

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

Of the

COMMITTEE ON FINANCE

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March 04, 2015

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HELD AT: Council Chambers - City Hall

B E F O R E:

JULISSA FERRERAS
Chairperson

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YDANIS A. RODRIGUEZ

[gavel]

CHAIRPERSON FERRERAS: Good morning and welcome to the New York City Council Finance Committee hearing on the mayor's preliminary budget for fiscal year 2016. My name is Julissa Ferreras and I chair this committee. We've been joined by majority leader Van Bramer, Council Member Rodriguez, Council Member Weprin, Council Member Kallos, and Council Member Gibson. Before we get started I would like to take a quick moment to thank the entire council finance division staff including the Finance Division Director Latanya McKinney, the senior staff; Deputy Director Regina Perrita Ryan, Deputy Director Nathen To the, Deputy Director Paul Simian, Deputy Director, Simone sorry, Deputy Director and Chief Economist Ray Majesky, Chief Council Tanisha Edwards, Unit Heads Iesha Rights, Emra Eddive, Paul Strom, John Russell, Chima Obicherie, and our Assistant Council Rebecca Chasten and all of our finance analysts and support staff who pull everything together. I'd like to also acknowledge and thank our security detail here today and those that are our film crew who make sure that those that are at home can watch

these hearings live. So thank you to Ivan Penya, Anthony Austin, Raul Rasoldio, and John Bianto. On a, on a logistical matter I want to remind everyone who wishes to testify to please fill out a witness slip with the Sergeant at Arms. For members of the public the witness panels will be arranged by topic. So please indicate the topic of your testimony on your witness slip. Now with that said let's get started. The preliminary budget hearings mark the beginning of the council's role in the annual budget adoption process. On February 9th 2015 Mayor de Blasio releases preliminary budget for fiscal year 2016. This year the budget totals 77.7 billion dollars. The mayor's preliminary budget... the progressive agenda. Notable proposals included NYCHA funding for NYPD patrols, funding for universal pre-kindergarten and afterschool programs, funding for NYPD new needs, homeless assistance, increased funding for city jails, funding for enhanced capacity for emergency medical services, and expansion of CUNY Science Technology Engineering and Mathematics program known as the STEM program. The proposal set forth by the de Blasio administration this year are consistent with

his priorities outlined last year during this time and also seem to align with the progressive values of this council. Last year the administration's proposed budget funded universal pre-k, added a billion dollars to the retiree health benefits trust fund, funded new needs, and restored pegs in previously cut programs which essentially paved the road for ending the budget dance because the council no longer had to spend most of its efforts trying to fund programs and services that were cut by pegs. Since the council no longer had to focus its energy on restoring proposed cuts the council was able to focus its efforts in creating and, and advancing key progressive initiatives such as tax reform by creating an economic development tax expenditure taskforce, stabilizing New York City's housing, protecting the city's workforce, and job creation and development opportunities. To advance these initiatives the council focused on transparency in the city's budget, equitability, and agency efficiency. This year in light of the city's healthy economy the council's focus throughout the budget process will be to ensure that the city's budget is progressive and efficient

so that all New Yorkers are able to enjoy the fruits of our economy. The path for progressive values and efficiency starts with transparency in the city's budget so the council can be an equal partner in decisions affecting the city's finances. This fiscal year despite uncertainties and risks such as education aid from the state and uncertainty of certain federal aid because of the budget contract act the city's fiscal condition looks positive. City employment is at a record level with over 300 thousand more payroll jobs than before the recession. The unemployment rates has finally fallen to 6.3 percent in December 2014 having been eight percent just 12 months earlier. Tourism is up with a record number of 56.4 million visitors in 2014. And an, and an expect, we expect a 4.9 percent increase in local tax revenue. These are all good signs of a healthy economy. However these positive indicators do not necessarily capture the day to day realities of the average New York City worker trying to support a family. While there are more than 300 thousand payroll jobs than before the recession with 89 thousand jobs being added in 2014 alone most of these jobs are in the

lower paying sector. This trend combined with rising housing costs makes it increasingly difficult for the average worker to live in the city. At first glance it appears that prosperity is here. However while there are increases in revenue relatively small budget gaps in the out years of the financial plan and job growth is up too many New York City residents are being left out. This inequitable impact is what progressive agenda must seek to address. Throughout this budget process the council will focus on long term planning including maintaining our infrastructure, saving for rainy days properly funding our pensions, investing in the city's youth such as funding the universal pre-k afterschool programs and CUNY, and efficiencies. Revenues may be more abundant but the number of our worthwhile projects will still likely exceed our resources. In order to ensure funding for our progressive priorities the identification of efficiencies is necessary to maximize our resources. This is important in agencies and also in our tax expenditures. To that end I am chairing the economic development tax expenditure taskforce mentioned previously which will identify specific

ways in which we can use our tax breaks more efficiently. As elected officials council members are responsible for overseeing New York City's budget and ensuring that every dollar is spent in the most targeted and effective way to reflect our shared values and priorities. Prior to the de Blasio administration the council was faced with decades old problem of lack of transparency with city budget. This lack of transparency led to overly broad units of appropriation, lack of details about proposals, and a lack of clarity about progress, and outcomes of proposals and initiatives. Unfortunately many of these same issues still exist today. For example there are still ambiguous and broad units of appropriation in the preliminary budget. There's, there is still a lack of details about key proposals such as the city housing plan, the financial details of which are not fully implemented in this capital plan. The public and the council still have delayed access to information such as the delay in the release of the revised amendment of the education five year capital plan which still has not been released. And in some cases there is still a lack of clarity

about a new process, processes. For instance the de Blasio administration has said that there will not be pegs. Instead the administration will focus on agency efficiencies. The process of, for the identification of agency efficiencies, how they will be communicated to the council and the public, how they will be implemented, or more importantly how they differ from pegs is not clear to this council. The lack of transparency in the budget and the administration's failure to timely provide budgetary information to the council impedes the council's ability to make informed decisions about the city's current fiscal condition, properly assess past and current proposals, and adequately make long term planning decisions. The path to progressive values and efficiencies start with transparency in the city's budget so the council can be an equal partner in decisions affecting the city's finance. Today we will hear from the Director of the Office of Management and Budget Dean Fuleihan to learn about his projections, risks, assumptions, and revenue actions as it relates to the economy. The council would also like to hear, the council will also like to hear updates

on labor agreements and tax revenues. After we hear from Director Fuleihan on the expense revenue and capital budgets we will hear from the Department of Finance, the Department of Design and Construction, the New York City Comptroller, and then finally the Independent Budget Off, the Independent Budget Office. The public session for today's hearing will begin approximately at 2:45. For the entire month of March the council through the appropriate committees will hear from agency's commissioners who can be asked specific questions related to their agencies. These hearings will culminate into the council's official response to the mayor's preliminary budget. The council's budget response is due on April 20th and will, and we hope that our response will significantly influence the executive budget. Before we hear from budget director I want to remind my colleagues and, that Director Fuleihan is here to answer general questions relating to the financial health of the city, the effect of federal and state actions on the city's budget, the priorities, methodologies, and factors considered in preparing the city's budget and pension, debt service, and other agency specific parts of the

1 budget. Please reserve agency specific questions
2 for the commissioners. Additionally on April first
3 the Finance Committee jointly with the Committee on
4 civil, civil service and labor chaired by my
5 colleague Council Member Daneek Miller will hold an
6 oversight hearing to hear details about the
7 healthcare savings identified by the administration
8 to help fund the labor agreements. To that end
9 please reserve all related questions for that
10 hearing. We will now hear from the Director of the
11 Mayor's Office of Management and Budget Dean
12 Fuleihan. And we've been joined by Minority Leader
13 Ignizio who will be sworn in by my council.

14
15 DIRECTOR FULEIHAN: Better. Thank you.
16 Thank you Finance... [cross-talk]

17 CHAIRPERSON FERRERAS: I'm sorry
18 Director we have to swear you in.

19 DIRECTOR FULEIHAN: I apologize.

20 COMMITTEE COUNCIL: Do you affirm that
21 your testimony will be truthful to the best of your
22 knowledge, information, and belief?

