because we've been able to work with the
21 agencies, we want that same laser focus on NYCHA. So,
22 I can certainly report to you and work with you on
23 some of the issues that you're concern... you're
24 concerned with in the capital budget so you're

25

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2 getting the information you need to do your analysis
3 as well.

4 COUNCIL MEMBER GIBSON: Okay, have you
5 noticed any particular challenges that the capital
6 contracts polls in comparison to expense contracts?

7 SCOTT STRINGER: We'll get to... it's a
8 mess every which way.

9 COUNCIL MEMBER GIBSON: Oh...

10 SCOTT STRINGER: It's just an outrageous
11 mess, you know I've... [cross-talk]

12 COUNCIL MEMBER GIBSON: I didn't expect
13 that answer... [cross-talk]

14 SCOTT STRINGER: That's... no, but it... but
15 as Comptroller I've done more audits of NYCHA than
16 all my predecessors combined and it's been one audit
17 after another and unfortunately and I'm trying to
18 look at the glass half full here while I want the
19 monitor to succeed, we all do, we have a real issue
20 with federal spending and we didn't get a check when
21 Mr. Carson, Secretary Carson was here and we need
22 that... we need those revenues so I think we have to
23 hold on until there's a change in administration but
24 this is a very serious, you know issue. We are
25 looking at a number of audits that will be announced

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soon related to some big projects within NYCHA and I will certainly keep the Council posted on them.

COUNCIL MEMBER GIBSON: Okay. One of the agencies on your watch list, DHS, Homeless Services we've talked a lot about that and the exorbitant budget, the steadily, steadily rise in homelessness. One of the questions I asked earlier and this is something very personal to me, is the phasing out of cluster housing and rolling those units back into the affordable housing stock but also the potential opportunity to work with those landlords and building owners in terms of acquiring those buildings transferring them to local CBOs that can operate and manage them much better and so a lot of that conversation is still very active but there's no reflection of any plan in the capital strategy that recognizes that we may even acquire any of those properties. So, I wanted to understand from your perspective if we're talking about agency cuts and the list that we have of the PEG targets, DHS and DSS is 50 million dollars that we're looking to target in terms of cuts and I recognize that most of the agencies that are being asked to cut are obviously going to hit social services much more, vulnerable

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2 New Yorkers, safety net programs, etcetera so what
3 would you suggest should be our angle this year
4 working with DHS and DSS in terms of the homelessness
5 issue but also cluster housing for me because it
6 seems like the city is talking but when I look at the
7 plan there's no reflection of... [cross-talk]

8 SCOTT STRINGER: Uh-huh... [cross-talk]

9 COUNCIL MEMBER GIBSON: ...anything real in
10 the capital plan?

11 SCOTT STRINGER: So, let me just... first
12 of all in terms of a PEG program it is a program that
13 looks to create more efficiency with an agency so
14 that we don't have the kind of cuts you're talking
15 about. The way we ensure that we have money in the
16 bank is we look at technology, we look at
17 streamlining bureaucracy, we get management to the
18 agencies to be more efficient, it doesn't mean in any
19 way that we would cut services. First of all, this
20 PEG is very small so anyone who's trying to have a
21 PEG in an agency, and you start cutting services
22 you're not doing your job and... plain and simple. This
23 is about five years taking a look how we can make
24 government better, we do that in our own offices, we
25 do that in our own lives, right, to figure out ways

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to do things cheaper that's something.. that's the first thing. The second thing is the homeless crisis and the Mayor's response to it is never about reducing the crisis it's really about managing the crisis and we have to start reducing the number of people on our streets and who are in homeless shelters, we need an affordable housing plan that speaks to this population. Many people who live in shelter have jobs, they cannot find an affordable apartment, the Mayor's housing plan and a lot of the rezonings that have come before the council have rezoned neighborhoods that have led to increased gentrification, we do not have a plan that targets the people who are the most vulnerable to homelessness, that's the 580,000 people many who have lived in homeless shelters, many have doubled or tripled up, many are struggling New Yorkers who make less than 30,000 dollars a year, there's 580,000 of them and only 31,000 units of housing has been built for them. So, we have come up with a housing proposal that I think meets the needs of the people who are the most vulnerable. I want to see the last phase of the Mayor's housing plan to shift to building housing for people who make under 30,000 who are the ones who

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are about to be homeless and the way we want to create a fund to do that is to look at the real property transfer tax, double that tax, that's a tax that all cash buyers of multi million dollar homes pay if we were just to double that we could increase a housing fund of 400 million dollars a year. Now I know when you say double a tax now a days the first thing people say is oh this is the... this is the millionaires tax, this is this, where, where's... you know where's he going with this but here's something to consider when you double the... when you double the RPTT it's actually still a good deal for all those cash buyers from around the world that are parking money here because if you go to Singapore the VIG on those purchases is 25 percent, London charges 15 percent, we're the only people who are giving away... who are giving away without taxing the richest people in the world and there's people who are still going to come here with their money because we still have the best RPTT. The other thing we need to do is get rid of the mortgage recording tax so that home buyers can get some relief so we can build housing for the middle class as well. The way to get out of the homeless crisis is to break down the silo between

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2 constructing low income housing and homeless
3 services, they cannot be separate anymore, we have to
4 bring them together. Shelters should be a last
5 resort, shelters should not be part of a strategy to
6 manage a crisis, we need to build the housing we need
7 and one last thing, we've always built as a
8 government low income housing, LaGuardia built public
9 housing in the 1930, Lindsay and Rockefeller played a
10 major role building what is the greatest housing
11 program the Mitchell Lama housing program, Koch took
12 those abandoned buildings and gave them back, you
13 have right now over 1,100 parcels of land in New York
14 City that's city owned that we could use to build
15 affordable housing, give that land back to not for
16 profit organizations, create a land bank, land trust.
17 You have a bill right now in the City Council that
18 would establish that and that could be the vehicle
19 for taking those properties and, and creating the
20 housing that we need instead we're rezoning
21 communities where we're building.. allowing for more
22 density and then in exchange for.. we get affordable
23 housing but that's affordable housing that the AMI is
24 too high so that becomes unaffordable affordable
25 housing in so many of our communities. I think we all

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have to work on this and come up with a new plan that meets the affordability crisis head on in communities. Lastly, Council Member you know this in the Bronx, I mean you're seeing the same affordability issues in the Bronx that you saw in Manhattan, that you're seeing in Jackson Heights, that you're seeing in Southeast Queens, no community is immune now from people just not having the affordable housing that can give them an opportunity to stay in their neighborhood.

