



**Testimony of Commissioner Beth E. Goldman
City Council Fiscal Year 2015 Preliminary Budget Hearing
March 5, 2014**

Good afternoon, Chairwoman Ferreras and members of the City Council Committee on Finance. I am Beth E. Goldman, Commissioner of the Department of Finance. Thank you for the opportunity to testify before you today on our Fiscal Year 2015 Preliminary Budget. Finance's proposed budget for Fiscal Year 2015 is approximately \$238 million. Our headcount is forecasted to be 1,827 employees.

With so many new members of the Council, I would like to take this opportunity to give you a brief overview of the work we do at Finance and some of the projects we may work on together in the coming months.

Our core function is to collect revenue for the City. Property taxes are a key component of those revenues. We value over 1 million properties each year, bill and collect property taxes, and administer a variety of property tax exemption and abatement programs. In addition, we administer the City's business income and excise taxes, adjudicate and collect parking tickets, and manage the City's treasury. We also record property-related documents, enforce civil law through our Sheriff's office, provide citywide payment services, and advise the administration on pension issues through the Mayor's Office of Pensions and Investments.

In total, we annually collect approximately \$30 billion in revenue and provide \$6 billion in exemption and abatement benefits. We are the 5th largest taxing authority in the country. Given the size and scope of our operation and the impact it has on those who live and work in the City, we strive to balance two critical goals: to achieve the highest level of operational effectiveness and to communicate meaningfully with the public we serve. We aim to pair operational excellence with a commitment to transparency and robust outreach to the public.

To that end, I would like to share some of the projects that are we are working on to enhance both of those goals. First, some of the initiatives that are improving the way we do business:

- We are making great progress in our signature Citywide Payments and Receivables Project. Our goal is to increase New York City's ability to accept payments more efficiently, have a more accurate and timely view of payments and collections, and improve customer service by allowing customers to pay when, where, and how they choose. This past October, this project received the prestigious Pinnacle Grand Prize Award from the Association for Financial Professionals for demonstrating a new way to streamline payment and collection operations. We have been successful in rolling out services to 33 City agencies, enabling many of them to accept online payments for the first time. We are also focused on replacing manual processes with solutions that allow City staff to focus more of their time on their agency's core mission, rather than walking checks to the bank or keying in amounts collected to the general ledger.
- In the last year, we have revolutionized the way we enforce the collection of parking debt by utilizing self-release booting technology rather than towing as the primary enforcement tool for those who have more than \$350 in debt that is older than 100 days. Booting began as a pilot program in the summer of 2012. It quickly became clear that, overwhelmingly, vehicle owners preferred booting to towing. A booted car remains in place. When vehicles are booted, motorists can pay off their debt within minutes, remove the boot themselves, and be on their way. No searching for cars, no worries about whether the car has been stolen, and no trips to the tow pound.
- We continue to enhance our tax audit capabilities by utilizing data analytics. Our data modeling group performs data matches across various tax types to identify non-filers and taxpayers who underreport their earnings. We estimate that the modeling effort has thus far generated more than \$400 million in assessments since it began five years ago. We have enhanced the skill level of audit staff through specialized training and educational forums. Our efforts have led to bolstered revenues for the City while

improving the fairness of the tax system by reducing tax non-compliance. In addition, these efforts have improved the productivity of our cases, which benefits both the City and the taxpaying population by reducing the number of audits that result in no change to tax liabilities.

- Additionally, we are upgrading our legacy property tax and business tax systems, which track the billing, processing and collection of taxes and parking fines. Currently, we rely heavily on decades-old databases and computer systems to perform these jobs. These systems are not nimble, and are difficult to modify when a law or policy changes. In some cases, the underlying technology is outdated and unsupported. On the property side, we are currently transitioning to a new property tax system that utilizes state of the art technology, and will be operational in 2016. On the business tax side, we completed a Request for Proposal to replace our business tax system, and we are moving expeditiously to have this project underway soon.
- We are also improving our property assessment and valuation processes by adding more assessors, bolstering our quality assurance processes, and by using sophisticated modeling techniques. Modeling ensures consistency of values and serves as an important tool for assessors, who are trained to review statistical data, review the findings, and make final decisions regarding value. Utilizing modeling allows assessors to focus on more complex valuations, and spend more time on strengthening quality control.
- Our assessment process will benefit from the earlier deadline for property owners to file their Real Property Income and Expense (RPIE) statements. RPIEs are the main source of information we use to assess income producing properties. Council made an important change to the law last year, moving the RPIE deadline three months earlier from September 1st to June 1st. The additional time will allow us to more thoroughly evaluate the information in the RPIEs and perform additional quality assurance before the Tentative Assessment Roll is released.

The examples I have just highlighted demonstrate what we are doing behind the scenes to push the agency to perform at the highest levels. I also want to share our approach to community outreach and communications. We have upgraded many of our communications materials in the past two years- we redesigned our website, developed the first ever Property Tax Guides, and recently published a new guide to parking ticket and camera violations. All of this information is available in multiple languages. The end goal of these improvements is to make it easier for the public to access clear, consistent and accurate information. In addition, we work hard to complement our written materials with in-person assistance. In Fiscal Year 2013 alone, we hosted more than 100 outreach events, many of which were co-hosted with elected officials and community groups.

At Finance, one aspect of communicating with the public is reaching those who owe the City money before the need to take enforcement action arises. While most property owners pay their property tax bills in full and on time, those who don't may be subject to our annual lien sale. The lien sale affects property owners that have more than \$1,000 in outstanding property taxes or property related charges; for residential properties, these charges have gone unpaid for three years. We have found that outreach is key to ensuring that those who do not belong in the lien sale are taken out, and that owners are given every opportunity to satisfy their debt and avoid the lien sale.

Before we began lien sale outreach, in early February, we briefed Council staff on how the lien sale process works and how your offices can help lien sale candidates be removed from the sale. On February 10th, the lien sale officially kicked off with the mailing of a 90-day notice to affected property owners and notices in a variety of newspapers. We are currently working with your offices to schedule this year's outreach events, and we look forward to working together throughout this process until the lien sale takes place on May 16th.

We have made great strides in community outreach in other areas as well. We have particularly focused on the senior and disabled population who receive either the

Senior Citizen or Disability Rent Increase Exemptions (SCRIE and DRIE). We have worked closely with the Department for the Aging to reach out to the senior population that relies on this valuable benefit. We opened a SCRIE/DRIE walk-in office within our Manhattan Business Center that is open five days a week. At this office, people can come ask questions about their applications or accounts. In addition, we now provide reports for SCRIE tenants and landlords on our website so that they can easily access current information about the amount of the SCRIE credit and the duration of the benefit. We also have a newly created, comprehensive SCRIE/DRIE guide. As with many of our publications, we have translated versions of these guides available in Chinese, Korean, Russian and Spanish.

As these examples illustrate, our constituents are many and include property owners, business owners and vehicle owners. They may be purchasing a property for the first time, undergoing a tax audit, or disputing a parking summons; whatever their question, we want to make sure they have clear information about what we do, what we need them to do, how to communicate with us, and how to get help when they need it.

We expect to have many occasions to work together on these and other matters and look forward to our continued collaboration.

Finally, I want to commend to you the extraordinary staff at the Department of Finance. These professionals apply their expertise and judgment to a complex array of subjects. And, I want to thank senior staff who have gone way beyond the call of duty in these last few months and who are unparalleled in their talent and dedication to the work of the Agency and to the City of NY.

At this time, I would be happy to take any questions you may have.