23 DIRECTOR FULEIHAN: I do.

24 COMMITTEE COUNCIL: Thank you.
25

DIRECTOR FULEIHAN: Thank you again

Finance Chair Julissa Ferreras, members of the Finance Committee, and members of the City Council for the opportunity to testify here today on the mayor's preliminary budget. On behalf of the mayor and this administration we are grateful for our partnership and collaboration both throughout last year's budget process, last year's successful budget process, and as we begin this year. I'm joined at the table today by Labor Commissioner Bob Linn. It's a reflection of really how important the labor patterns and the settlements we achieved and the health care savings are and, and I, I must admit it's, it's hard for me to appear on the budget anymore without Bob joining me. I'm also joined by the OMB First Deputy Director, I apologize First Deputy Director Larian Angelo who many of you know who was kind enough to return from back really to her past both with the City Council and with the Office of Management and Budget. We also have joining us many talented staff who, who I will not be afraid to, to ask to assist, to assist us in answering your questions. I did threaten them that we may just call on them directly. I, I would

also like to join you in complimenting the council staff which for my first year hear has been nothing but both professional and very gracious and helpful as we moved forward. So I want to thank them for that. Having come from a legislative staff for most of my career I understand that aspect of it and it was a proud experience for me, I'm quite sure it is for them as well. I'd like to start by discussing in many ways as you did last year's budget. When Mayor de Blasio launched his first budget he made clear that there were three values that would drive the entire process; fiscally responsible, progressive, and honest. And those values are exactly what were reflected in all the elements of last year's budget. First fiscally responsible; it's the foundation of our approach and that was affirmed in the positive responses by all the independent writers and monitors. They specifically highlighted highly effective budget management including reasonable forecasting, strong monitoring, and effective actions to eliminate projected deficits. In fact out year gaps were brought to manageable levels and we were able to boost reserves. Second our budget was progressive.

1 Last year's budget moved forward core progressive
2 initiatives that will improve the long term health
3 of our city; Pre-K for all; 53 thousand children in
4 full day high quality universal pre-K and universal
5 afterschool for middle school students for over 85,
6 80, 98 thousand children, IDNYC; now with over 290
7 thousand appointments, NYCHA; providing NYCHA
8 relief for 72 and a half million dollars a year in
9 payments to the police which we will continue
10 moving forward, Vision Zero, and much more. Third;
11 honest. Last year's budget include a very
12 productive relationship with the council. While we
13 may not agree on everything I think we do agree
14 that the adopted budget reflected the results of a
15 process that was respectful and that allowed us to
16 move forward key initiatives that benefit New
17 Yorkers around the city. In partnership with the
18 council this included programs such as NYCHA anti-
19 violence, the NYPD civilianization 200 officers now
20 on the street, the school lunch pilot program,
21 anti-gun violence initiatives and gun violence
22 crisis management systems, and much more. And we
23 ended the traditional dance of putting things like
24 firehouses on the chopping blocks only to know that
25

they would be restored at the end of the day. The budget was honest in the first time in years about the costs that have been ignored. It included a realistic labor reserve based on negotiated agreements for the first time in years which allowed us to accurately reflect the pattern in the budget. As the monitors and raters all noted this eliminated a major risk. And we secured unprecedented healthcare savings, 3.4 billion through fiscal year 2018 and 1.3 billion a year every year thereafter. The same three values will drive this year's budget. Very similar to the outline you, you introduced this, this hearing with the mayor began his presentation of the preliminary budget by discussing the economy and outlining the concerns and risk we are facing as a city. We have seen continued moderate growth. GDP is projected to grow three percent and the national economy is projected to add 2.8 million jobs this year. New York City's economic production remains strong and our employment growth continues to outpace the nation. But it's very clear that this growth has not been felt by all. We know that New Yorkers and the people around this country continue to struggle

as income inequality only grows. Most jobs 65 percent have come from low wage, low wage sectors yet these employees account for only 28 percent of the earnings since 2009. The top one percent account for a growing share of income. The median income in New York City households has declined since the 1990s and stagnated in the recent recovery. And the share of New York City households making moderate or middle income has steadily declined in recent years to only 25 percent. And there are other major uncertainties in terms of federal and state aid. On the federal side homeland security. While we are glad that congress finally passed a clean homeland security funding bill yesterday the dysfunctional process unnecessarily put the city at risk and raised major concerns. There is nothing more essential to government than ensuring the safety of our residents. Sequestration; in 2013 we face the potential of over 370 million in cuts in one year. It seems unlikely that congress will accept the president's proposed offsets potentially leading to new cuts next year. The highway trust fund; the highway trust fund will become insolvent by the end of this

May. This can mean a loss of up to two billion dollars for New York City's metropolitan region. And as the mayor discussed in his testimony just last week in Albany there are also major state risks. Education funding; the state continues to underfund the campaign for fiscal equity obligation to the city by 2.6 billion. Infrastructure and the metropolitan transportation authority, the MTA capital plan, faces a 15.2 billion shortfall. And we know the state has not adequately funded road and bridge maintenance. There are other risk and concern such as homeless funding. The governor's budget proposes to reduce state reimbursements by 22 million for emergency assistance for families which provides anti-eviction legal services, prevention and grants to address housing emergencies, and that number will, will increase significantly in the years to come. We also believe that NY/NY 4 supportive housing program as proposed is underfunded and we've urged the state to increase its commitment from 5,000 units over, statewide over five years to 12,000 units in New York City over 10 years. The governor's budget also makes a dramatic change in NY/NY funding by picking

up only 50 percent of the operating costs instead of the previous 100 percent. We estimate this will cost the city an additional 40 million dollars based on the units, the limited number of units they are provided. The bottom line is that the city needs action by the state to address these issues of equity and our continued economic health. That is the message the mayor communicated in Albany last week and we will continue to push but it obviously remains a risk. We also need as you pointed out to plan for economic uncertainty. The current expansion at 69 months has already exceeded the average length of post war expansions. In previous downturns we saw a dramatic decline in revenues and funding. For example after the great recession non-property tax revenues declined 4.4 billion dollars from 2008 to 2010. And state funding for the city fell by 1.7 billion between 2009 and 2011. We also know that events can happen quickly that cause unexpected downturns which will have a huge negative economic effect on our city. The preliminary budget acknowledges these very real risks, targets spendings and investments that we all know will create a stronger, safer, and fairer

New York City. Few financial plan highlights... I'd like to start the, the fiscal year 2016 budget is balanced. Closing the 1.8 billion dollar gap that we projected as recently as November. The 2015 budget also remains balanced. It recognizes 2.2 billion in additional federal funds for Sandy recovery and resiliency and some additional hundreds of millions of funds for homeland security. The 20, fiscal year 2015 budget also recognizes 1.6 billion in prepayments for the next fiscal year, for 2016 which helped closes that projected gap. We also continue to boost reserves to 750 million a year throughout the financial plan period going through 2019. There are still substantial out year gaps but we reduce them to levels that are generally manageable compared to the past 13 years. Still they will need to be addressed and they could obviously increase based on the economy the potential for a downturn or a surprise event in action in Washington. So those risks ay continue. We are also intentionally prudent, cautious in our revenue projections. As always because we've seen riffs of over projecting revenues in places like New Jersey, other

1 neighboring states which then face significant
2 budget holes and we saw that only last year. The
3 preliminary budget also includes even more
4 certainty when it comes to labor settlements. And
5 it, it really is a pleasure to have Bob with me
6 because he has been instrumental in leading the
7 effort on behalf of the mayor in how we have really
8 done. I think if, when we were here last year we
9 never would have guessed we would be at this level
10 of, of agreement with our employees. To date the
11 administration has concluded labor agreements with
12 76 percent of the city workforce. That compares to
13 zero percent when we took office and zero percent
14 for a number of years. Again this was a major risk
15 we identified ahead of last year's budget. And
16 we're proud, we have now, we have this critical
17 element of certainty in our plan. Something
18 independent monitors and raters have, have and will
19 continue to highlight. In addition to including the
20 civilian pattern applied to the workforce as we did
21 last year the preliminary budget also includes the
22 uniform pattern we've now agreed to with nine
23 uniform unions. Just last week the mayor and the
24 sergeant's benevolent association [sp?] announced
25

an agreement that follows the uniform pattern. And three other police unions all ratified their contracts by large margins as well as five other unions representing fire correction and sanitation workers. Of course the budget also includes the unprecedented and guaranteed healthcare savings we agreed on with the municipal labor committee last year. This is a good opportunity to highlight the report we put out in the winter outlining how we are achieving the 400 million in savings for fiscal year 2015 and laying out the work we have already begun on future initiatives. For over 20 years while healthcare costs exploded New York City was unable to modernize its approach. The unique agreement we reached last year with the, municipal labor committee was such a dramatic step forward because it focused on fundamentally bending the cost curve and guaranteeing billions of savings. 3.4 billion dollars through fiscal year 2018 and a minimum of 1.3 billion every year thereafter. We are guaranteed these savings through arbitration but we are focused on achieving savings in a cooperative relationship with our employees that both bends the cost curve and delivers improved