COUNCIL MEMBER GIBSON: Agreed..

SCOTT STRINGER: That was my short answer.

COUNCIL MEMBER GIBSON: Wow, okay. Well I agree with all of the points. I just wanted to add in addition to tapping into vacant city owned land, the community land trust, looking at the real property tax, mortgage recording tax a large part of families in shelters today are working, that's been acknowledge, the faces of homelessness are working people, working mothers, working fathers but because they're not able to afford the rent a lot of the city's subsidy programs, the link vouchers, the FEPS and Phipps and all the other programs will provide

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that cushion that's needed. Has your office done an analysis at all of any of those subsidy programs?

SCOTT STRINGER: We're, we're... we feel the same way I think many Council Members feel that, that the, the... a lot of the landlords will not take these vouchers and it is becoming harder and harder to rent and I was in a homeless shelter for adults, I was visiting some of the people there and people in the shelters don't, don't even believe the vouchers are going to work for them so we walked in and the social worker said well you, you got your voucher and the person was like yeah but how am I going to get an apartment which is why... which is why we need to build the next generation of low income housing and by the way when I say low income housing I don't say it in a bad way, right, because sometimes we say low income housing and people go huh, what do you mean, we need that kind of housing because the people who make less than 30,000 are the backbone of the city, the driver of the cabs, the worker in the restaurants, they're single parents taking care of kids, they do not have anywhere to go and if we lose them we are going to lose a vital part of the city not just our diversity but our economic diversity. So, why can't we just

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adjust this housing program, it's had benefit, we have built housing for people with higher... in communities for higher AMIs, people who... families who make 100,000 or 75,000 I get that and we want to build more middle income housing but that has been with the program... that's been the housing program, what we have left behind are the people who struggle in the city because there's less buckets of money for the lowest, poorest people in the city and we have to recognize that they have to have that too. So, we need Albany to act, our legislation is going to be introduced, you know when we do a housing plan Council Member Dromm certainly knows this you get to a press conference and the press says to you well you need Albany action and you say yes and I have a bill in the assembly and they say great and they say well who's the republican sponsoring it in Albany and you say I don't have a republican sponsor so they pack up literally and say nice to see you, call us when you have a republican well guess what, we don't need a republican in the state senate, we're going to have a democratic sponsor with this bill, a well-known democrat and we're going to try to reform the tax code of this with the RPTT which will give I believe

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lead to funding for this city that we desperately need to off... to redefine the housing program.

COUNCIL MEMBER GIBSON: Oh, great, is that going to be a part of the rent regulation package?

SCOTT STRINGER: No but, but i... but, but I, I do... I do think it's going to be an area that we can perhaps work together on in Albany while they're doing rent regulation because we need a housing program for the people who are about to be homeless in the city. I am not kidding you, we've identified 580,000 New Yorkers who aren't making it and we're not reducing the homeless population and the disgrace of the whole thing is every year I've come here, every year we've been at these meetings, right Council Member... right, every year we talk about and we get teary eyed about it, right, we get emotional the kids in those homeless shelters are not getting out of those homeless shelters and then we do an audit and find out that all those children in homeless shelters the disconnect is no one even cares if they show up for school, we've done audits on that too. If I'm five minutes late to bring my kid to school I get a letter and you know I, I could... I

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practically get arrested, a homeless child doesn't go

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to school no, no, no one calls to find out so let's

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stop pretending that we can just keep them in

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homeless shelters forever this is not sustainable for

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these children.

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COUNCIL MEMBER GIBSON: Thank you.

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SCOTT STRINGER: Thank you.

9

COUNCIL MEMBER GIBSON: Thank you

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Comptroller.

11

CHAIRPERSON DROMM: Council Member Adams.

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COUNCIL MEMBER ADAMS: Wow, thank you

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Chairs once again for this day of hearings, it's been

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quite a day and Comptroller Stringer as always, it's

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always my pleasure to be in your company.

16

SCOTT STRINGER: No, thank you.

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COUNCIL MEMBER ADAMS: My colleague

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really, really got to the heart of what I was going

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for... [cross-talk]

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SCOTT STRINGER: Uh-huh... [cross-talk]

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COUNCIL MEMBER ADAMS: ...in my question

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and thank you Council Member Gibson for that. I

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literally wrote down when you sat down

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recommendations to reduce the exponential spending in

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homelessness and housing homeless so thank you very

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2 much for getting that and your detail on that was,
3 was very, very much appreciated..

4 SCOTT STRINGER: Thank you..

5 COUNCIL MEMBER ADAMS: Not meaning to be
6 redundant but... [cross-talk]

7 SCOTT STRINGER: Yeah... [cross-talk]

8 COUNCIL MEMBER ADAMS: ...I just wanted to
9 get your opinion on something that's been in the news
10 a lot lately and that is the SOTA program, coming
11 where homeless individuals from New York are sent to
12 New Jersey and are, are... landlords are actually given
13 money, a lot of money to house New Yorkers, homeless
14 New Yorkers, I don't know if you've seen it, it's
15 been around in the... in the... [cross-talk]

16 SCOTT STRINGER: Uh-huh... [cross-talk]

17 COUNCIL MEMBER ADAMS: ...news quite a bit
18 and the conditions of these homes are absolutely
19 horrible and horrifying to see families with small
20 children with no vetting it, it seems by DHS and, and
21 sending these folks over to New Jersey in, in homes
22 that... I, I mean we wouldn't send, you know pets that
23 we hate to these places to provide shelter to them,
24 so I just wanted to get on the record your opinion of
25 that particular situation?