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
SCOTT M. STRINGER

**TESTIMONY OF NYC COMPTROLLER SCOTT M. STRINGER
BEFORE THE CITY COUNCIL FINANCE COMMITTEE
OVERSIGHT HEARING ON
THE MAYOR'S FY 2015 PRELIMINARY BUDGET**

MARCH 5, 2014

Thank you Chairperson Ferreras and members of the Finance Committee, I welcome the chance to address all of you today about the preliminary budget. Joining me here are my Deputy Comptroller for Budget Tim Mulligan, and my Director for City Legislative Affairs Nivardo Lopez. I am here to present my analysis of the Preliminary FY 2015 Budget and the Financial Plan for FY 2015-2018. My comments will focus on new revenue and expense projections from my office, as well as ongoing challenges to our budget. Before I discuss the City's finances I want to take a few moments to talk about the City's economy.

Nearly five years since the end of the recession, our economy continues its recovery, although more slowly than we would like. In 2013, the City added over 96,000 private sector jobs, the most in any calendar year since 1999. We have gained back the number of jobs lost in the recession and then some, adding nearly 5 percent more. Private sector jobs have grown fastest, by over 6 percent from the pre-recession peak. And the city has seen job creation across many sectors of the economy, including: professional and business services, up nearly 5%, leisure and hospitality, up over 20%, and Education and Health Services, up over 16%.

As a result of this growth, the city's unemployment rate recently began to improve, ending 2013 one percent lower than at the same point the year before. But this news has been tempered by the fact that not all aspects of the economy have reclaimed their pre-recession momentum. For the fifth straight year, the wages of New York City workers have not kept pace with the cost of living that is one of the highest in the country. In fact, working families in the city have seen their incomes grow more slowly than the rest of the nation. Wages in the City were growing as fast as 8 percent in 2008, but since the recession that pace has slowed to 2 percent every year.

This divergence between stagnant wages and rising costs of living is one reason why I have proposed allowing the city to set its own minimum wage. No one who works a full week should have to live in poverty or live precariously paycheck to paycheck, but that's the reality for too many New Yorkers. Many other cities have a higher minimum wage than New York City and several have enacted their own municipal minimum wages, helping millions of working families in the process. While many in our City continue to suffer from the long tail of the Great Recession, our economic recovery has strengthened the City's budgetary outlook.

The Financial Plan released in November 2013 was the first time in memory in which the next

year's budget was balanced prior to the Preliminary Budget. Over \$400 million of the cuts that usually make up the springtime budget dance were restored in advance. The February Financial Plan increases the FY 2014 budget to \$73.82 billion, and the FY 2015 budget to 73.71 billion. The plan recognized an additional \$1.5 billion in tax revenue, the result of the modest economic recovery I spoke of earlier.

These additional resources coupled with savings, particularly \$364 million in reduced debt service costs, enabled the City to launch some important new policy initiatives like: Municipal ID, relieving NYCHA of the burden of paying for its own police protection and the cap on rental costs for people living with HIV/AIDS. In addition, this new revenue allowed the City to add \$300 million to its General Reserve, and \$1 billion to the Retiree Health Benefit Trust – moves that I believe were prudent.

Looking at the entire Financial Plan period from FY 2014 to FY 2018, annual budgetary growth is only 2.1 percent. The FY 2015 Budget has grown by \$970 million since the November Plan. \$530 million of the increase in the FY 2015 Budget is supported by Mayor de Blasio's plan to implement a Personal Income Tax (PIT) surcharge on high-income earners to pay for expansions of the City's pre-Kindergarten and after-school programs for middle schoolers. I support the PIT surcharge. Let's be clear: It is Albany's responsibility to ensure a stable, consistent revenue stream for pre-K. And if the State is unwilling to allow the City to implement a PIT surcharge, Albany must identify an alternative source of funding that is reliable.

Certain other areas of the budget are driving this growth -- for instance, costs related to debt service and health insurance are both growing by 8 percent or more. Yet the single largest portion of the budget – salaries and wages – is planned to grow at only 1 percent per year for the Financial Plan period. The reason for this is lack of funding for collective bargaining.

All told, the February Financial Plan presents a City Budget that has relatively small out-year gaps. I expect tax revenues to be slightly higher than City Hall's forecast in each of the fiscal years of the financial plan, driven primarily by additional strength in the property tax. We project primarily additional tax revenues of \$860 million in FY 2014 and FY 2015.

At the same time, I foresee some additional risks as well. We estimate that uniformed overtime spending in the NYPD and Department of Corrections will exceed the budgeted amount by \$128 million in FY 2014 and \$122 million in FY 2015. Also, lower than estimated Medicaid reimbursements in the DOE could increase the risks to the Financial Plan by \$30 million in FY 2014 and \$110 million in FY 2015. While my projections of greater available revenues are undoubtedly good news, it is tempered by the ongoing uncertainty in the City's budget – the unsettled municipal union contracts.

As I said when the Preliminary Budget was first released, the Achilles heel of our City's budget is the insufficient funds to support the necessary collective bargaining agreements for all of the City's municipal labor unions. Currently all of the City's bargaining units are working under expired contracts. The cost of settling these contracts is a significant outstanding risk to the City's budget.

As I have said, the administration should be commended for adding \$300 million to the General Reserve, and \$1 billion to the Retiree Health Benefit Trust. The only monies currently reserved explicitly for outstanding labor contracts are the few hundred million that were allocated by the prior administration to support a 1.25 percent increase.

For the city to maintain its strong fiscal tradition, it is critical that there be resolution of the contracts, or a template for resolution, that includes clarity as to the extent of the retroactive pay obligations by June 30th. Without some framework for contract settlements in place prior to the end of the current fiscal year, the City will be forced to adopt an FY 2015 budget without knowing the full extent of its expenses. Our solid reputation of 35 years of on-time balanced budgets demands more of us.

While there is no single solution to our budget challenges, there are many potential sources of revenue and savings that should be considered. The State needs to restore revenue sharing. New York City is the only city in the State that does not receive this funding and we have lost nearly \$1 billion over the last three years. The City needs to collect the school aid due to it under the Campaign for Fiscal Equity decision. The Department of Education (DOE) needs to do a better job of securing federal Medicaid funds for special education services. Every year, the DOE leaves hundreds of millions of dollars on the table. The state and Federal Government need to ensure that New York City receives its fair share of the \$8 billion federal Medicaid waiver.

Revenue from Albany and Washington is critical, but City itself has to be willing to identify agency efficiencies that don't reduce service or hurt vulnerable populations as well. This could include: creating saving through productivity and benefit reforms, including health care costs; reforming tax incentive programs to focus only on those programs that are successful rather than needlessly subsidizing activities at the taxpayer expense; and realizing savings from ending the budget dance and member item reform.

I look forward to working collaboratively with the City Council to address these and other fiscal challenges. Our office will do its part to generate additional savings in FY 2015 debt service through aggressive refinancing, and to help the administration identify resources from prior year payable that are no longer needed.

Thank you very much for the opportunity to testify. I am happy to answer any questions you may have.

Testimony
New York City Council
Finance and Contracts Committees
March 5, 2014
By Ralph Palladino
2nd Vice President DC 37 Local 1549 Clerical-Administrative Employees

Local 1549 represents over 16,000 tax payers and employees of the City of New York. We work in nearly all city agencies, the NYPD and the Health and Hospitals Corporation (HHC). Our members are 911 operators, 311 Call Center Representatives, HRA Eligibility Specialist for Medicaid and Food Stamps among other job descriptions and titles. In HHC we also perform billing and Financial Counseling duties.