health care. In addition to our work, in addition to our work to secure significantly lower hip rights which is only a portion of the savings we've already identified we dramatically expanded the auditing of dependent eligibility so that taxpayer dollars are not spent on those who are not actually eligible. We changed the structure of the city's GHI plan to a minimum premium plan resulting in significantly lower risk charges and fees as well as positive tax implications. We successfully reduced the empire blue cross blue shield administration fees. And we've launched a new care management program focused on disease management and other key initiatives, a revised specialty drug contract with cost controls and many other joint initiatives focused on better healthcare delivery and improve workers health. None of this would have been possible without the change in the city's relationship with its workforce moving from confrontation and deadlock to real collaboration and problem solving. We targeted spending in the preliminary budget. It adds 326 million in new spending for fiscal year 2016. As I discussed we are intentionally cautious because of the many

risks ahead so we've focused on key issues facing the city ensuring that our investments will create a stronger, safer, and fairer New York City. Start with public safety. We are making significant investments to reduce EMS responsive times in communities that lag behind the city average such as Staten Island, the South Bronx, and Western Queens This includes 11.3 million in 2016 and 8.7 million every year thereafter to add 45 new ambulance tours and 6.7 million a year to add 149 new EMS dispatchers. In participation with the council we were very proud to include 7.3 million in 2015 and 4.2 million in 2016 to replace all NYPD bullet resistant vests that are over five years old. And we are dramatically expanding the police cadet program to over 650 cadets, providing young New Yorkers with real education and career opportunities. We are making major investments in the department of corrections. 35.3 million dollars in the plan to reduce use of force incidents and violence while improving the inmate officer ratio and enhancing programs in young adult housing. We've also included 3.6 million to improve employee recruitment and the vetting of those employees. On

education Pre-K for all; expanding high quality full day pre-k to all four year olds our two year commitment. The board of regions recommended 370 million in funding and that is the mayor we are, the mayor requested last week from the state. We're further expanding school programs to over 110 middle school students after school programs with 190 million in requested state aid. We're funding 128 community schools including 94 renewal schools. These schools will provide extra instruction, after school programs, strengthening family engagement, and receive extra professional training for teachers among other changes that will turn around New York City's most challenging schools. There's 800 thousand a year for literacy intervention teams to support students with dyslexia and to provide language services to limited English proficient parents. And of course we continue to invest in CUNY including 29 million to expand academic intervention and support for STEM at community colleges, 300 thousand to compliment a recent federal grant for New York Solar Smart Initiative, and a 1.1 million to expand the Fatherhood Academy which helps fathers age 18 to 24 improve their job

and educational prospects. We're also making major investments in social services that support our most vulnerable populations. We have included millions with you to address the homeless crisis. New programs in the preliminary budget include 28.4 million for rental assistance to move New Yorkers out of shelters, 8.6 million for preventive programs and support to keep New Yorkers stably housed, 4.3 million to improve family services like counselling and eviction prevention, and 900 thousand to expand drop in center access for street homeless. As the mayor discussed in his state of the city and in Albany we're focusing on protecting tenants from landlord harassment. Together we are urging the state to enforce and strengthen the rent laws and protect tenants. And we have allocated five million in this fiscal year to provide legal services to victims of landlord neglect or harassment. In total the mayor is committed to an additional 36 million to provide these services to every tenant in an area being rezoned or immediately adjacent to that area. We're also including 26 million over the next three years for major child welfare reforms including training and

prevention. We've invested 16 and a half million dollars over the next three years to expand community health centers in underserved neighborhoods and 1.8 million to improve children's' health. And this budget includes five million now to address the high demand for IDNYC which is allowing us to increase staffing, open new locations, and reduce the wait times. And finally we're focused on supporting economic development.

In January the mayor announced tax reforms to modernize our outdated tax code bringing it in line with the state code and providing relief to 45 thousand small businesses and manufacturers. We're, we were pleased that that reform was included in the governor's budget. We are investing 1.4 million a year to expand access for small business to the city's MWBE program including providing technical assistance because we are committed to making the city contracting process more inclusive. The budget also includes 4.6 billion to improve services at the Department of Buildings which would allow the agency to speed up inspections. And the budget includes funding for small business. First a 27 million comprehensive plan that once again we

worked on with the council to reduce the regulatory burden and cut bureaucracy for small business. As we move to the executive budget and you raised this in your opening remarks. The mayor has asked agencies for a specific cost savings. These include management and productivity initiatives, the elimination of reduction of costs for programs that are not proving effective, the consolidation or restructuring of programs, the reduction in use of consultants or outside contract. The focus here is to find real permanent savings that help ensure a more effective government. In conclusion I want to thank you again for the opportunity to testify today. We know that this is the start of a budget process that will be incredibly productive and successful thanks to your partnership. I look forward to working together to ensure that the 2016 budget is fiscally responsive, progressive, and honest. And before I take your questions I, I would also, the, the, you all made the first year very helpful, very successful, and now I personally want to thank all of you for that as well. And I'm happy to take your questions.

CHAIRPERSON FERRERAS: Thank you

Director Fuleihan and we've been joined by Council Member Rosenthal. If members have questions please make sure to let our council know so that you can be put in queue. So I'm going to start off by talking about transparency in the U of As. As I mentioned in my opening statement we had discussed last year this time the commitments of making this budget process more transparent. Through the negotiations we agreed that there were going to be six units of appropriation that would allow for this type of transparency. What, and the three that you have complied with was renaming a U of A in the miscellaneous budget to reserve for collective bargaining, moving networks and clusters from the schools to region administration, and moving charter support costs to the charter of U of A. Can you give us an update on the three remaining U of As, changes you committed to in the council in 2015, clean up U of As for disease control, the new U of A for early intervention, and the new universal Pre-K U of A as you can imagine you, universal Pre-K is such an important program and this council would like to follow its expenses, its

1 details, its overruns, just to be able to have, be
2 able to follow this in a transparent way. And these
3 are the three U of As that are still permanent. Not
4 to say that we don't want additional U of As this
5 year but before I even discuss this year's needs I
6 would like to know why last year's needs are still
7 pending. And we've been joined by Council Member
8 Levine.

9
10 DIRECTOR FULEIHAN: Alright so...

11 CHAIRPERSON FERRERAS: Levin, sorry.

12 DIRECTOR FULEIHAN: I apologize.

13 CHAIRPERSON FERRERAS: Yes, go ahead.

14 DIRECTOR FULEIHAN: So I, I hope I get
15 this right. We did as you identified three of the U
16 of As. In the executive budget we will do the
17 fourth one which was the early intervention. So we
18 are committed to doing that.

19 CHAIRPERSON FERRERAS: Right I, I, I
20 hear you. That's still not six.

21 DIRECTOR FULEIHAN: And that...

22 CHAIRPERSON FERRERAS: And it's still in
23 fiscal '16 as opposed to fiscal '15 when we had
24 discussed this. And the U of A for Universal Pre-K
25 is one that's very important to this council.

DIRECTOR FULEIHAN: So we did the charter school U of A.

CHAIRPERSON FERRERAS: Okay.

DIRECTOR FULEIHAN: Correct?

CHAIRPERSON FERRERAS: Yes.

DIRECTOR FULEIHAN: And we did the clusters as well. The, the networks on clusters...

CHAIRPERSON FERRERAS: Yes.

DIRECTOR FULEIHAN: ...from schools to regional administration.

CHAIRPERSON FERRERAS: Right, so the fourth one you're saying you're going to do this year. And what about the early intervention and Universal Pre-K?

DIRECTOR FULEIHAN: Okay let me... you know what we will get back to you. We made a commitment and we'll make sure that we keep that in the executive budget.

CHAIRPERSON FERRERAS: Okay. And I just want to be clear this is not independent of the new needs that we're going to list of the New... [cross-talk]

DIRECTOR FULEIHAN: I, I... [cross-talk]

CHAIRPERSON FERRERAS: ...trans...

DIRECTOR FULEIHAN: ...I, I never would have guessed that.