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SCOTT STRINGER: It's a sad state of

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affairs when you even have to ask that obvious

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question, so you pay people to go back or to leave

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and what happens when they come back and it's not the

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answer, it's not going to... it should not be the

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centerpiece of a real strategic homeless policy so I

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don't think that's the answer at all, you have raised

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this issue and I think it's an, an issue that we

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should look at in the Comptroller's Office to get a

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better idea, you know whether it's an audit or, or

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taking a look and you've given me an idea, you know

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to do that so I would just say to everyone in the

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Comptroller's Office perhaps we can do a snapshot

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with you because that is something that we should... we

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should drill down on so you get... so, I'll commit to

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you that we'll take a look and work with you.

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COUNCIL MEMBER ADAMS: I, I appreciate

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that, it, it just because the situation horrified me...

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[cross-talk]

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SCOTT STRINGER: I know you... [cross-talk]

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COUNCIL MEMBER ADAMS: ...in seeing it and

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I think that it exposed... it exposed a whole lot that

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we were unaware of where parts of our homeless

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population are going, how they are treated and the

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mere fact that the agency that is supposed to be

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protecting and helping them really are not vetting

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these homes and sending them into deplorable

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conditions that can literally jeopardize their lives.

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SCOTT STRINGER: Thank you for this,

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it's, it's an area that we should be exploring as

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part of our look at Department of Homeless Services

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and, and the agency so you have my commitment that we

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will... we will take a look at it, I'll work with you

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on it.

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COUNCIL MEMBER ADAMS: Thank you very

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much.

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CHAIRPERSON DROMM: Thank you Council

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Member Adams and just to wrap up one last question I

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have, the administration's plan or the SCA's plan,

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School Construction Authority plan for new seats

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funds 57,000 seats through 2024 I believe it is and

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they claim that that's going to meet the need as they

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see it now although there are some who say the need

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is even higher but what was kind of concerning to me

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is that going from 2025 to 2029 they have zero new

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seats, zero in the capital plan so they claim that

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that's how they budget things, they go through... you

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know the five year plan and that it will be updated

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within the next five years but to me that doesn't seem like they're really planning because we know that there are going to be an additional seat need. What could we do to change that situation and how do you feel about that?

SCOTT STRINGER: So, I, I think you hit... I think you hit it. These ten year plans we think of them as planning documents and, and they're not and we need... we need to measure the data how we sort of tackle these issues, I am very suspicious when an elected official tells me we're going to eradicate or... a problem by 2030 when that individual or individuals will not be in office so we're going to have no... we're going to reduce the carbon footprint by X percentage point by 2050 and you realize what does that mean and who's going to do that because your term is expiring in three years so what does it all mean. I think we have to change the way we govern like this, you know the new... the new word is by 2050 and while I expect to be in public office in 2050 somewhere, no, I won't be I, I think we shouldn't keep measuring like this. Given what we have in terms of technology, checkbook 2.0 all the resources that we have to collect data and transparency that is how

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we're going to actually do real planning and I think you're ahead... and I... and I think you're right, we should challenge these assumptions because they're not based in fact they're aspirational so it's good to be aspirational but when you got to crunch numbers and think about school seats you have measure new development, you have to measure infrastructure in a community, you have to assess where people are moving, what school seats we need that is part of City Planning Commission that's not just doing cursory ULURP applications but actually thinking about planning for the city and we're not doing enough of that in the area of children and services and infrastructure which is the whole point of what we do.

CHAIRPERSON DROMM: And just another

thing while you're here to take an advantage of your presence. In the SCA's report as well was a reduction in seat need in district 24 of 3,961 seats and they have shifted those seats to other districts and they claim that it's because they can't find sites for those seats so I would just really love to urge you to take a further look at that and it's true also in, in district 30 where they've reduced it by like 461

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2 seats, somewhere in that area, don't quote me on that
3 number, you... somewhere in that general area so even
4 in these most overcrowded districts we're not seeing
5 the seat need being met, the funded seat need being
6 met...

7 SCOTT STRINGER: It, it... when, when I,
8 when I was elected Manhattan Borough President I was
9 getting a lot of complaints from parents that there
10 were overcrowded schools in Manhattan, Lower
11 Manhattan in particular at the time and at the... DOE
12 assured me and simply, you know you're wrong about
13 all this, the school districts are not overcrowded
14 and they were right because some school districts
15 were 100 blocks long, neighborhood schools were
16 overcrowded, schools districts aren't overcrowded so
17 we have to do a better job really assessing the
18 populations in much, much detail... [cross-talk]

19 CHAIRPERSON DROMM: In subdistricts,
20 subdistricts... [cross-talk]

21 SCOTT STRINGER: ...and, and real
22 subdistricts because you could have a city council
23 district where half... you know there's no population
24 here but there's a population influx here and if
25 you're not assessing or planning for it you can get

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caught, we got caught twice in Manhattan in, in recent decades, one was a population explosion in Northern Manhattan which is my recollection and also a population explosion in Lower Manhattan and then there was a rush to build school seats. In terms of identifying school space, School Construction Authority is not the only group that goes out and asses space, in response to how we dealt with the crisis in the... in school overcrowding during my time is we established a war room with the deputy school's Chancellor and the key component to this group that had to go find space were parents and people who live in the community, they identified the school space and so if they're having trouble identifying the space the first thing they should do is go to the community board, go to the CEC, convene a meeting of parents because they know... they know who owns what, they know where they want their kids to go and I'm telling you it's, it's true the parents sometimes have the best data numbers within a school and they have an understanding of what's vacant and what's open and they have ideas that actually work in, in... and real experience that I had.