Our members earn an average of \$30,000 in salary which is under the city poverty threshold. Some of our members are homeless and some are food stamp recipients. We have given up higher pay increases in the past in order to receive the benefits we do have. We have worked the past four years without a pay raise. This despite the glowing reports of city service delivery reported by the last city administration. We have definitely "done more with less" over the past 20 years. So we have most certainly earned the right to a decent pay raise!

Civilianization Saves Tax Dollars

We ask the new City Council to support Civilianization of the NYPD and other uniformed agencies. We ask that you to proactively encourage the new city administration to follow through on its promise to civilianize.

Able bodied uniformed personnel including police officers, Traffic Enforcement Agents and School Safety Aides are currently performing the jobs of clerical employees performing routine task such as answering phone, inquiries, filing, roll call and payroll among others. These uniformed personnel can be better utilized in community policing, protecting pedestrians from accidents and in making schools safer.

Local 1549 and DC 37 won three arbitrations on this issues including judgments' against the appeals by the city. The former administration just ignored the ruling ignoring the law.

This is a waste of taxpayers' dollars. It is estimated by various sources including former City Comptrollers, Public Advocates and the Independent Budget Office that **Civilianization could save the taxpayers anywhere between \$16 and \$127 million dollars** and allow the city to divert funding to more needed programs.

Contracting Wastes City's Tax Dollars

The city has excessively contracted out work of city workers. This is true in clerical titles where employees are civil service and so must take a test, be vetted and finger printed in order to get their jobs. The contracting system has diverted millions of dollars to private contracting company owners. Their employees mostly receive a minimum wage and must rely on taxpayer funded Medicaid and Food Stamps in order to live. This system perpetuates poverty and does not properly award the work performed.

311 Call Center King Contract

The existing contract with King Teleservices for 311 **at a cost of \$50 million** is a good example. King employees largely perform Call Center Representative duties as a back up to our members at 311.

King has failed in its submission to provide information on the number of calls they handle. They haven't explained their employee training program if one exists. They also have

more employees (paid a poverty wage of around \$10 an hour with little or no benefits) than there are city employees at 311 yet are a *back-up* system.

It would be less expensive for the city to double the existing staff at 311 to handle the overflow (additional calls) than to have the King contract.

Human Resources Administration (HRA) Contracting

HRA at one time had hundreds of private temps. Now they have about 60. But **they are now hiring more private temps** to assist clients in using computers when applying for the SNAP (Food Stamps) benefits. This violates clients' confidentiality as they must stand behind the clients and see the personal information that they are keying into the computer. It is not clear that these temps are trained properly or know the system any better than their clients. This will play havoc and delays in people getting their benefits.

City's Interpreter Services Contracting

The civil service city title of Interpreter is not being utilized by the city. In the Health and Hospitals Corporation the title responsible for interpreter services is Client Navigator. This title is being underutilized. As with other city services the use of these private contractors rather than civil servants could compromise clients' confidentiality.

We estimate that the city is currently contracting out interpreter services at a cost of roughly \$12.5 million. This does not include HHC contracting. These are phone services. It is a fact that interpreter servicing is best carried out in a face to face manner. It is easier for the clients to understand when they also have a visual to work with.

Nowhere is this more critical than in health care. It can be a matter of life and death when interpretation is not available or mistakes are made. The HHC prefers to use the phone lines rather than the Client Navigators.

Tax Fairness

We support the city administrations call for a tax on the rich in order to pay for Pre-K. It is only fair. The wealthiest tax payers have seen their tax rates drop 50% the past 20 years for combined city and state taxes. Yet working people have seen an increase in registration fees, rents and public transportation costs. The city should be able raise revenues as it sees fit.

The wealthiest 1% have seen their wealth increase. They have seen their share of paying for public services shrink. Meanwhile the wealth desperately between the 1% and the 99% has grown! As a result of this we think the Governor's proposal to raise the Estate Tax floor is unfair and unwarranted.

We also disagree with the Governor's proposal to lower corporate income taxes in return for job creation. If it were true that such a cut would lead to jobs then maybe we could agree. But study after study shows that these tax cuts whether done by the city or the state just do not work. The old corporate rate was at around 15% some 20 years ago and has been cut down to around 7%. Yet the state and city have LOST jobs! Why is that?

The City Council should voice their opinions loudly that these proposed tax cuts for the most well off should be rejected. The state should increase aide to the cities instead so that we can have more civil servants to assist those who apply for food stamps and Medicaid in HRA. The HHC will need assistance so as to increase the capacity and guarantee good access for all those who are signing up for health insurance. We must use surpluses to enhance city services!

Finally

We will be glad to meet with you to further discuss these issues and answer any questions. We also offer to work with you in seeking other ways in which to both save taxpayers money and enhance city budget revenues. THANK YOU

**Testimony to the City Council Finance Committee
Fiscal Year 2015 Preliminary Budget and Four-Year Financial Plan
March 5, 2014**

Good morning. Speaker Mark-Viverito; Chair Ferreras and the members of the Council Finance Committee; Chair Rosenthal and the members of the Contract Committee; and the members of the Council: Thank you for this opportunity to testify before you today, and begin a dialogue that we are committed to continuing over the next several months, one that will frame this extremely important budget.

As some of you may know, for many years it was my privilege to work in a setting similar to this one, serving on the staff of the Speaker of the New York Assembly.

So I have a great deal of respect for the legislative process and the role each of you has in the development of this budget.

And, more to the point, so does Mayor de Blasio.

On behalf of the Mayor, we look forward to a very productive relationship with the Council throughout this year's budget adoption process.

I know the Mayor is certain the end product will reflect our shared values – that it will be a fiscally responsible, progressive, honest and transparent budget for the upcoming City Fiscal Year. And that process and the decisions we make together will set a framework of cooperation for future years.

In presenting the preliminary budget, the Mayor stated the necessity of understanding and addressing all of the possible pitfalls in the budget process. At the top of the list is the unprecedented failure of the previous administration to resolve over 152 collective bargaining agreements with the entire City workforce. In some cases, these agreements have remained unresolved for as long as six years. Other factors compound the risks inherent in this budget, including: the uncertainty in Washington; our unmet mitigation and infrastructure needs for recovery from Hurricane Sandy; and the uncertainties of how our shared agenda in Albany will be resolved. The health of New York's economy, and the outlook for our City budget, are highly dependent on decisions yet to be made at the Federal and State levels. And we are all fully mindful of the fact that while our economy is in recovery from the last deep national recession, new shocks to the economy could well reverse that recovery.

I am certain that every review and analysis of our preliminary budget presented to the Council will cite these very real risks and the challenges they present.

That analysis must begin with the substantial structural deficit that we've inherited from the previous Administration. In Fiscal Year 2014, we need approximately \$1 billion of prior year resources to be in balance. And the plan for FY 2015 relies on the use of \$1.8 billion of resources from prior years for balance.

Without these prior year resources, both FY 2014 and FY 2015 would have deficits. And no positive outlook will negate these deficits or the serious challenges to be addressed to achieve fiscal responsibility.

Bearing all that in mind, the Mayor has, in his preliminary budget, begun to make measured but meaningful changes of direction in City policy – a Budget that reflect a progressive agenda.

The most significant is the Mayor's commitment, joined by the Council leadership and members, to universal, full-day, high-quality Pre-K for 73,000 children a year; and to expanding after-school and extended learning opportunities for nearly 120,000 middle school children.