CHAIRPERSON FERRERAS: Okay. I just... Now I want to talk about the efficiencies which you highlighted in your testimony. There still remains a lack of clarity about new processes and I know that you've identified I believe the needs that you, since your commissioners on providing those efficiencies. The two issues concerning the mayor's announcement that the city's budget will contain efficiencies next year have been, have given rise for my concern and this council, first a preliminary plan does not contain efficiencies which makes it impossible for this council to review your efficiencies, your proposals through a preliminary budget hearing. And second the budget does not include a distinct category for efficiencies as it does for new needs, other adjustments, and pegs. So in the past when we are proposed for pegs there's a peg letter, we follow it, we see if a peg fails. So how do you envision this council being able to follow efficiencies? And why did you choose to put those efficiencies in the executive budget and not the preliminary budget

which really limits this council in being able to have oversight or even influence or opinions on your efficiencies?

DIRECTOR FULEIHAN: So a couple of answers.

CHAIRPERSON FERRERAS: Okay.

DIRECTOR FULEIHAN: Let, lets the, the gap elimination programs of the past... I, I think it's worth a little perspective on those. Those plans include many things. They included in the past cost saving measures, the ones that, that I identified in testimony here today or that we asked for in the letters to the agencies. They also included that service savings. There are 450 million dollars of debt service savings in this budget, in the preliminary budget. They included different use and better use of federal aid. They included estimates. All those things are part of if you would savings in general that go into making both the preliminary budget and the executive budget. On... energy savings in this, in this preliminary budget. So there are savings that would normally would have been included in a gap elimination program that you can monitor and we'll

1 make sure that you're able to monitor those.
2
3 Separate from those the mayor has asked, and I have
4 asked, the agencies for the executive budget that
5 they take a serious look at programs and that they
6 come back to us. And obviously we'll present those
7 to you, we'll discuss those with you and we will
8 monitor those as we will monitor debt service
9 savings, energy savings, or any other estimates or
10 other ways we, we reduce out year gaps. Those will
11 all be part of it. We want to be very careful
12 because there were programs and there were pro,
13 part of the prior administration's savings I, I
14 believe are in things that this administration and
15 this council would not agree with. We would
16 actually not agree to reducing staff, staff for
17 food stamps which, which is reflected as one of the
18 ads in this budget. There are other program
19 measures and social services that we would not do.
20 So we're doing this at a very careful and
21 thoughtful way but we're happy to keep you
22 informed, we're happy to continue to review it. And
23 we're happy to keep talking about other savings
24 that would have normally been in those kind of
25 programs.

CHAIRPERSON FERRERAS: Well I'm, I just want to see... And, and I'm glad that you are happy to keep us informed but perhaps we can establish and will communicate I think between myself and you and, and our staff is really an opportunity to have a forthcoming process of which, when you propose these efficiencies we are able to follow them in an effective way in this council.

DIRECTOR FULEIHAN: Agree.

CHAIRPERSON FERRERAS: And I'd like to work with you on that. And it may be that there's a letter, there's, we'll figure out the technical points. But we want to make sure that when we're here at FY'17 we can follow whether the efficiency failed or not, whether it is you know if there's a way to expand particular efficiencies or particular agencies. And I'm sure that's exactly what you want but from our council perspective we need to be able to pull that up and know exactly where to look for it as opposed to trying to figure it out within the budget.

DIRECTOR FULEIHAN: It, it's to both of our benefit.

CHAIRPERSON FERRERAS: Okay. I want to just move on and talk about the ten year capital plan.

DIRECTOR FULEIHAN: Mm-hmm.

CHAIRPERSON FERRERAS: As required by the charter every two years the mayor must release a ten year capital plan. This year's represents the first opportunity for the de Blasio administration to lay out its vision for the city's capital program. In prior years the preliminary and ten year plans incorporated extensive narratives on the city's capital strategy. Charged to illustrate how the capital's funding should be sourced and distributed and provide the reasoning behind such distribution. The current preliminary 10 year budget only discusses the capital plan's financial package before delving into the agency specific concerns. What challenges did OMB face when creating the preliminary capital plan that necessitate the, the omission of the detailed capital strategy the council has come to expect?

DIRECOTOR: Okay so forgive me if I challenge that the prior 10 year capital plans were detailed. I, I, it's hard to imagine the 10 year

capital plans that included in major agency zeros or that included significant reductions in the Department of Education for the, for the second five year period were detailed. We did not do that. So I would argue that what we presented you was actually more detail. And we're happy to work with you and discuss the narrative but we actually believe this was a more realistic plan than the last ten year capital plan you were presented. And obviously it is just that, a preliminary plan, there are many stages in this between now and the executive budget including PlaNYC which is an every five year, which happens every five years but happens to be occurring this April that will, that will become a part of this as well as our significant request that go beyond the city capital plan but our plan, part of plan NYC which include what's happening with the MTA capital plan, what's happening with the state in terms of road and bridges, what's happening with the highway trust fund... So we do see a very expansive approach here and we will try to give you as much narrative and detail and direction but we actually believe that

we, we, we put forward a much more detailed preliminary ten year capital plan.

CHAIRPERSON FERRERAS: So our team here disagrees. But we're going to have a lot of disagreements through this process. This is the first day of disagreements. So I'm just hoping that you're committed to returning to the more detailed capital plan as we roll out the executive budget.

DIRECTOR FULEIHAN: I am more than prepared to work with you on a, on what we would both agree is a detailed capital plan strategy actually and a, and a four year, and a four year plan. And I... [cross-talk]

CHAIRPERSON FERRERAS: One that we...

DIRECTOR FULEIHAN: ...we can achieve...

CHAIRPERSON FERRERAS: ...that we both...

DIRECTOR FULEIHAN: ...achieve that.

CHAIRPERSON FERRERAS: ...agree.

DIRECTOR FULEIHAN: That we hopefully both agree.

CHAIRPERSON FERRERAS: Come on you said both agree a minute ago.

DIRECTOR FULEIHAN: Okay I... [cross-talk]

CHAIRPERSON FERRERAS: Okay, both agree.

Alright we're going to move on to future tax revenue growth. Total tax revenues have grown from an impressive 5.8 percent in fiscal 2015. In fiscal 20, 2014, in fiscal 2015 OMB estimates total collections rising by still a healthy 4.4 percent in subsequent years. However annual growth rates are projected to slow reaching an average of 3.6 percent in the out years. What factors might be at work in slowing down revenue growth?

DIRECTOR FULEIHAN: So I'm going to ask Larian to answer that.

CHAIRPERSON FERRERAS: Thank you.

DEPUTY DIRECTOR ANGELO: Good morning. Essentially this is... [cross-talk]

CHAIRPERSON FERRERAS: I'm sorry can you just state your name for the record?

DEPUTY DIRECTOR ANGELO: Oh Larian Angelo, OMB. This is essentially as the director noted a cautious forecast. We tended to see the national economy slowing a bit in its growth path. We then assumed that flowed through to what would happen to the local economy. And then we assumed that, that we'd see that reflected in revenues. So

1 overall there's a slight slowing in economic
2 activity that's being seen in the revenues. In
3 addition to that we were very, we've had a very
4 good year in revenues. Almost across the board the
5 personal income tax very good although a little
6 weak this month, business taxes very good, sales
7 taxes very good, and the transaction taxes actually
8 spectacular. And as we looked at how this year's
9 revenues would interact with next year's revenues
10 we felt that an increase in the base revenue for
11 PIT, for the business taxes and sales was
12 warranted. So that pushed up revenues in the out
13 years. But we were very hesitant to flow through
14 increases in the transaction taxes from this year
15 through the out years because they're very
16 volatile. So again it's a cautious forecast.

18 CHAIRPERSON FERRERAS: Thank you. I want
19 to move on to labor, but in specific to provisional
20 employees. The de Blasio administration inherited a
21 long term plan to replace provisional employees
22 with permanent positions. Is this administration
23 taking the same strategies as its predecessor as it
24 tries to reduce the number of provisional
25 employees? As you know the Department of Education

1 currently has just over 42 hundred provisionals.
2 New York City Transit Authority has just over 25
3 hundred provisionals. New York City Housing
4 Authority has over 19 hundred provisionals and so
5 on and so forth. So is there a change in strategy
6 planned? How are we going to address these
7 provisionals?
8

9 COMMISSIONER LINN: So first I'm Bob
10 Linn, the Commissioner of Labor Relations.
11 Appreciate the opportunity to be here. OLR is not
12 responsible for the civil service. That's the DCAS
13 is the appropriate agency... There's no question
14 there is an approach of this administration to
15 reduce provisionals. We have plans to do that and
16 we work with DCAS but it really is DCAS that's the
17 appropriate agency to talk about it.