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2 CHAIRPERSON DROMM: Alright, thank you

3 Mr. Comptroller... [cross-talk]

4 SCOTT STRINGER: Thank you... [cross-talk]

5 CHAIRPERSON DROMM: ...and we thank you for
6 coming in and giving your testimony today, it's
7 always good to hear from you, it's always interesting
8 to hear your... [cross-talk]

9 SCOTT STRINGER: Mr. Chair thank you for
10 your leadership and Council Member Gibson and Council
11 Member Adams, thank you Chair as well for being here,
12 I really appreciate it, thank you.

13 CHAIRPERSON DROMM: Thank you. Okay, now
14 we're going to go to the public portion where we can
15 get testimony from the public and so I have two
16 panels...

17 [off mic dialogue]

18 CHAIRPERSON DROMM: Okay. Alright, so
19 this is the first panel Ralph Palladino, Vice
20 President of Local 1549, DC 37; Laura Mascuch,
21 Mascuch, I'm sorry if I'm ruining your last name,
22 Supportive Housing Network of New York; Michelle
23 Jackson from the Human Services Council and Derek
24 Thomas from FPWA. Okay, if there's anybody else who
25 wants to testify, we have the... another panel coming

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up, let me just say who those names are. Okay. Okay.
So, on the next panel we'll have I think its Shane
Correia and Erika McSwain and Carlyn Cowen; Katelyn
Hosey and Shane Correia oh, that's the same one,
okay. So, they'll, they'll be on the next panel but
if there's anybody else in the audience who wants to
give testimony you need to fill out a sheet over here
with the Sergeant at Arms so that we know that you're
here. Okay and Mr. Palladino would you like to start?

RALPH PALLADINO: Yes, good day. I'm
Ralph Palladino, Local 1549 District Council 37
representing clerical administrative employees
working for the city of New York and Health and
Hospitals Corporation and NYPD. My testimony is long
with addendums and detail so I'm not reading it, I'm
going to... bridging and I'm dividing up what I'm
saying into absolute needs, money saving and
generating income. On absolute needs I would ask the
City Council to support the Mayor's support on the NY
Care initiative for the Health and Hospitals and in
public health in the city, also we need to be
proactive in Albany, I would ask the City Council to
do that to fight the cuts that are taking place and
to generate more Medicaid income for the public

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hospitals and also to oppose President Trump's work requirements of SNAP and, and Medicaid people. In HRA, there were recent hearings about some violence taking place in centers which is nothing new, I will point out that the City Council has done a fine job in having many bills trying to fix the issue. The central issue when it comes to SNAP centers is the lack of staffing of ES, Eligibility Specialists in the HRA SNAP program, 400 lines were attributed in the last four years, 400 less people are working that represents 18 percent of the workforce. You can have anything that you want in terms of band aids, in terms of trying to fix things by hiring other titles, doing more security but again unless you hire the eligibility specialists that are supposed to be dealing eligibility you are always going to have a backlog and long waits, so that needs to be done, why? Four hundred people were attrited I'll never know but 400 people means there are long lines waiting. Onto saving tax dollars. The key thing is reversing out of titles. So, reverse out of titles, we talked about reverse out of titles and what we say is there are people doing work in the city that are higher paid people doing work of clerical employees

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throughout the city. Some say that the clerical employees have a job that is meaningless, if it's meaningless why do managers do it? Why is the city using non... mostly noncompetitive workers from titles taking the jobs of civil servants in these positions as well? Over two million dollars could be saved and we think more if this is reversed and under that too civilianization is still a problem in the NYPD. You could be saving 30 million dollars a year if they civilianized starting five years ago, why.. and under the Bloomberg administration as well so that needs to be done. We ask the City Council to be proactive on that. And finally, the 9-1-1 surcharge on our phone bills. The Governor has the money, it is in the state budget, it needs to be dealt with this month. We ask the City Council to please be proactive with the NYPD and the Mayor and also with the Governor and the legislatures on this issue. It's not new money, it is money that's already in the budget. The thing is we need to get it for the people of New York and for the 9-1-1 system because there's a severe shortage of staff. The overtime has gone up two million dollars in the last two years, calls are just as high and the texting has not started yet and there's two PSAC

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2 centers with empty desks, it's about public safety.

3 Thank you.

4 CHAIRPERSON DROMM: Let me just ask you
5 on the 9-1-1... [cross-talk]

6 RALPH PALLADINO: Uh-huh... [cross-talk]

7 CHAIRPERSON DROMM: ...issue. Was this an
8 issue a few years ago back... [cross-talk]

9 RALPH PALLADINO: Last year.

10 CHAIRPERSON DROMM: That... last year...
11 [cross-talk]

12 RALPH PALLADINO: Uh-huh... [cross-talk]

13 CHAIRPERSON DROMM: ...that we began to
14 address, right?

15 RALPH PALLADINO: It was never... well it...
16 we started to address it but again nothing was done.

17 CHAIRPERSON DROMM: It got dropped?

18 RALPH PALLADINO: Nothing... right.

19 CHAIRPERSON DROMM: And what about the 3-
20 1-1 also, that is something that I did look into
21 further yet at that time... [cross-talk]

22 RALPH PALLADINO: 3-1-1 I had... yes, 3-1-1
23 is, is... we're not presenting that at this time and we
24 have to thank the City Council's efforts on that and,
25 and also even... and, and the city because they

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2 understood once we brought it to your attention of
3 the severe shortages there and, and things have
4 gotten better.