These programs would be funded by a modest five-year dedicated personal income tax surcharge on the very wealthiest of New Yorkers. The preliminary budget for Fiscal Year 2015 includes an additional \$530 million in revenue from a dedicated, temporary 0.534% tax rate increase for households earning more than \$500,000.

In fact, more than 95% of this additional tax burden would fall on households earning more than \$1,000,000 per year at a tax rate that is below the top marginal rate of many of the past 20 years.

While modest in its revenue impact on these households, this would signal a profound change for New York City children. The investments it would permit would be transformational in character – improving student achievement throughout the city.

They would level the playing field for children in all boroughs and neighborhoods.

They would profoundly improve life for working families in our city.

And they would be enormously promising for our city's long-term prosperity. These are the very issues that the Mayor, the Speaker and many of you spoke of yesterday in Albany.

We are also looking to Albany to begin to make good on the Campaign for Fiscal Equity commitment. Currently, State education aid to City schools is annually \$2.7 billion below what the CFE agreement requires. We need such additional school aid to reduce class size, to provide additional teacher support in early grades, to provide Common Core academic intervention in the elementary school grades, and to raise the floor to increase funding equality among our schools.

In additional key areas, the Preliminary Budget begins to implement other elements of our progressive agenda. These include funds for:

The NYPD Inspector General; reforming security and programming at the City's Auburn and Catherine Street Shelters; providing for enhanced runaway and homeless youth programs; creating the City's Municipal ID program; enhanced immigrant services and public outreach for benefits programs; and the implementation and enforcement of the Earned Sick Time Act that the Council passed just last week, and that becomes effective less than four weeks from today,

We're also capping at 30% of income the rent for subsidized housing that those living with HIV and AIDS will be required to pay. And we are working with the Governor to develop a pilot homelessness prevention program.

We're also eliminating PEGS imposed by the previous Administration, totaling \$93 million for Fiscal Year 2014 and \$72 million for Fiscal Year 2015. These include \$52 million in NYCHA payment relief to reduce the level of outstanding work orders in public housing by 33%, to significantly reduce response times for basic maintenance orders and skilled trade orders, and to create an independent inspection unit.

These changes also end a major part of the annual "budget dance" by restoring funds for the 20 FDNY fire companies earlier slated for closing, and by also restoring funding to the budgets of City elected officials.

Before taking your questions, let me also briefly summarize the overall revised revenue and expense elements of the preliminary budget.

Because the city's economy continues to grow faster than previously forecast, we're increasing the tax revenue forecast by \$890 million in FY 2014, and by \$594 million in FY 2015. As additional information becomes available, we will continue to reassess our projections. However, we also will continue to recognize the risk to this recovery, the pace of growth, and the uneven nature of economic recovery reflected in the city's increasing income inequality.

On the expense side of the budget, City agencies have additional expenses related to ongoing day-to-day operations totaling \$25 million in FY 2014 and \$73 million in FY 2015.

This reflects, for example, increasing the snow removal budget at the Department of Sanitation.

We have now budgeted savings on debt service of \$277 million in FY 2014 and \$87 million in FY 2015, due to lower-than-forecast interest rates and the ongoing refunding of higher-cost debt.

To compensate for additional risks – those we know and those we don't – we're increasing the general reserve by \$300 million for FY 2015. We also will reverse the prior administration's use of \$1 billion of resources from the Retiree Health Benefits Trust in FY 2014. Instead, we will maintain that funding in the Trust.

Once again, these steps reflect the core values that the Mayor put forward in his presentation of the preliminary budget last month: fiscal responsibility, economic and social progressivity, and an honest and transparent budget.

On that note, I look forward to your questions. ###

**TESTIMONY OF LILLIAN ROBERTS
EXECUTIVE DIRECTOR, DC 37
March 5, 2014
Council Chambers, City Hall
City Council Finance Committee
Re: Mayor's February 2014 Financial Plan**

GOOD AFTERNOON, Councilwoman Ferreras and members of the City Council.

My name is Raymond Santander, Assistant Director of Research & Negotiations at District Council 37. I am here today on behalf of Lillian Roberts, the Executive Director of District Council 37, New York City's largest municipal employees union, representing 120,000 members and 50,000 retirees. Thank you for allowing me the opportunity to speak to you today regarding Mayor DeBlasio's February 2014 Financial Plan (or Preliminary Budget).

Let me begin by saying how glad we are at DC 37 that this Preliminary Budget, representing Mayor DeBlasio's first look at fiscal year 2015, is so very different from many of the budgets we and all New Yorkers have experienced under the previous mayor. We are gratified that – at first glance at least – this budget does not contain the terrible cuts to programs and services, and the cuts to our members' jobs that repeatedly characterized the budget priorities of Mayor Bloomberg.

On the positive side, we note that the libraries and cultural institutions are funded for the next fiscal year at or near current year levels, and this will remove much of the needless 'budget dance' of prior years. This is a real change for the better. It is also our understanding that the city pools are funded and will be open for a full summer season this July and August, in marked contrast to years past when DC 37 and its allies had to fight tooth and nail to keep the pools open and fund what is a vital city service. A full and complete summer pool season is an essential service to hundreds of thousands of New Yorkers.

We also acknowledge and credit the Mayor for his restoration of immunization layoffs and HIV layoffs at the Department of Health and Mental Hygiene (DOHMH). We are heartened that the Mayor has reversed course with the unconscionable decision of the previous administration to layoff these workers and has instead chosen to begin to restore cuts to vital health services for the most vulnerable New Yorkers.

Our primary concern in this budget is to obtain a fair wage increase for our members. The cost of living has risen 10.5 percent since March 2009, the date of our last raise. This has imposed a serious economic hardship on our members, among the lowest paid workers in the city.

As we consider the vital issue of negotiating a fair wage settlement for our members, we also note that this budget includes no money for wage settlements beyond funding a 1.25 percent increase in both FY 14 and FY 15, in other words, what Mayor Bloomberg had budgeted, amounting to \$127 million in FY 14 and \$348 million in FY 15.

We applaud the Mayor for the many positive actions he has taken in this budget – funding of libraries, cultural institutions, keeping the pools open, rescinding layoffs at DOHMH. At the same time, we also note that funding for many programs and services is precarious, requiring going to the Council on an annual basis (e.g. libraries), a constant source of worry and insecurity for our members and the services they provide to all New Yorkers.

The Libraries and Cultural institutions, for example, while funded for FY 2015 at or near current year levels, will actually see their real dollars – dollars after inflation – reduced because stagnant funding over the past years is combined with ever-rising operating costs. The result of stagnant funding is severe budget pressures on these institutions, as well as a great deal of distress for our members, who are always having to do more with less and live in perpetual fear of the loss of their jobs due to budget cuts.

These institutions – and our members -- have absorbed all the cuts they can handle.

Costs keep rising but funding often does not keep pace.

Apart from our concerns about adequate funding for the programs and services our members deliver to all New Yorkers, the Preliminary Budget also contains billions of dollars in revenue re-estimates, budget reserves of various kinds, and allocates \$1 billion to the Retirees Health Benefits Trust Fund, which was removed from the FY 2014 budget last June. We view the use of these various reserve funds, all under the guise of balancing the budget, as the ‘parking’ of billions of dollars that could be used to fund worker raises.

We believe that a better approach would be to recognize the substantial budget resources that are in fact available for worker raises, rather than squirreling funds in various parts of the budget. Let us not forget that our members – like all public employees – are also taxpayers. The City’s budget resources are funded in part by the taxes our members pay. We have a claim on those resources and believe openness in the budget process is the best policy.