18 CHAIRPERSON FERRERAS: So you are not
19 part of the strategy discussion on how we're going
20 to reduce...

21 COMMISSIONER LINN: We are, we are, we
22 have discussions with the unions but it is not our
23 agency that sits over civil service. I really think
24 it'd be better to hear from them.
25

CHAIRPERSON FERRERAS: Okay. Alright and I'm going to put my, the rest of my questions on the second round so I can give my colleagues an opportunity to ask their questions. And we've been joined by Council Members Cumbo and Williams. We will, just want to remind members we want everyone to have an opportunity to ask questions. We're going to put everyone on a five minute clock and the second round if needed will have a three minute clock. We will have Council Member Rodriguez followed by Council Member Van Bramer.

COUNCIL MEMBER RODRIGUEZ: Thank you Chair. Well first of all no doubt that we have a different administration, a different leader, that even though we had to rely on the experts that we have at O, OMB and other agency by the end of the day the city move in the direction also, or a completely different leaders who are so committed to provide more opportunity and to close the gap that we have in our city. And for me I'm so happy to see on page eight that you share with us the commitment in how the administration is putting the dollars. Where we have spoken about... STEM. As we see in this... we see more investment to CUNY. But my

1 concern is that in New York City public school
2 Latino student make 40 percent of a, of the student
3 population. However only seven percent of those 40
4 percent go to a math and science school in our
5 city, only seven percent. And when we look on the...
6 population we have a big crisis there. In my
7 district... school district 6 in eighth grade the
8 elder students 98 percent of the elder students
9 they are level one and level two. And that percent
10 doesn't move from third grade to eighth grade. So
11 that information, the 0.8 million a year that you
12 are committed to invest on literacy intervention
13 teams what I hope is in this process we can revise
14 and see how can we increase that number. Because
15 when we have a student population that 98 percent
16 at one and two they would be the one that will need
17 a lot of remedial courses in high school. And then
18 there will be the 86 percent at community college
19 that they will need remedial courses. So for me...
20 education is a top priority. My... question is about
21 how does this budget focus on supporting the middle
22 class in building a ladder to provide opportunities
23 for more New Yorkers to move from working class to
24 middle class?
25

DIRECTOR FULEIHAN: So if I could take it as two questions... The, on, on education obviously you know what a priority it is for this administration. On the teams, the intervention teams they actually touch many schools in the system. So I think what would be helpful is if we have a conversation with the Department of Education with you on what schools are being impacted and how we move forward. I didn't want to leave your comment, yes we should work forward as, as we move to the executive budget but we should also give you a detailed understanding of what schools are being affected by that program which may not quite be reflected in the 800 thousand that's being added. From the very beginning program after program that we have targeted and that we have targeted with you I would argue is about income and equality and is about addressing that. I cannot think of anything that more dramatic than creating a whole new school, class for four year olds than UPK in two years to, that, and what that does for the future of this city, the health of this city, and addressing income inequality. And I would make the same argument for middle school

1
2 afterschool programs which are being dramatically
3 increased. Our focus on education, on renewal
4 schools, on turning around, on turning around the
5 most troubled schools, I'm working cooperatively
6 with our teachers not in a conflicting way in both
7 resolving the labor settlement with them is, is a
8 key element of that. The targeted spending at CUNY
9 that you identified is a key element of that. It's
10 academic intervention for STEM education, exactly
11 what you're talking about. So I think that's
12 program after program that we are doing and that
13 we're, continued to do with you and that we're, we
14 want to do. The, the investments in NYCHA... whole
15 transformation. The investments in affordable
16 housing. So I, I would argue the entire top
17 priorities of the administration deal with income
18 inequality.

19 CHAIRPERSON FERRERAS: Thank you.

20 Majority Leader Van Bramer followed by Council
21 Member Kallos.

22 COUNCIL MEMBER VAN BRAMER: Thank you
23 very much Madam Chair and, and thank you Dean. I
24 think it's really important that you talk
25 frequently about values and our progressive vision

1
2 for the city. And I certainly won't shock you when
3 I say that I believe libraries and, and our
4 cultural organizations and institutions are,
5 reflect my values as a progressive person in this
6 city. And, and I wanted to, to ask if, if you
7 believe that as well, that libraries play a
8 fundamental role in addressing the inequality
9 crisis that we have in this city?

10 DIRECTOR FULEIHAN: That's becoming an
11 annual question between us. The answer stays the
12 same. Yes I, yes definitely.

13 COUNCIL MEMBER VAN BRAMER: It will be a
14 question as... [cross-talk]

15 DIRECTOR FULEIHAN: I, I have a feeling.

16 COUNCIL MEMBER VAN BRAMER: ...long as
17 we're both here in these chairs. And along those
18 lines with IDNYC being so successful and, and
19 libraries and... [cross-talk]

20 DIRECTOR FULEIHAN: ...key...

21 COUNCIL MEMBER VAN BRAMER: ...our culture
22 is playing incredibly important roles in that they
23 become more important than ever. And with 300
24 thousand appointments already for IDNYC which is an
25 incredible success there's going to be some

1 increase wear and tear on these institutions,
2 libraries, both as intake centers and our cultures
3 having so many folks coming in. Obviously I'm
4 leading into the ten year capital plan question. We
5 had a hearing last week and your first deputy did a
6 terrific job. 1.1 to 1.4 billion dollar documented
7 need really no one's disputing that our libraries
8 have a 1.1 to a 1.4 billion dollar capital need.
9 The ten year capital plan includes 62 million and
10 change. Why, why is there such a gap between the
11 demonstrable need and what the administration is so
12 far forecasting for libraries when it comes to
13 capital? And I know it's preliminary Dean but we've
14 got to get to a better place.

16 DIRECTOR FULEIHAN: I'm going to let
17 Larian start and then I'll jump in.

18 DEPUTY DIRECTOR ANGELO: As we discussed
19 at the hearing at the moment there's about 500
20 million dollars in city funding for capital for
21 libraries. And that's in fiscal '15. The 62 million
22 in the ten year capital plan as the budget director
23 pointed out is the beginning of a discussion,
24 obviously not the end of it. We also assume that
25 much of that 500 million in the budget for fiscal

15 will end up being pushed to fiscal 16 because capital projects are tough to get started and tough to complete. So I think both in the further discussions you'll have with the administration and in some combination of, of projects rolling through that the library's needs will at least be attended to to some extent.

DIRECTOR FULEIHAN: Right. I mean it, it, it's a preliminary ten year capital plan. It's intended that way. It's intended to have a dialogue and that's what this is part of. And to prioritize there are an enormous amount of capital needs that we cannot reach at every level. We do have to prioritize that process with you and libraries will obviously be a key component of that.

COUNCIL MEMBER VAN BRAMER: I appreciate that. And obviously I feel very strongly that libraries have got to be a higher priority. And, and we've got a long way to go with that. Also wanted to just stress as, as our libraries we were able to secure a ten million dollar add last year in addition to the base lining that had occurred. That ten million was not base lined so now we need to fight for that again on top of the full

1 restoration that is still yet to be witnessed by
2 libraries. Why not baseline the ten million dollars
3 that we both agreed to increase last year. It seems
4 like a relatively easy lift and, and, and then we,
5 we move on to the wider discussion of fully funding
6 libraries.
7

8 DIRECTOR FULEIHAN: So once again it's a
9 very cautious preliminary budget. We have the
10 opportunity that the state does not to actually see
11 what happens to revenues in January, February, and
12 March which are very volatile. On, state has yet to
13 come out with their final forecast of what those
14 revenues would be. We saw last year three states
15 around us having to dramatically change the revenue
16 forecast in the spring because of overestimating
17 what they thought would happen in the personal
18 income tax. This is a very careful plan. The only
19 other piece that was, the only, the other
20 significant piece that was base lined was the 72
21 and a half million for NYCHA. There are many
22 homeless programs. Let me give you another example
23 that we're not base lined and, and yet together
24 with you we have put well over a hundred million
25 dollars of financing into homeless prevention

1
2 programs over this past year and we're going to
3 have to decide as we move forward what are those
4 priorities, what works, and what does not work and
5 obviously one of those things that we need to have
6 a conversation about it is the 10 million on
7 libraries.

8 COUNCIL MEMBER VAN BRAMER: Sure. I'll
9 definitely come back for a second round and ask you
10 some more about these things and the arts but I
11 really do think we need to put an end to the dance
12 once and for all on libraries. Thank you.