5 CHAIRPERSON DROMM: Okay, so, so it's
6 improved somewhat with... [cross-talk]

7 RALPH PALLADINO: Yes, it has... [cross-
8 talk]

9 CHAIRPERSON DROMM: ...3-1-1... [cross-talk]

10 RALPH PALLADINO: ...thank you very much.

11 CHAIRPERSON DROMM: But these two million
12 dollars the issue now with the 9-1-1?

13 RALPH PALLADINO: No, 9-1-1 is not two
14 million dollars, when we talk about two million
15 dollars that is money being spent by the city for
16 higher titles doing the work mostly noncompetitive
17 but some civil service and managerial of clerical
18 administrative employees throughout the city, there's
19 more than two million, we've documented two million,
20 we're documenting more but civilianization and NYPD
21 is part of that and that is 30 million.

22 CHAIRPERSON DROMM: Okay. Alright...
23 [cross-talk]

24 RALPH PALLADINO: And continues to be a
25 problem and in... for some reason the... we keep hearing

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2 from the... from the NYPD that it's a budgetary issue,
3 well really, we know it's a budgetary issue, let's
4 settle, let's start saving money and getting more
5 people out in the streets. Just recently the uptick
6 in murders and rapes in the city, there's always need
7 for police officers and, and other people being...
8 uniforms being out in the streets, community
9 policeing and clericals like PAAs, police
10 administrative assistants should be doing the work in
11 the precincts like when first walk in you greet
12 somebody, it's an officer, it should be a PAA. Save
13 money, have the right people doing the right job and
14 don't subvert civil service.

15 CHAIRPERSON DROMM: Okay, thank you very
16 much... [cross-talk]

17 RALPH PALLADINO: Thank you.

18 CHAIRPERSON DROMM: Alright, next please.

19 DEREK THOMAS: Good afternoon... [cross-
20 talk]

21 CHAIRPERSON DROMM: Just hit that mic,
22 the little red light has to come on.

23 DEREK THOMAS: Great.

24 CHAIRPERSON DROMM: And identify yourself
25 also.

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DEREK THOMAS: Great. Thank you Chairman Dromm and members of the Committee on Finance. My name is Derek Thomas, I'm a Senior Fiscal Policy Analyst at FPWA. FPWA is a nearly 100-year-old organization with a member network of nearly 170 human service and faith based organizations. Through this network FPWA reaches about 1.5 million residents of the greater New York City area each year. I'm not here for an ask today but I am excited to present to you today after two years of building and planning as well as from the generous support from the New York Community Trust our... FPWA's federal funds tracker. The tracker which is available at federal funds tracker dot org is our response to grave concerns expressed by our members following the 2016 elections about fiscal... impacts of federal fiscal policies on the human... on the city's human services budget and sector. So, the tracker... the goal is to foster greater awareness of and engagement in the federal budget process through data, storytelling and action. So, we visualize regarding the data, we visualize current and federal year funding for the four... nearly 40 grants that support the budgets of ACS, DYCD, DFTA and DSS in this iteration. This represented 38

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percent of 2.9 billion of the city's total federal grants in fiscal year 2018 and we also visualize trends for all federal grants by spending category, indeed what we found is that after nearly a decade of austere federal budgets the data show that all federal grants of New York City falling by about two billion dollars after adjusting for inflation impacting a wide range of services; transportation, education, housing, including hundreds of millions of dollars in social service grant declines. We also make this data open and available that we've collected over the last two years so we hope that that will serve as a useful tool to compliment current efforts by our members and advocates for equitable federal funding. Secondly, data and charts aren't enough so to bring these data to life we collected personal stories from our members to illustrate the positive impacts that federal grants have on their communities, they reveal that even the relatively small federal grants can be life saving, the impact can be life saving. Finally, as a means to foster greater engagement, the tracker provides FT.. FPWA with a data infrastructure to analyze federal proposals as they are released, connect users of the

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site to their NYC area members of Congress directly and guide advocacy campaigns to push back against proposed cuts and... to critical programs and support the proposals that seek to strengthen them. So, in conclusion, our... following our introductory report which I've attached as an appendix to the testimony we will... we'll bring these three components together to analyze President Trump's forthcoming budget which we... which we expect will impose the strict spending caps that have led to the disinvestment that the tracker reveals. We'll illustrate the impact on the four city agencies in this analysis, tell stories from the communities our members serve to illustrate the real life impact of federal budgets and we'll connect New Yorkers with their members of Congress to support a new federal... a new budget agreement that not only prevents the planned sequestration that we expect but also increases funding for programs that serve low to middle income families and are already woefully underfunded. We thank the City Council for the opportunity to testify and for your work in defending our members in their communities from ongoing federal attacks.

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CHAIRPERSON DROMM: Thank you and, and I
3 don't know if you heard earlier, we said that the
4 administration for children services is looking at a
5 PEG of about 68 million dollars also on top of what
6 you're talking about so, we're deeply concerned,
7 thank you.

8

DEREK THOMAS: We agree.

9

CHAIRPERSON DROMM: Next please.