There are other aspects of the budget that are of concern to us. For example, we see no mention or allocation of budget dollars to civilianization in the NYPD, which would allow many cops currently doing the jobs of our members to return to true policing duties. This is a vital issue that we have raised year after year with the prior

administration to no avail and it is time to prioritize the City budget to make civilianization happen.

The contracting budget is also a major concern for DC 37 which has argued for years against the outsourcing of members' jobs and exposed billions of dollars in contractor waste and fraud. We would have liked this budget to address contracting out and to provide an indication that this administration will start to wind down the waste in contracting that annually deprives the City of vast sums of budget resources.

Bottom line, we like some of the things in the budget, but are primarily concerned about a lack of information regarding worker raises, as well as a lack of detail and an absence of clarity on key issues such as civilianization, the many places in the budget in which surplus funds are parked, and the contract budget. We urge greater budget clarity as the DeBlasio administration moves forward. Thank you for your time today.

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TESTIMONY

ON

**STABILIZING NYC:
FIGHTING PREDATORY EQUITY
AND TENANT HARASSMENT**

PRESENTED BEFORE:

THE NEW YORK CITY COUNCIL
FINANCE COMMITTEE

PRESENTED BY:

Nova Strachan
HOUSING ORGANIZER
MOTHERS ON THE MOVE
On behalf of the
STABILIZING NYC COALITION

MARCH 5, 2014

Good afternoon. My name is Nova Strachan and I am the Lead Housing Organizer at Mothers on the Move, a member of a new citywide coalition that has come together to fight the depletion of affordable housing in NYC at the hands of predatory equity. Thank you for the opportunity to testify this afternoon.

Our predatory equity coalition is made up of twelve community organizations and one civil legal services provider—the Community Development Project at the Urban Justice Center, Asian Americans for Equality, CAAAV: Organizing Asian Communities, Chhaya CDC, Community Action for Safe Apartments at New Settlement Apartments, Fifth Avenue Committee/Neighbors Helping Neighbors, Flatbush Tenant Coalition, GOLES, Mirabal Sisters Cultural and community Center, Mothers on the Move, Northwest Bronx Community and Clergy Coalition, Pratt Area Community Council and Woodside on the Move.

Over the past seven years, New York City's affordable housing market has been severely destabilized by private (predatory) equity companies that purchase large number of rent-stabilized buildings at inflated prices and then push out the rent-stabilized tenants so that they can charge market rates, using a wide range of harassing techniques from frivolous lawsuits to failing to provide heat or conduct necessary repairs. Despite these tactics, many companies, such as Vantage, Pinnacle, and Dawney Day went bankrupt, forcing their buildings into foreclosure and leaving rent-stabilized tenants to languish in limbo without repairs. As the market has recovered, new predatory equity companies such as Chestnut Holdings, Urban American, Ocelot and Bluestone have purchased these foreclosed buildings and adopted the same business model, and as a result, the city has lost thousands of rent regulated apartments over the last few years.

As the crisis continues, organizers and lawyers have begun working with tenants in all five boroughs, fighting back against these landlords' aggressive and illegal tactics. The strategies we use include: organizing tenants in predatory equity buildings and educating them about their rights; bringing lawsuits against negligent and abusive landlords to compel them to make repairs, restore essential services and cease harassment; and intervening in foreclosure proceedings to urge the court to sell foreclosed buildings to responsible owners who respect tenants' rights. We have had some success with these methods, but for every tenant that we are able to help, dozens more are losing their affordable housing at the hands of predatory equity, and the result is that thousands of rent regulated tenants are forced out of their homes each year.

An example of predatory equity's impact in my home borough of the Bronx is Chestnut Holdings, which owns 76 buildings in the Bronx and is fast becoming one of the borough's biggest landlords. Hundreds of Chestnut tenants have reported widespread harassment and aggressive tactics aimed at inducing a high rate of tenant turnover and increasing rents. Tenants report that Chestnut is adding dubious non-rent fees to their rent, such as unspecified "legal fees" or "damage fees" and then suing tenants for non-payment of these fees to try and evict them from their apartments.

Given this landlord's extensive reach, we are concerned about the impact that their practices will have on long-term affordability in the Bronx and other boroughs where Chestnut Holdings owns large property portfolios, and this is just one predatory equity company out of many. This problem is proliferating in the Bronx and in rent stabilized buildings throughout the city. Several Bronx groups have mobilized against these practices to try and protect affordable, rent-stabilized housing in our communities, but these companies own buildings all over the city, so our response to them must be city-wide as well.

Because predatory equity companies have far more resources than community organizations, the preservation of rent-stabilized units depends on the assistance of the New York City Council. We ask the Council to step in and provide funding to stop the loss of these vital rent regulated apartments. With additional resources, community organizers, supported by attorneys, can powerfully defend tenants against dangerous predatory equity landlords, tenants can begin to fight back, and we can make sure that private investment corporations don't rob the city of its precious affordable housing.

Once again, thank you for the opportunity to testify.



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Testimony of Ronnie Lowenstein
Director, New York City Independent Budget Office
To the New York City Council Finance Committee
On the Mayor's Preliminary Budget for 2015 and Financial Plan through 2018

March 5, 2014

Good afternoon Chairwoman Ferreras and members of the Finance Committee. I am Ronnie Lowenstein, director of New York City's Independent Budget Office. I want to begin by taking the opportunity to congratulate Council Member Ferreras on her new role as Chair of this committee and express IBO's enthusiasm for assisting you and your Council colleagues in the months ahead. IBO is always available to meet with Council Members or staff to answer questions about our work or respond to your requests for information and analysis.

I am here today to present the highlights of our latest economic forecast and tax revenue and spending projections, which are based on the budget plan issued by Mayor de Blasio last month. Tables that provide additional details underscoring our projections are attached to this testimony. Although IBO's formal response to the Mayor's preliminary budget is not due until April, over the next few weeks we will release brief write-ups that focus on specific issues surrounding the Mayor's budget plan. The first of these pieces, focusing on the potential cost of labor settlements, was released last Friday.

To start the review of our forecast and analysis let's go straight to the bottom line—our estimate of the city's surplus. Based on our economic forecast and projections of tax revenue and spending, we expect the city will end the current fiscal year with a surplus of \$2.0 billion, \$244 million more than the Mayor estimates. Assuming that the entire 2014 surplus is used to prepay some of next year's expenses, we expect that fiscal year 2015 will end with a surplus of \$1.2 billion. The Mayor's plan projects no surplus in 2015. And while we anticipate that 2016 will end with a small surplus, the Mayor projects a shortfall of \$1.1 billion for that year.

While IBO's projections foretell a healthy fiscal outlook for the city, there are important reasons for caution. The biggest reason, which comes as no surprise to anyone in this room, is the unknown cost of settling the more than 150 expired municipal labor contracts. As the paper we issued last week showed, there are many ways in which the contracts could be settled, and a wide range of potential costs to the city. The estimated effect on the budget in 2014 of the handful of scenarios we examined last week ranged from \$500 million to \$7.1 billion. A \$500 million settlement would diminish the surplus IBO projects for this year. A \$7.1 billion settlement would eclipse the surplus along with the funds set aside in the retiree health benefits trust and the budget's general reserve.

Expired labor contracts are not the only reason for caution. IBO's economic and revenue forecast is based on the assumption New York City can continue to enjoy solid job growth over the next few years

despite continued weakness in the securities industry, the long-time engine of the city's economy. In addition to economic risks, cutbacks in federal aid could pose issues for the city in the near-term. Taking a longer-term view, the costs of protecting the city from future Sandy-like storms are likely to require considerable capital investment.