13 CHAIRPERSON FERRERAS: Thank you. We
14 will now hear from Council Member Kallos followed
15 by Council Member Gibson.

16 COUNCIL MEMBER KALLOS: Thank you to our
17 finance Chair Julissa Ferreras, Budget Director
18 Fuleihan, and Commissioner Linn. Council Member Ben
19 Kallos; you can tweet me at Ben Kallos. I am chair
20 of the Governmental Operations Committee. I have
21 oversight over DCAS. We've now had two joint
22 hearings with the civil service and labor
23 commissioner with Chair Daneek Miller. Specifically
24 on provisionals I am, I am troubled by your
25 response to Chair Ferreras questions regarding

1 provisionals. We can work with DCAS to get them to
2 have as many civil service exams as possible but
3 the only way we will actually get any movement is
4 if the Office of Labor Relations is looking at the
5 entire city instead of DCAS being stuck calling
6 agency by agency to make sure that in our overall
7 Labor Relations plan we are working to move the
8 provisionals out and replace them with people
9 who've actually been tested into the position are
10 not patronage hires and are tested. So I would like
11 to follow-up on Julissa's question. I'd also like
12 to ask a couple of additional questions and then
13 give you time to respond. Last year we were able to
14 identify four billion dollars in potential contract
15 overruns, we asked about that last year, it is now
16 this year so have those overruns been capped and
17 how will they be prevented in the future?
18 Additionally as the city begins to purchase more
19 and more software to operate government more
20 efficiently but is the city considering using free
21 Libre and open source software and collaborative
22 purchasing with other jurisdictions to save on
23 costs? And speaking of costs, cost benefit analysis
24 is a tool that will allow government to make better
25

1 infrastructure investments but despite laws on
2 point it appears that the city has not been
3 conducting these analysis. Will you be making this
4 a standard practice moving forward? And last but
5 certainly not least in fiscal year 2001 going into
6 the Bloomberg administration we had 3.8 billion
7 dollars in debt service. As of this year we're
8 looking at 6.2 billion dollars in debt service. And
9 by fiscal year '19 we're looking at 8.1 billion
10 dollars in debt service. Generally when we're doing
11 debt service we like to pay off debt instead of
12 having the amount of money we're going to be paying
13 for our debt going further up and up. And when
14 we're talking about our debt we are looking at a
15 constitutional debt limit of eight, 81.4 billion
16 dollars as of right now. And so as of fiscal year
17 2001 we had 40.5 billion dollars in debt. As of
18 this year we're looking at 69.4 billion dollars in
19 debt. As of fiscal year '19 five years out from
20 today which we are planning for we will be at 79.3
21 billion dollars in debt which is 2.1 billion
22 dollars short of the limit which frankly scares me
23 because everyone in this room, even if you've paid
24 off all your credit card bills you're 9,000 dollars

1 in debt. That is your per capita share of the
2 city's debt. And that's frankly a lot of money for
3 all of us to owe. And as we're ending the end of an
4 expansion in our economy, and this is the longest
5 expansion we've seen in quite a while are we
6 planning to pay our debt? Are we planning to do
7 defeasement of actually paying the debt now versus
8 just prepayment? And whatever we can do to make
9 sure that should we no longer have an expansion
10 that we have enough money to borrow when we need
11 it. I believe the whole idea behind this barrowing
12 is, in bad times we borrow and in good times we pay
13 it off. Thank you.

14
15 DIRECTOR FULEIHAN: So I apologize that
16 was a long list of questions. So can, can we go
17 back. That I'm happy to answer, but let's, would
18 you mind just ticking off and I'm happy to answer.

19 COUNCIL MEMBER KALLOS: ...committing to
20 working with DCAS on the provisional issue.

21 DIRECTOR FULEIHAN: So yes we're
22 certainly committed to work with DCAS on those
23 issues. Let me say this, in the 14 months that I've
24 been here issue one was the fact that no, no
25 employee of the city had a labor agreement. We have

1 worked our way through 15 major labor agreements
2 covering 260 thousand workers. We have had
3 discussions with the unions about issues of
4 recruitment and retention and those are clearly
5 important issues very central to the, to the
6 concerns of this administration. So I, I think that
7 it's, it's fair to say we intend to work with DCAS
8 closely and we'll work over time on those issues.
9 But the central theme that we brought here was to
10 focus on getting labor agreements done.

11
12 COUNCIL MEMBER KALLOS: The next
13 questions, were the four billion dollars in
14 potential contract overruns cost benefit analysis
15 in, in the debt?

16 DIRECTOR FULEIHAN: I apologize, I'm
17 sorry, would you repeat that? The next... [cross-
18 talk]

19 COUNCIL MEMBER KALLOS: Hmm?

20 DIRECTOR FULEIHAN: ...the next question.
21 I apologize.

22 COUNCIL MEMBER KALLOS: four billion
23 dollars in potential contract overruns,
24 collaborative purchasing, cost benefit analysis and
25 debt.

DIRECTOR FULEIHAN: No, so I'm the, you know what I think the way to deal with that is to let me know what contract specifically and I'll work with the mayor's office of, of contract management. And we'll come back with a specific answer on each contract, on, off top I apologize but I, I can't just actually do that. I don't want to make a mistake.

COUNCIL MEMBER KALLOS: I, I gave you the list of contracts last year.

DIRECTOR FULEIHAN: Okay. Give it to me again and we'll get right back to you.

CHAIRPERSON FERRERAS: Thank you Council Member Kallos. And we'll be sure to follow up with you on the questions that you have.

COUNCIL MEMBER KALLOS: Cost benefit analysis and the crushing debt.

CHAIRPERSON FERRERAS: So we'll put that on the second rounds.

DIRECTOR FULEIHAN: Fine.

CHAIRPERSON FERRERAS: Okay. Is that okay with you Council Member Kallos.

COUNCIL MEMBER KALLOS: I would love to get the answers but I, I'm happy to... [cross-talk]

CHAIRPERSON FERRERAS: Just for... [cross-talk] just for... Are you ready.

DIRECTOR FULEIHAN: Of course.

CHAIRPERSON FERRERAS: Okay, thirty seconds.

DIRECTOR FULEIHAN: On debt... so as, as you know we very careful on, on debt and how much debt and how we measure it. So actually if you go back in time and you compare it on the total city revenues we are below, we maintain what the city has maintained through current years and actually below many periods in the past. So we, we are below 15 percent of total city revenues and we're very careful about that. There are huge capital needs in the city. You're hearing them actually from your colleagues. All those needs need to be balanced in a way that maintains the fiscal responsibility that the mayor has talked about and we are, we do that throughout this process. The ten year capital strategy is a way to start to approach that and be very careful about it and say here are the priorities and how we're doing it but we are managing that debt service. And it was not always managed in the past. Those are also cautious

1
2 estimates as well. So I should caution you on that,
3 they, they are careful about if we will need
4 temporary barrowing if interest rates go up and
5 they all reflect that. So they, so that is another
6 advantage that we have is we put together our
7 financial plan. So we are very cognoscente of debt
8 and we are very careful about how we approach that
9 and that's why we maintain the city's rating.

10 CHAIRPERSON FERRERAS: Thank you.

11 Council Member Gibson followed by Council Member
12 Rosenthal.

13 COUNCIL MEMBER GIBSON: Thank you Madam
14 Chair good morning. Good morning to all of you.
15 Thank you for your presence and your testimony. So
16 I have four very quick questions and I would just
17 go through each of them. I want to applaud the
18 leadership of this administration and certainly in
19 the preliminary public safety is my baby that I
20 chair. And I appreciate the chance of more
21 ambulance tours, EMS dispatchers, the funds for the
22 bullet resistant vests, the cadet program I think
23 are all very critical. Previously in many
24 conversations as recent as yesterday I had a
25 committee hearing on community policing and deputy

1 commissioner, I forget her name just that quickly,
2 Susan Herman talked about a number of initiatives
3 and new roll outs of new programs. So I'd like to
4 ask the question about civilianization. Is that
5 still on the table? And also the headcount of the
6 police department, are we still having those
7 conversations. Because of a lot of the rollouts we
8 know that that is a serious conversation we need to
9 have.
10

11 DIRECTOR FULEIHAN: So as I understand
12 the testimony yesterday the, the police department
13 has begun and talked about pilot programs they're
14 initiating more police into the community as part
15 of a, a citywide effort for...

16 COUNCIL MEMBER GIBSON: Right.

17 DIRECTOR FULEIHAN: ...community policing.
18 We did with you successfully 200 civilianization...

19 COUNCIL MEMBER GIBSON: Yes as a start.

20 DIRECTOR FULEIHAN: ...as a start last
21 year. And obviously that, these are all areas we
22 need to look at as how we effectively increase
23 community policing. You know that one of the
24 investments that we've made together is in
25 technology. And that... [cross-talk]

COUNCIL MEMBER GIBSON: Right.