10

MICHELLE JACKSON: Good afternoon

11

Chairperson Dromm, Council Member Gibson, thank you
12 so much for providing me this opportunity to testify
13 today. My name is Michelle Jackson, I'm the Deputy
14 Executive Director of the Human Services Council,
15 we're a membership organization that represents about
16 170 human services providers across the city, you're
17 familiar with us. I don't have to tell you how
18 important this sector is to New York City and to New
19 York City's economy I will a little bit anyway. We're
20 the... nonprofits are the state's biggest private
21 employer at about 20 percent of, of employees across
22 the state. Nationally nonprofits are actually bigger
23 than the airline industry. I bring that up to say
24 that we don't treat airline executives the same way
25 we treat nonprofit executives and it's just seen as a

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very different industry and yet nonprofits are a huge contributor, I mean I think Amazon has been a big topic in New York City, we don't talk to nonprofits the way we talk about Amazon or airlines or other industries and we really should be because we're really economically important to New York. We also provide job supports and economic opportunity to the people that we serve. So, with that framing I want to say we've been talking about the same issues for now 11 years just me and I didn't bring... you know bring these issues to light for the first time. We've been asking for important conversations about right sizing contracts for a long time and we're not really getting the momentum that we would like to see and in the current fiscal climate from what we've heard today and in the past weeks the, the talk of PEGs and the talk of a recession is really alarming to this sector as there is this implement... you know implement... implication that it will impact human services and it really shouldn't. We first want to echo and thank the Speaker, the Comptroller and Council Member Rosenthal as well as you for, for echoing today that these... any kind of PEG shouldn't be on the backs of human services and also to say

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that in the event of some sort of fiscal downturn nonprofits are the people we will rely on first and so any cuts to them put them more on a fiscal cliff. The gap between what the city funds and human services contracts has just grown too wide and philanthropic dollars and private fund raising can't fill those gaps. It's vital that there's no cuts that are made to human services with the PEG. This sector is really united this year in asking the City Council to include in the budget response or request to the Mayor to invest 250 million dollars on indirect and that's really because there's a new health and human services indirect manual that has been developed through the nonprofit resiliency committee which is a great first step in standardizing indirect rates but it doesn't pay for the increase in indirect and indirect is one of the biggest gaps that our nonprofits report in terms of government spending. So, to implement a manual and not fund what those changes will be creates, you know a further stressor on the sector that needs to be addressed. So, while we're happy to and we'll continue to talk about the various different ways to right size contracts this here that's really the, the piece that we're focusing

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on because now there's this manual to really show what the gap is and what the city's paying for and what it really costs to deliver these services and it's also what nonprofits need to be... to deliver quality services and be strong entities that are responsible for tax payer dollars. So, I'm happy to take any questions that you have, you'll probably see me again at the end of the month saying something similar and thank you so much for your time.

CHAIRPERSON DROMM: I think we feel

similar to what Council Member Rosenthal heavily questioned the administration about earlier today and so we will continue those talks and continue to follow up with you as well.

MICHELLE JACKSON: Thank you so much.

CHAIRPERSON DROMM: Thank you.

LAURA MASCUCH: Great, hi, good

afternoon. Thank you Chairman Dromm and Council Member Gibson for listening to all of us today. My name is Laura Mascuch, I'm the Executive Director of the Supportive Housing Network of New York. We are a statewide membership organization of over 200 nonprofits that own and operate supportive housing, about 50,000 units throughout the state. We are

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grateful for the Mayor and Council's commitment to NYC 15/15 to build new supportive housing and the commitment to fast track those units from 500 to 700 units each year and while we're focusing though on the creation of new units, we really want to speak today about not abandoning our existing stock. We very much echo Michelle's sentiments about the fact that the sector is grossly underfunded at this point and also here today just to talk about the specific urgent need to increase the Department of Health and Mental Hygiene's scattered site program. There's a need for an additional 20 million dollars to support those 1,800 units that are housing formally homeless individuals and without the stability of case management and a place to live they would end up homeless again. These older contracts range from 11,000 to 16,000 per year for both rent and services while the current FMR for a studio is about 1,500 dollars which translates to about 18,000 a year so you can see that that whole contract rate is just eaten up immediately with the cost of rent. In contrast the new 15/15 program is funded at about 28,000 which is covering the full FMR. So, you can see the imbalance between the older and newer

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programs. Our nonprofit members are at a breaking point, I know there's a lot of discussion today about boards of directors, nonprofits taking out loans of.. line of credit to basically pay the bills and with this particular program we have 400 units at risk of non-renewal out of the 1,800 and where will these people go, they will land back in the shelter system which is not a cost effective nor humane solution for the problem. And of course, this underfunding is not unique to the supportive housing community. Again, we echo Michelle's point around the fact that no budget should be balanced on the backs of the nonprofit community. There are also obviously day in and day out serving the most vulnerable and a downturn recession will do even more of that and we would like to ask the Mayor again to invest and the City Council to support the 250 million dollars to fill the gap between providers, indirect costs and the contract reimbursement rates for the city. Thank you so much for your time and we hope that you give consideration to both of these issues, thank you.

CHAIRPERSON DROMM: As the Speaker said earlier this morning that's our goal, it's to protect those types of services to ensure a fair and just

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city for all people so we have a lot of work to do moving forward and we're appreciative of the fact that you came in and gave that testimony. Thank you very much. Okay, Carlyn Cowen, Chinese Planning Council; Kathleen Hosey from Live On New York; and Shane Correra and Erika McSwain. Okay, who would like to begin?

ERIKA MCSWAIN: Sure...

KATELYN HOSEY: I'll begin.

CHAIRPERSON DROMM: Okay.