Setting such cautions aside, our forecast for the city's economy is for moderate, if not spectacular, growth. Over the past three years the city has experienced annual average job gains of 81,000 (or 2.1 percent a year) and we reached the milestone of 4 million jobs late in calendar year 2013. IBO expects the city to continue to see job growth over the next few years, but at a more modest pace. We project job gains averaging 68,100 in 2014 through 2016 (1.7 percent), with education and health care, business services, leisure and hospitality, and retail trade continuing to be the main drivers of employment growth.

Missing from those leaders in job growth is the financial sector, and in particular the securities industry. While we expect job gains on Wall Street to improve a bit over the recent past, a combination of tighter regulation and rising interest rates is expected to curtail securities industry profits and limit employment gains. That we have experienced strong overall job growth without significant impetus from Wall Street reflects a city with a more diversified economy. But without Wall Street—and its high average wages—as the principal driver, personal income growth in the city is weaker than we would otherwise expect given the level of recent employment gains. Although the business services sector pays relatively high wages, all sectors pale in comparison with securities. In 2013, securities sector wages and salaries averaged nearly \$352,000. Wages and salaries in all other industries averaged about \$70,600 last year.

Based on our economic forecast, we expect city tax revenues will continue to grow at a steady pace, averaging annual growth of 5.3 percent over the 2014-2018 financial plan period. IBO's estimates of tax revenues are higher than those presented by the de Blasio Administration, in part due to our expectation of somewhat stronger employment growth. Our forecast of tax revenues exceeds the Mayor's estimates by about \$300 million for this year and more than \$1 billion a year in 2015 and 2016.

Some of the largest differences are in our estimates for personal income and business income tax collections. We expect baseline personal income tax revenue, which excludes the proposed surcharge on higher income taxpayers, to exceed the de Blasio Administration's estimates by \$120 million this year and by more than \$300 million in each of the next two years. The higher collections are largely driven by our expectation of more local job growth. We anticipate that business tax collections—general corporation, unincorporated business, and banking corporation taxes—will exceed the Mayor's estimates by about \$100 million this year, nearly \$400 million in 2015, and more than \$660 million in 2016. IBO's outlook for U.S. economic growth is stronger than that of the de Blasio Administration and as a result we expect higher profits for many New York City-based firms.

Turning to the spending side of the budget, we project total expenditures to grow at an annual average of 2.6 percent, roughly half the rate of growth of tax revenues. Of course, that estimate of spending growth is absent any costs related to settling the expired municipal labor contracts and could increase substantially when an accord is reached.

We have several notable differences in our spending estimates from those projected by the Mayor, the largest of which is in the budget for the Department of Education. The budget does not include funding for all of the charter schools scheduled to open this fall under the Mayor's recent announcement, nor does it include sufficient funds for the charter schools that are already open and expected to expand the grades they include in the coming years. We estimate a \$75 million shortfall for these purposes next year and \$166 million in 2016—an amount that grows to nearly \$500 million by 2018.

IBO also projects that spending on overtime for the police and correction departments will be a combined \$40 million a year more than budgeted for 2015 and 2016 based on expenditures in prior years. Likewise, we expect that spending by the Board of Elections will be \$25 million a year more than budgeted given the board's recent pattern of overspending. In addition, IBO estimates that spending on shelter for homeless families will be higher than budgeted. Based on the recent trend in the shelter census, we project city spending on family shelter will be \$9 million higher than budgeted for 2015 and \$24 million higher when state and federal funds for homeless families are included.

In the scope of a \$75 billion budget, these spending differences are not large. But they take on added significance with the additional demands on resources likely to occur with the settlement of expired labor contracts.

Thank you again for the opportunity to testify today and I am pleased to answer your questions at this time. I also want to again extend my invitation to meet with you and Council staff to discuss any additional issues that may arise.

Total Revenue and Expenditure Projections*Dollars in millions*

	2014	2015	2016	2017	2018	Average Change
Total Revenue	\$74,093	\$75,289	\$78,290	\$81,276	\$83,733	3.1%
Total Taxes	46,196	49,181	51,786	54,299	56,708	5.3%
Total Expenditures	\$74,093	\$74,103	\$78,159	\$80,181	\$82,242	2.6%
IBO Surplus / (Gap) Projections	\$—	\$1,186	\$131	\$1,095	\$1,491	
Adjusted for Prepayments:						
Total Expenditures	\$74,924	\$76,216	\$78,262	\$80,181	\$82,242	2.4%
City-Funded Expenditures	\$53,394	\$56,062	\$57,767	\$59,231	\$60,901	3.3%

NOTES: IBO projects a surplus of \$2.0 billion for 2014, \$244 million above the de Blasio Administration's forecast. The surplus is used to prepay some 2015 expenditures, leaving 2014 with a balanced budget. Total taxes include universal pre-K personal income tax proposal. Figures may not add due to rounding.

New York City Independent Budget Office

Pricing Differences Between IBO and the de Blasio Administration

Items that Affect the Gap

Dollars in millions

	2014	2015	2016	2017	2018
Gaps as Estimated by the Mayor	\$-	\$-	\$(1,059)	\$(530)	\$(370)
Revenue					
Taxes					
Property	\$5	\$106	\$36	\$258	\$586
Personal Income	120	307	346	396	488
General Sales	24	135	135	179	194
General Corporation	95	101	219	265	298
Unincorporated Business	6	183	263	350	438
Banking Corporation	3	105	182	244	239
Real Property Transfer	25	2	39	51	33
Mortgage Recording	(18)	35	36	37	17
Utility	24	33	28	35	40
Hotel Occupancy	12	36	52	66	74
Commercial Rent	5	15	13	3	(11)
Cigarette	1	1	1	(1)	(2)
Subtotal	\$302	\$1,058	\$1,349	\$1,884	\$2,393
STaR Reimbursement	\$7	\$11	\$9	\$9	\$13
Universal Pre-K (PIT increase)	-	24	45	36	36
TOTAL REVENUE	\$309	\$1,093	\$1,403	\$1,929	\$2,443
Expenditures					
Fringe Benefits:					
Health Insurance - Education	\$14	\$13	\$34	\$38	\$15
Health Insurance - City University	(39)	(6)	(13)	(22)	(31)
Health Insurance - All Other Agencies	9	(12)	5	41	42
Education	(32)	(75)	(166)	(288)	(494)
Police	(25)	(25)	(25)	(25)	(25)
Board of Elections	-	(25)	(25)	(25)	(25)
Correction	-	(15)	(15)	(15)	(15)
Homeless Services	(5)	(10)	(10)	(10)	(10)
Public Assistance	3	5	5	5	5
Small Business Services	10	(2)	(4)	(4)	(4)
Campaign Finance Board	-	-	-	-	(40)
TOTAL EXPENDITURES	\$(65)	\$(152)	\$(214)	\$(305)	\$(582)
TOTAL IBO PRICING DIFFERENCES	\$244	\$941	\$1,189	\$1,624	\$1,861
IBO Prepayment Adjustment 2014/2015	(244)	244	-	-	-
IBO SURPLUS / (GAP) PROJECTIONS	\$-	\$1,186	\$131	\$1,095	\$1,491
NOTES: Negative pricing differences (in parentheses) widen the gaps, while positive pricing differences narrow the gaps. Figures may not add due to rounding.					
New York City Independent Budget Office					