DIRECTOR FULEIHAN: ...technology is
actually... [cross-talk]

COUNCIL MEMBER GIBSON: Right.

DIRECTOR FULEIHAN: ...allowing for
greater community policing and more, more police
officers to respond quickly and in the community.
So this is always a conversation with us and I'm
quite sure we're going to continue that.

COUNCIL MEMBER GIBSON: Okay. And also
last year with the rollout of the three day
extensive training there was about an additionally
28 million dollars added into overtime costs. That
brought us to about 498 million dollars. This
year's fiscal budget looks at overtime at about
4:23. Are you guys looking at an overtime control
plan for the police department?

DIRECTOR FULEIHAN: We are in
conversations with the NYPD about the overtime.
There were obviously reasons for the overtime.
Civilianization by the way was... [cross-talk]

COUNCIL MEMBER GIBSON: Right.

DIRECTOR FULEIHAN: ...part of that in
getting officers on the street immediately was

overtime. There were other instances where it was appropriate to do overtime but yes long term, and I think that's the way to approach it. Long term we are in conversations with the NYPD about overtime.

COUNCIL MEMBER GIBSON: Okay. And the bullet resistant vests, I really appreciate that because it's certainly necessary. Thousands of police officers that have outdated vests beyond the five year warranty. I'd like us to consider and have a conversation about including axillary officers who fall in the same category where their vests are beyond the five year useful life. And I've mentioned it to the mayor and his team before.

DIRECTOR FULEIHAN: Well let's have that conversation.

COUNCIL MEMBER GIBSON: Okay. And then my final comment is on the 9-1-1 NYPD call takers. I do know that 150 positions were base lined which brings us up to 12 hundred and 50 positions at the 9-1-1 call center. As you know there's a mandatory overtime which I know has been decreased to some extent. But 9-1-1 call takers are truly overworked, overwhelmed, and with a mandatory overtime it is a growing concern. This preliminary budget does not

1
2 joined the OMB team, Ms. Samonia Brown [sp?] who's
3 an incredible addition. Many of us have Albany
4 roots as you do too. So I just want to you know let
5 you know you have a good person on your team.

6 DIRECTOR FULEIHAN: Thank you.

7 COUNCIL MEMBER GIBSON: Thank you again
8 and I look forward to working with you. Thank you
9 Madam Chair. And I'm on time. Thank you very much.

10 CHAIRPERSON FERRERAS: Thank you. Duly
11 noted. We'll have Council Member Rosenthal followed
12 by Council Member Levin.

13 COUNCIL MEMBER ROSENTHAL: Thank you so
14 much Chair. And thanks so much for setting the bar
15 Council Member Gibson. I'm going to talk really
16 fast just like she does and we'll see where we can
17 go. Thank you very much for all this information.
18 It's really great. I also want to compliment
19 Chairwoman Ferreras for leading the effort for
20 preparing the Council Members. We actually have a
21 nice set of questions here. I want to ask a few
22 questions about contracts. First Local Law 18 as
23 you know requires MOCS to produce a cost, a
24 contract cost overrun report. Are they useful to
25

you? Is it something you use? You can say no, it won't hurt my feelings.

DIRECTOR FULEIHAN: No, I'm not going to say no. I, we are, the, the fair answer in all this is that, that, and you actually have made this point to me several times that we are looking at procurement throughout the city. So it's a complicated answer. We're looking at procurement throughout the city. We're looking at OMBs rolls which I promised and we are doing that. And we've improved our own process.

COUNCIL MEMBER ROSENTHAL: Yeah yeah.

DIRECTOR FULEIHAN: And we are looking at every point and stage and with agencies and working with MOCS on, on how to improve it. So all these reports are useful, things that OMB does are useful as well on, on the contract piece. But we, there's a lot of work to, to be done and to come back to you with.

COUNCIL MEMBER ROSENTHAL: Yeah I'm not a huge fan on them. But I really love that the mayor's executive order set up the steering committee on technology. I was wondering if you guys had met yet, if you issue, if you have any

reports you would feel comfortable sharing... [cross-talk] us about it. And maybe...

DIRECTOR FULEIHAN: Right, I mean there had, they're... [cross-talk]

COUNCIL MEMBER ROSENTHAL: You just met... [cross-talk] There haven't been any meetings yet. Do you have an idea... [cross-talk]

DIRECTOR FULEIHAN: No there have been meetings... [cross-talk]

COUNCIL MEMBER ROSENTHAL: ...of which contracts?

DIRECTOR FULEIHAN: No there have been meetings. They have started. They're looking at how they're going to approach IT and we'll get back to you with the details on that.

COUNCIL MEMBER ROSENTHAL: Oh, that would be great. Do you have an idea of what contracts a preliminary list of contracts you're going to be considering?

DIRECTOR FULEIHAN: Not... [cross-talk]

COUNCIL MEMBER ROSENTHAL: Not yet?

DIRECTOR FULEIHAN: ...not yet.

COUNCIL MEMBER ROSENTHAL: Okay, great. Specifically I want to ask about the Department of Education...

DIRECTOR FULEIHAN: I mean once again it's a key area to look at IT. We clearly have, have started that process in some of the, the 9-1-1 other issues that we've done were clearly an attempt to look at IT and we're looking... [cross-talk]

COUNCIL MEMBER ROSENTHAL: That was just what I was going to ask you.

DIRECTOR FULEIHAN: Okay.

COUNCIL MEMBER ROSENTHAL: You read my mind. And the ECTP I would imagine in your tenor you were part of the group that shut the contracts down. And I'm wondering if you've set up a new mechanism for CP oversight on those contracts?

DIRECTOR FULEIHAN: Alright there's an integrity monitor. There's constant oversight by the same group that made the decision of which OMB was a part to shut it down and to reevaluate.

COUNCIL MEMBER ROSENTHAL: Okay great. And the integrity monitor though rests in DOI. Do

you guys have somebody, or you also have an integrity monitor?

DIRECTOR FULEIHAN: We do not have an integrity monitor separate from that no but we are constantly monitored on this.

COUNCIL MEMBER ROSENTHAL: Do, are you doing the, the... Okay so the integrity monitor literally looks at receipts compared to budget I think is my understanding. So, kind of. And so what are, are you guys doing something similar to that?

DIRECTOR FULEIHAN: We believe they do. I believe and I will confirm this they do more of an audit function as well.

COUNCIL MEMBER ROSENTHAL: Do you guys, oh you don't have to know what they do. I'm more interested in what you're doing to review it.

DIRECTOR FULEIHAN: We part of City Hall and, and the Mayor's Office of Operations are constantly reviewing this. They're...

COUNCIL MEMBER ROSENTHAL: Okay. On DOE's contract that the Pep... [cross-talk]

DIRECTOR FULEIHAN: Sorry.

COUNCIL MEMBER ROSENTHAL: No please?

DIRECTOR FULEIHAN: Go ahead.

COUNCIL MEMBER ROSENTHAL: No do you have any...

DIRECTOR FULEIHAN: No that's fine.

COUNCIL MEMBER ROSENTHAL: Okay. The DOE's approved, the... approved a DOE contract with custom computer specialists this past week and there's a lot of, a lot of questions surrounding this contract. Most importantly I think from OMB's perspective how they managed to get what was a 1.1 billion dollar contract down to 635 million dollar contract, did you guys, do you have any role of oversight in monitoring that particular contract to make sure it doesn't increase? I mean what if Dell comes back next year and says oh our computers are going to cost more than what they cost today.

DIRECTOR FULEIHAN: So that contract we've just received. We are reviewing it. We'll be in conversations with DOE. Those are the kinds of questions to, to ask. And obviously we have an oversight responsibility.

COUNCIL MEMBER ROSENTHAL: Wait a minute I thought it, it said at the point where it's going to... I, just correct me, I just don't know, it's actually going, my understanding is that it's now

on route to the, a controller and he's registering it. [cross-talk]

DIRECTOR FULEIHAN: ...I'll check if I'm wrong.

COUNCIL MEMBER ROSENTHAL: Please do because I think there's a March... [cross-talk]

DIRECTOR FULEIHAN: No, no, no... [cross-talk]

COUNCIL MEMBER ROSENTHAL: ...drop debt date for registering that contract.