KATELYN HOSEY: My name is Katelyn Hosey, I am here from Live on New York. Thank you both for holding this hearing today and for your consideration of the needs of the older adults throughout New York City in this year's budget. Live on New York as you all know has a base of more than 100 community-based organizations that provide senior services throughout the five boroughs. Senior centers and the, the gambit of services that a senior might need to thrive in their older years. We recognize the investments that have been made in recent years in senior services and we are appreciative of the partnership with the Department for the Aging under the leadership of Acting Commissioner Caryn Resnick and of course

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through our champion Margaret Chin who has been a steadfast supportive of services for the elderly. However, the DFTA budget still accounts for less than one percent of the overall budget. That's a problem given the fact that New York's seniors are the fastest growing demographic and are increasingly impoverished or increasingly diverse and in need of the services that our community-based organization provide. One specific example that we really want to focus on this year is around the meals piece. There's been a lot of talk about the model senior center budget of which meals were not included whatsoever. That includes kitchen staff, was not included whatsoever. We created a, a disparity within one system that is unfair and unjust that's why we would like to call on the city and City Council to join us in this call to make New York a fair city for all ages. We believe that 20 million dollars in investment in senior center meals can help to combat the rising food costs and ensure that nonprofits aren't being shortchanged every time they provide a meal and to ensure that the providers of these meals, the chefs, the senior center directors are getting a full, livable, competitive wage. This is important

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2 and I would say that the same could be said for the
3 home delivered meals system which is many ways near
4 the congregate meal programs that are found in senior
5 centers. Additionally, the administration promised
6 ten million dollars in the model senior center budget
7 that would come by FY 2021, I wouldn't think that if
8 I were to ask any senior center director they would
9 say no I don't need that money yet, I need it in two
10 years. Every single senior center director has a
11 laundry list of things that could do to improve their
12 center and improve the lives of older New Yorkers if
13 given that funding this year. That's important,
14 there's no reason to wait and we would really
15 appreciate to have that model budget money go into
16 the budget this year. Additionally, there are a
17 number of other priorities of ours that we would like
18 to just quickly touch on. One, I know this is near
19 and dear to Council Member Gibson's heart is the
20 senior's programs in NYCHA, the conditions in NYCHA
21 are not solely limited to the unit. There are
22 community-based providers that are operating in NYCHA
23 basements and in many ways are holding the
24 communities together the best they can given the dire
25 circumstances and it's incredibly important that

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2 these providers have access to funding to be able to
3 make critical infrastructure repairs. We cannot see
4 kitchens go offline, meals not be served due to
5 conditions in NYCHA senior centers and for that
6 matter senior centers across the board need funding
7 to be able to stay current and to attract an aging
8 population to come and utilize those services. I
9 thank you all for your time and we really appreciate
10 the Council's continue support, we know you guys have
11 been our champions for so long and we appreciate it.
12 Thank you.

13 CHAIRPERSON DROMM: And I've been at the
14 hearings with Council Member Chin on a number of the
15 issues that you're talking about, she's kind of
16 tackled them individually and we look at them and
17 we'll look at them collectively and see what we can
18 do moving forward.

19 KATELYN HOSEY: Thank you, we appreciate
20 it.

21 CHAIRPERSON DROMM: Thank you. Next
22 please.

23 ERIKA MCSWAIN: Good afternoon Chair
24 Dromm and Council Member Gibson. My name is Erika
25 McSwain, I'm the Director of the Queens Youth Justice

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Center. I'm here with Shane Correia, who is the Associate Director of Strategic Partnerships at the Center for Court Innovation. We thank you for the opportunity to speak today. We understand the uncertainty of the future budget, I'm here to request the Council to support the Center for Court Innovation as it seeks to renew and strengthen the work, we do with over 75,000 New Yorkers annually. That is evaluated as effective in helping people to escape a costly system. Researchers have documented that our operating programs throughout the city have decreased violence, aided victims, reduced the use of jail and transformed neighborhoods. To continue to accomplish this work, we seek continuation funding for our core citywide speaker request, our youth focused supervised release programming operating out of the Brooklyn Justice Initiatives and our Bronx pre-arraignment diversion, Project Reset programming. Reset cases have been evaluated to be resolved significantly more quickly than traditional criminal court cases and participants have lower likelihood and frequency for new arrests. Council provided mid year fiscal 19 support to begin borough wide implementation of Project Reset in Brooklyn. We seek

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Council's support of our application to continue this implementation in fiscal year 20. We also seek Council's support to bring innovative public safety models to more New Yorkers. In targeting opportunities for low level diversion and decreasing recidivism, we ask the Council's support for the creation of the Far Rockaway Justice Center, which would bring the center's holistic approach to justice to the neighborhood and to expand our driver accountability program pilot to all boroughs. Since 2015, the group-based intervention for traffic related offenses has been found to reduce the likelihood of rearrests by 40 percent for those who complete the program. Finally, we request... we request Council to expand funding available under the Mental Health Initiatives for vulnerable populations and for court involved youth. We have submitted several applications to permit us to increase mental health access in the outer, outer boroughs where demand outstrips our current capacity. In Queens, this funding would allow the Queens Youth Justice center to address the needs of a population with critical programs that will soon lose state funding. Through Council's support we could provide enhanced mental

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health services and community supervision to diverted

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youth and their families. A summary of our

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applications has been submitted with our testimony.

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SHANE CORREIA: And to jump in on those

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applications, we've included a copy of the specific

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ones with the application number and I'd like to

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state that they have been crafted by the over two

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dozen project directors that work most directly with

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the community and they're building off of existing

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programs that have been evaluated to be shown to be

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effective. In fact, I was in one of those youth

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programs 16 years ago as a high-risk youth, thank you

14

Council for your time and consideration.

15

CHAIRPERSON DROMM: Just state your name

16

for the record.

17

SHANE CORREIA: Shane Correia.

18

CHAIRPERSON DROMM: That's right, okay.

19

I've been to the Queens Youth Center and saw a trail

20

and I saw the effect on the kid and his mother, and

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it was really quite amazing to watch and see and, and

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support the program. The lot... now the Rock Away

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Center is different, right than the one that I would

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have gone to which I think was on Jamaica Avenue?

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ERIKA MCSWAIN: Yes.

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CHAIRPERSON DROMM: Right, okay. I just wanted to be sure. Alright, thank you very much for your testimony.

SHANE CORREIA: Thank you.

EFIKA MCSWAIN: Thank you.

CHAIRPERSON DROMM: Next please.