IBO Revenue Projections

Dollars in millions

[illegible]

IBO Expenditure Projections

Dollars in millions

	2014	2015	2016	2017	2018	Average Change
Health & Social Services						
Social Services						
Medicaid	\$6,547	\$6,629	\$6,598	\$6,598	\$6,598	0.2%
All Other Social Services	3,039	2,917	2,909	2,910	2,910	-1.1%
HHC	263	81	81	81	81	-25.5%
Health	1,404	1,362	1,358	1,358	1,358	-0.8%
Children Services	2,793	2,828	2,828	*2,828	2,828	0.3%
Homeless	1,054	1,018	1,018	1,018	1,018	-0.9%
Other Related Services	647	750	719	732	741	3.5%
Subtotal	\$15,747	\$15,586	\$15,510	\$15,524	\$15,533	-0.3%
Education						
DOE (excluding labor reserve)	\$19,693	\$20,515	\$21,122	\$21,779	\$22,352	3.2%
CUNY	880	852	846	837	845	-1.0%
Subtotal	\$20,573	\$21,367	\$21,969	\$22,616	\$23,197	3.0%
Uniformed Services						
Police	\$4,739	\$4,657	\$4,645	\$4,638	\$4,638	-0.5%
Fire	1,962	1,862	1,841	1,823	1,787	-2.3%
Correction	1,070	1,078	1,078	1,078	1,078	0.2%
Sanitation	1,418	1,477	1,484	1,463	1,464	0.8%
Subtotal	\$9,190	\$9,074	\$9,048	\$9,002	\$8,966	-0.6%
All Other Agencies	\$9,294	\$8,096	\$8,193	\$8,331	\$8,490	-2.4%*
Other Expenditures						
Fringe Benefits	\$5,038	\$5,261	\$5,674	\$6,108	\$6,644	7.2%**
Debt Service	4,977	4,719	7,294	7,624	7,825	8.0%*
Pensions	8,197	8,205	8,324	8,428	8,605	1.2%
Judgments and Claims	663	674	710	746	782	4.2%
General Reserve	150	600	600	600	600	n/a
Labor Reserve:						
Education	—	—	—	—	—	n/a
All Other Agencies	265	465	714	983	1,268	n/a
Expenditure Adjustments	—	56	123	219	333	n/a
TOTAL EXPENDITURES	\$74,093	\$74,103	\$78,159	\$80,181	\$82,242	2.6%

NOTES: *Represents the annual average change after adjusting for prepayments. ** Fringe benefits exclude DOE and CUNY expenditures, which are reported within DOE and CUNY budget amounts. Expenditure adjustments include energy, lease and non-labor inflation adjustments. Figures may not add due to rounding.

New York City Independent Budget Office

IBO versus Mayor's Office of Management and Budget Economic Forecasts						
	2013	2014	2015	2016	2017	2018
National Economy						
Real GDP Growth						
IBO	1.9	2.8	3.5	3.2	2.7	2.4
OMB	1.9	2.5	3.1	3.3	3.2	3.0
Inflation Rate						
IBO	1.5	2.0	2.4	2.4	2.5	2.4
OMB	1.5	1.4	1.7	1.9	1.9	2.0
Personal Income Growth						
IBO	2.9	5.6	6.9	5.9	4.9	4.5
OMB	2.8	4.7	4.8	5.2	5.5	5.2
Unemployment Rate						
IBO	7.4	6.4	6.0	5.7	5.5	5.4
OMB	7.4	6.6	6.0	5.7	5.3	5.1
10-Year Treasury Bond Rate						
IBO	2.4	3.3	4.2	5.1	4.9	4.7
OMB	2.3	3.3	3.5	4.0	4.6	4.6
Federal Funds Rate						
IBO	0.1	0.1	0.3	2.3	3.6	4.1
OMB	0.1	0.1	0.4	2.2	3.8	4.0
NYC Economy						
Nonfarm New Jobs (thousands)						
IBO	77.0	70.3	67.5	66.4	55.7	49.2
OMB	77.0	57.0	52.0	56.0	54.0	54.0
Nonfarm Employment Growth						
IBO	1.9	1.8	1.7	1.6	1.3	1.2
OMB	2.0	1.4	1.3	1.4	1.3	1.3
Inflation Rate (CPI-U-NY)						
IBO	1.7	2.1	2.9	2.9	3.0	2.9
OMB	1.7	1.6	1.9	2.1	2.1	2.2
Personal Income (\$ billions)						
IBO	486.8	515.3	547.6	579.6	606.6	634.3
OMB	481.8	503.1	522.9	546.9	574.8	602.3
Personal Income Growth						
IBO	3.6	5.9	6.3	5.8	4.7	4.6
OMB	2.0	4.4	3.9	4.6	5.1	4.8
Manhattan Office Rents (\$/sq.ft)						
IBO	68.4	68.0	69.9	72.3	73.4	75.2
OMB	68.4	67.5	69.4	71.0	73.3	75.2
SOURCE: Mayor's Office of Management and Budget						
NOTES: Rates reflect year-over-year percentage changes except for unemployment, 10-Year Treasury Bond Rate, Federal Funds Rate, and Manhattan Office Rents. The local price index for urban consumers (CPI-U-NY) covers the New York/Northern New Jersey region. Personal income is nominal. For 2013, New York City personal income and growth rates are estimated, pending Bureau of Economic Analysis release.						
New York City Independent Budget Office						



NEW YORK CITY DEPARTMENT OF
DESIGN + CONSTRUCTION

TESTIMONY OF ACTING COMMISSIONER DAVID A. RESNICK, AIA

**PRELIMINARY EXECUTIVE BUDGET HEARING
CITY COUNCIL FINANCE COMMITTEE**

MARCH 5, 2014

Good afternoon Chairperson Ferreras and members of the Finance Committee. I am David Resnick, Acting Commissioner of the Department of Design and Construction (DDC), and I am pleased to be here with you today. I have a statement which will highlight some of our work, after which I will gladly answer any questions.

As New York City's primary capital construction manager, DDC provides communities with new and renovated buildings, including fire houses, libraries, health centers, senior centers, police precincts, and courthouses. We also build the City's roadways and plazas, as well as sewers, water mains, and other related infrastructure projects for DOT and DEP. The funding for these projects is transferred to us from the capital programs of the more than 20 city agencies we do work for. DDC's active portfolio includes more than 825 capital projects valued at nearly \$10 billion. The agency's current Fiscal Year

2014 Operating Budget is \$127.2 million. Of that, \$99.1 million is for Personal Services with a budgeted headcount of 1,306, and \$28.1 million is for Other Than Personal Services. While our portfolio has increased substantially over the past several years, our budgeted headcount has remained relatively constant. The projected Fiscal Year 2015 Operating Budget is \$120.2 million. Of that, \$98.8 million is for Personal Services with a budgeted headcount of 1,302, and \$21.4 million is for Other Than Personal Services.

With four months remaining in Fiscal Year 2014, I am pleased to report that the department expects to meet or exceed the major statistical indicators that reflect our mission to deliver the City's construction projects in a safe, expeditious, cost-effective manner, while maintaining the highest degree of architectural, engineering, and construction quality. We expect to meet or exceed our construction completion indicators while maintaining a change order rate well below industry standards.

I would now like to take this opportunity to note some of the projects DDC is currently working on that may be of interest to you.

On the public buildings side, DDC is managing a project portfolio consisting of new or renovated facilities that include 171 libraries, 12 NYPD precincts and facilities, 14 Fire / EMS facilities, and 73 cultural institutions funded by the Department of Cultural Affairs.

Also in the public buildings portfolio are 20 projects in the health and human services program through which DDC carries out capital improvements for the Departments for the Aging (DFTA), Health and Mental Hygiene (DOHMH), and Homeless Services (DHS). Projects completed over the past several years include construction of the new family intake center for DHS in the Bronx and major upgrades to the Fort Greene Health Center in Brooklyn. This month a major gut renovation at the Riverside Health center in Manhattan will be substantially completed. Looking forward, design recently began on an interior renovation of the Leonard Covello Senior Center while the exterior restoration of this East Harlem facility continues. Within the next three to six months, we expect to kick off construction on a major interior renovation of the Chelsea Health Center.

Over the last three years, DDC has assumed work from the capital construction programs of the Departments of Parks and Recreation

and Sanitation, and from DCAS. This has added approximately 68 projects to the portfolio, including four DSNY Marine Transfer Stations (three in Manhattan, one in Brooklyn), a critical component of the City's Solid Waste Management Plan.

In recent years, DDC has completed seven new libraries as well as 23 major additions and renovations to existing library facilities. Major library projects recently completed include: the new Glen Oaks Branch in Queens, the new Mariners Harbor Branch and the greatly expanded Stapleton Branch on Staten Island, and the new Kensington Branch in Brooklyn. DDC has also completed a hundreds of roof and facade, electrical, plumbing, and mechanical upgrades for the three New York City library systems, projects that are critical to the well-being and continued usefulness of these facilities. Later this year another new library, the Elmhurst Branch in Queens, is expected to be substantially completed.

Also in our portfolio for the NYPD is the new Police Academy in College Point, Queens. This new 35-acre campus will consolidate NYPD's current group of dispersed facilities and allow more efficient training of recruits in a state-of-the-art academy. Construction of the

first phase, which in addition to classrooms and traditional academic spaces, includes realistic environments for scenario based instruction, tactical training venues, indoor and outdoor tracks, and complete support facilities, will be substantially completed, ready for its first class of new recruits in July.

Construction is proceeding on the new Public Safety Answering Center II (PSAC II). This facility, located in the Pelham Bay neighborhood of the Bronx, will operate in tandem with PSAC I in Brooklyn, and is designed such that in an emergency it can handle all 911 calls and dispatch operations for the entire City.

Our infrastructure portfolio consists of over 400 roadway, sewer, and water main projects valued at approximately \$5.7 billion.

Included are projects to design and install water mains that connect the existing water main system to the Manhattan leg of the City's new third water tunnel, which the Department of Environmental Protection put into service this past fall. We now have 12 projects associated with this effort, valued at more than \$498 million, eight of which are now in construction and two in design, with projected completion

dates ranging from this year to late 2017. The two projects that included all components critical to the activation of the Manhattan leg have been substantially completed. Since much of this work is located in highly-congested areas -including entrance ramps to the Holland and Lincoln tunnels, and in proximity to the Queens Midtown Tunnel, Lincoln Center, and the 59th Street Bridge- we are working closely with area residents, businesses, and elected officials to ensure minimum disruption.

To alleviate the chronic flooding conditions in South Queens that result from heavy rainfall, construction is underway on multiple storm sewer projects valued at more than \$115 million, with projected completion ranging between the summers of 2014 and 2015. In addition, a \$28 million project for the reconstruction of West 11th, 12th and 13th Streets in the Broad Channel area, which includes a much needed storm sewer system, is currently in the procurement phase. Construction will begin this summer with completion scheduled for the fall of 2016.

DDC has undertaken capital infrastructure improvement projects for the Department of Housing Preservation and Development (HPD),

providing new roadways, sewers, and water mains to enable construction of affordable housing in the Edgemere section of Queens, and at Gateway Estates, which is located in the East New York section of Brooklyn near Spring Creek. The first phase of the Edgemere program, valued at \$28 million, is expected to be finished this fall. The second phase, valued at \$38 million, which started in the fall of 2011, is scheduled for completion in the spring of 2015. At Gateway Estates, the first two phases of this five part, \$80 million program have been completed. The remaining work is underway with completion planned for the spring of 2016.

DDC is also designing and building pedestrian plazas throughout the City for the Department of Transportation. DOT's plaza program is intended to improve the urban environment by reclaiming underutilized portions of the public right of way, turning them into valuable outdoor spaces. The plazas will be open, easily accessible, provide various types of seating, and will incorporate public art and best management practices for storm water capture. There are currently more than 24 active plaza projects in various stages of design and construction procurement. Some locations are: Times

Square, Astor Place, and Plaza De Las Americas in Manhattan; Myrtle Avenue and Knickerbocker Avenue plazas in Brooklyn; Fordham Plaza and Roberto Clemente Plaza in the Bronx; and 71st Avenue and Corona plazas in Queens.

DDC is also working with our partners at DOT to implement the Safe Routes to Schools program, which provides pedestrian safety improvements in the vicinity of 135 schools throughout the city. These measures include new and redesigned curbs and sidewalks, narrowing intersections to reduce crossing distances, and the installation of raised or extended medians, pedestrian ramps, bus pads, speed reducers (or “humps”), new or relocated traffic signals and street lights, and signal timing modifications. The program has been split up into multiple phases: we’ve completed work at 35 schools at a cost of \$28.1 million. Projects at another 65 schools, at a cost of approximately \$60 million, are in construction procurement; we expect to start work this summer. Yet another phase of the program is in design and is funded for Fiscal Year 2015.

As a follow-up to DDC’s previous year’s testimony concerning capital projects on non-City owned property, the Agency continues to work

with recipient organizations, along with the OMB task force, to facilitate progress of these projects through the various stages of approval. Since the program began at DDC in 2007, a total of 194 projects, valued at more than \$65 million, have been registered. In Fiscal Year 2013 there were 21 projects totaling more than \$10 million. This year, approximately 21 projects have already been registered and we expect another 20 will be by the end of June. At present, we are working on a portfolio of about 240 projects with a total value of \$150 million. I would like to thank your office, as well as Jeff Rodus and his team, and I would like to thank OMB and the recipient organizations themselves for better communication and diligence in working with DDC. As always, we continue to be available to meet with recipient organizations, provide assistance, and answer questions.

To obtain user feedback on the success of our work, we send Satisfaction Surveys on completed construction projects to client City agencies, randomly selected residents and businesses impacted by street work, and to elected officials. The survey is also available to the general public on DDC's website. For the first six months of this

fiscal year, 96% of the respondents gave an overall rating of satisfied or more than satisfied both with the way the project was managed and the outcome, which is the same rating we had last year. The response is invaluable for planning projects and identifying areas for the agency to improve performance.

That concludes my prepared remarks and I am happy to answer any questions you may have.

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☐ in favor ☐ in opposition

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Name: Nova Strachan

Address: 928 Intervale Ave Bronx NY 10459

I represent: ~~MAD~~ Stabilizing NYC / Mothers on the Move

Address: _____

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Name: Ralph Pellodino

Address: 125 Barclay St NY NY 10007

I represent: Vice-President, LIS49, DC37

Address: _____

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Name: Ray Santander

Address: 125 Barclay St NY NY 10007

I represent: Assistant Director, Research +

Address: Negotiations, DC37

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Name: Beth Goldman, Commissioner

Address: One Centre Street NY, NY

I represent: NYC Department of Finance

Address: _____

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Name: David Resnick

Address: 30-30 Thomson Avenue

I represent: Department of Design and Construction

Address: _____

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