CARLYN COWEN: Good afternoon and thank you very much for holding this hearing and for the opportunity to testify today. My name is Carlyn Cowen, I'm the Chief Policy and Public Affairs Officer at the Chinese American Planning Council, CPC. CPC is the largest social services agency for Asian American, immigrant and low-income New Yorkers serving over 60,000 people in all five boroughs of New York City each year. So, all of these issues that have been mentioned today by my colleagues who are proud members of HSC and Live On are very important to us and not to repeat a point that has already been made but we know that there are concerns about the budget this year and the point that we want to emphasize and encourage the Council to continue championing is that any budget should not be balanced on the backs of non profit human services. That covers a couple of opints, we have a number of

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initiatives, everything from the adult literacy program to home delivered meals, the model budget for senior centers, SONYC and Compass, I've outlined them all in my written testimony that we want to make sure are restored and enhanced. We're seeing a need for even increasing the funding for nonprofit human services in new need areas that are cropping up like legal services for immigrant New Yorkers, you may have seen the Comptroller's most recent report outlining that Asian Americans, Pacific Islanders are actually the highest number of represented court cases in immigration court today yet there is not any city funded legal services specifically for these immigrants so we're actually seeing the need to not just restore human services funding but increase and build new funding where need occurs. And then lastly and perhaps most importantly, we want to make sure that the actual infrastructure of these human services organizations is there to meet the needs of New Yorkers when cuts or if cuts do come. So, we're standing united with our colleagues; HSC, Live On and others in calling for an ask of 250 million for filling the gap of indirect funding which is critical to making sure that organizations like CPC can

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continue doing the work that we do. We did a calculation as CPC just itself and the gap between what the city is reimbursing us on our indirect rate and our actual indirect rate is 900,000 dollars every year which means that each year we are subsidizing the city to the tune of nearly a million dollars that should be coming into our programs and could be used to provide just as an example, after school programming to 300 additional students for an entire year, could be used to provide over 60,000 home delivered meals to seniors who are homebound and do not receive nutrition otherwise, could be used to provide adult literacy classes to over 300 additional students each year... or over 3,000 additional students each year and our waiting lists could actually support that, that's a huge important thing and we hope that the City Council will continue to be a champion in supporting that ask. Thank you.

CHAIRPERSON DROMM: Thank you and in my

opening statement I mentioned adult literacy as well. I just don't understand why they continue to push back on that with us, it doesn't make sense to me but we're going to fight for that and, and hopefully increase it and then the other issue I think that you

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2 raised was legal representation in immigrant court,
3 is that what you said especially for Chinese, Chinese
4 immigrants?

5 CARLYN COWEN: Yes, if I may quickly...
6 [cross-talk]

7 CHAIRPERSON DROMM: Uh-huh... [cross-talk]

8 CARLYN COWEN: ...so the Comptroller
9 released a report last week showing the breakdown of
10 active immigration court cases... [cross-talk]

11 CHAIRPERSON DROMM: Uh-huh... [cross-talk]

12 CARLYN COWEN: ...the top three groups were
13 Chinese, Indian and Bangladeshi Americans with
14 Chinese Americans actually representing a full 20
15 percent of those active cases yet there is no Asian
16 American legal services provider in New York City and
17 there's been a huge uptick in need. We've seen
18 anecdotally at CPC that there are a number of people
19 coming and we've been cobbling together services
20 through NYLAG, IJC and others and in talking with
21 other community based organizations, it's the same
22 thing and what's actually happening is that you will
23 see a lot of brokers or Nath adios as they might be
24 that are providing false legal services like
25 advertising a speedy visa and so by the time that we

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actually manage to get someone's case intake, refer, translate it, the case has gotten so messy that it's actually beyond help. We've seen issues of people copying and falsifying asylum cases and so that's just a huge need that needs to be addressed and needs to be funded across the city, across community-based organizations that are working with Asian American immigrants and other immigrant communities.

CHAIRPERSON DROMM: And you're suggesting is to directly fund a, a Chinese led organization?

CARLYN COWEN: So, I think that there's a couple of pieces, number one, is that we actually need the legal services in language, CPC alone has services in 25 different languages and that's just scratching the surface of the Asian American community not to mention other immigrant communities that need a variety of different languages. There is no legal services for the Asian American community specifically, it tends to be somebody that works at a NYLAG or a broader service that happens to speak the language so what happens more often than not at community based organizations is our staff will do the translation and because it's so technical a lot

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2 can get lost in translation and so that's, that's a
3 big problem.

4 CHAIRPERSON DROMM: Good and that's what
5 I'm hearing, I wanted you to get it on the record and
6 I appreciate you saying that.

7 CARLYN COWEN: Thank you Council Member...
8 [cross-talk]

9 CHAIRPERSON DROMM: Thank you very much.
10 Okay. Alright, I think that's it, I want to thank you
11 all for coming in, I appreciate hearing your
12 testimony and we look forward to going through the
13 budget process with all of you. Thank you very much.
14 Okay, and with... oh, I have to read my concluding
15 remarks which are... oh, no... oh, it's probably here,
16 yeah. Okay, so this concludes the Finance Committee's
17 first hearing on the fiscal 2020 preliminary budget.
18 For any member of the public who was unable to
19 testify today but who would like to submit testimony
20 you can email your testimony to the Finance Division
21 at finance testimony at council dot NYC dot gov by
22 close of business on Tuesday, March 12th and the
23 staff will make it a part of the official record. For
24 the entire month of March, the Council through the
25 appropriate committees will conduct hearings to hear

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from agency commissioners about the impact of the
Mayor's preliminary budget on their agencies. For a
full schedule of all the preliminary budget hearings
please contact the Sergeant at Arms or check the
Council's website. Thank you and this hearing is now
adjourned at 3:52 in the afternoon.

[gavel]

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 12, 2019