DIRECTOR FULEIHAN: Okay we, and it has just, it is not on its way to the controller's office. We just got it. I just confirmed... [cross-talk]

COUNCIL MEMBER ROSENTHAL: I mean I'll wrap up. I'll do next round but you know there's a potential loss of federal money of 25 million dollars... [cross-talk]

DIRECTOR FULEIHAN: I, you've... [cross-talk]

COUNCIL MEMBER ROSENTHAL: ...if it doesn't...

DIRECTOR FULEIHAN: I, I understand the time constraint but you asked if we are doing oversight and review and we are.

COUNCIL MEMBER ROSENTHAL: Well I, I would recommend that you say no. So let's continue..

DIRECTOR FULEIHAN: Okay.

COUNCIL MEMBER ROSENTHAL: Thank you.

CHAIRPERSON FERRERAS: Thank you Council Member Rosenthal. We'll have Council Member Cumbo followed by Council Member Williams.

COUNCIL MEMBER CUMBO: Thank you Madam Chair. I had an opportunity to ask this question in the previous meeting that we all shared together but wanted to know if there was any other update in regards to NYCHA's community programs in its community centers as that program was expanded last year it gave those community centers an opportunity to stay open seven days a week until the late hours in the evening. And there was some question as to whether that was going to maintain in the next budget cycle?

DIRECTOR FULEIHAN: So the answer we gave you and, and maybe I didn't articulate it properly; we are looking at, at, it had been done

1
2 in the prior administration. We're initiating it
3 again. Actually is looking at NYCHA's community
4 centers... [cross-talk]

5 [background comments]

6 DIRECTOR FULEIHAN: ...and, and, and
7 senior centers and where they properly belong. Some
8 had been moved to other city agencies that may be
9 more appropriate. And so we are right now doing an
10 assessment and that will be part of the executive
11 budget. Alright included in that obviously are, do
12 we continue the extended hours that prove to be
13 very successful last year.

14 COUNCIL MEMBER CUBMO: How long will it
15 take for you to determine...

16 DIRECTOR FULEIHAN: I, I, I, I can't
17 give you, at this point, but we are in that
18 process. We're working with agencies. We're meeting
19 weekly. So I have a meeting on this next week so I,
20 I, I promise to keep you informed on those.

21 COUNCIL MEMBER CUMBO: You promise to
22 give me...

23 DIRECTOR FULEIHAN: I will keep you
24 informed.
25

COUNCIL MEMBER CUMBO: I just want to say that that's...

DIRECTOR FULEIHAN: I, I think we all have the same goal. We would like the most effective management of these and where they properly belong so we actually served the broadest population and effectively.

COUNCIL MEMBER CUMBO: I just want to say it was a very successful program. And last year upon coming in as a council member the vast majority of our time was utilized to make sure that those 57 community centers and senior centers stayed open but then also the opportunity to keep them open late at night. And we've had substantial success with that. So that's really... We need to know if we need to gear up the fight again or...

DIRECTOR FULEIHAN: Understood.

COUNCIL MEMBER CUMBO: ...can we just wait for the answer. Because it was pretty much a six month fight to make that happen.

DIRECTOR FULEIHAN: The other question that I have is in regards to the community parks initiative program. Very successful.

DIRECTOR FULEIHAN: Yes.

COUNCIL MEMBER CUMBO: Been very successful in Brooklyn. I also in my district have two of the oldest and largest parks in Brooklyn New York. I wanted to share, if you could share with the committee your thoughts on the future of this major initiative and what can we expect in terms of funding for this program in the executive budget?

DIRECTOR FULEIHAN: I mean there was 171 million for the community parks. We have designed now on how many? 34 in design.

COUNCIL MEMBER CUMBO: Mm-hmm.

DIRECTOR FULEIHAN: And one's completed. You know we can get you an update of exactly where we are in that process. We do care deeply about this. We, we're... [cross-talk]

COUNCIL MEMBER CUMBO: I care, I care very deeply about that because the question ultimately is while that money was put in in the last fiscal year and of course these projects take time to develop and we probably won't see those projects realized for another four to five years right? But at the same time are you going to continue to make that level of investment each year for projects that will roll out or is this kind of

seen more as a we made this one time big initial investment and then moving forward we'll review it in years moving forward?

DIRECTOR FULEIHAN: I, I think we will review these with you as we develop the capital plan and what additional resources may or may not be needed. But part of your question is also how quickly we can actually execute...

COUNCIL MEMBER CUMBO: Mm-hmm.

DIRECTOR FULEIHAN: ...the design and construction of these projects and we're happy to come back to you with that.

COUNCIL MEMBER CUMBO: That is my question but I guess my question is also can I gear up to start putting some other projects in the pipeline for this year?

DIRECTOR FULEIHAN: I, I think we should make that part of the more general conversation about what projects are being done and how quickly we can get those done.

COUNCIL MEMBER CUMBO: Also wanted to ask in terms of the campaign for fiscal equity, what steps is the administration prepared to make to ensure the city receives the CFE funding? Will

1
2 the administration be satisfied with the proposed
3 1.1 billion if the governor's education reforms are
4 enacted. I know that Mayor de Blasio spoke about
5 the campaign for fiscal equity and really want to
6 understand what impact that will have on the budget
7 this year?

8 DIRECTOR FULEIHAN: Well it has an
9 enormous impact on our budget. The mayor identified
10 in Albany. He gave a list which we are, which I'm
11 happy to share with you of things that would impact
12 in our schools. Literally in one year the
13 difference, the commitment difference is 2.6
14 billion. The 1.1 billion in the governor's budget I
15 actually can't even tell you how much of that is
16 allocated to New York City schools for the first
17 time ever there is no allocation formula in the
18 state executive budget. There's, there's no
19 formula, there's no distribution. So we don't even
20 know what that is so no, the 1.1 is not acceptable
21 to us. We are doing everything we can and need all
22 the help we can to put CFE as a major issue
23 particularly now that the state has identified a
24 7.8 billion dollar surplus.

COUNCIL MEMBER CUMBO: And I guess just to close on that... my, my question really was, you somewhat answered it in the sense of how realistic or how real do you think that realizing the campaign for fiscal equity will be?

DIRECTOR FULEIHAN: I think they once again have a 7.8 billion dollar surplus that they've identified. We can't think of many more things that are, would be more important than the financing or at least beginning the financing of CFE and making sure that we, we're not even sure that the 1.1 is going to high needs districts in where children need it.

COUNCIL MEMBER CUMBO: Thank you.

CHAIRPERSON FERRERAS: thank you Council Member Cumbo. We will now have Council Member Williams. And if Council Member Levin's staff is here please make sure that he comes in the next five minutes if not we will begin the second round.

COUNCIL MEMBER WILLIAMS: Thank you Madam Chair. Thank you for your testimony... [cross-talk] I have three categories of questions which I probably... [cross-talk] won't get to in five minutes so I'm glad that there is a, a next round. And I

1 appreciate that this administration has gone a
2 little further in certain things but we're, we're
3 not there yet at all. So my first one has, has to
4 do with public safety... I as well as many of my
5 colleagues much to the... consternation of many of my
6 friends in the police reform movement I'm
7 supportive of getting a, a thousand extra police
8 officers for a few reasons. One since I was elected
9 my, my constituents have asked for it. Two, I
10 don't, there are deep seeded issues within the
11 police department dealing with biases, police in
12 black and brown communities. I don't think they
13 will be affected with a thousand less or a thousand
14 more. I think we need a total rethinking of how we
15 address public safety. With that, to that end
16 everything, every time something that's come up in
17 the last administration or this one resources has
18 been the, the thing that's been talked about. So
19 when we talked about the abuse to stop question and
20 frisk we were told it's a lack of police officers
21 which leading into a kind of lazy policing. When we
22 would, we spoke about the vertical patrol problem
23 in NYCHA, why it didn't happen faster before Akai
24 Gurley happened we were told there wasn't enough
25

1 police officers to handle the transfers as quickly
2 as they wanted. And then with community policing
3 although that seems to be the catch phrase, I
4 appreciate yesterday's hearing. I don't believe
5 that community policing in the way that I'm
6 thinking of it is actually happening. There's a lot
7 of good programs. If we have a community... unit that
8 means you're probably not doing community policing
9 in, in the, in the real way. But I'm appreciate of
10 the program so hopefully we'll adopt it. But one of
11 the things that I said there is we need more
12 resources at DoITT. So the last thing it does for
13 me is... is try to take away an excuse that has been
14 used. So I want to understand if all those things
15 come down to resources why is administration pushed
16 back when we are trying to put the resources that
17 they say have been problematic in so many
18 categories that we've brought up as issues in
19 policing.
20

21 DIRECTOR FULEIHAN: Well I, I don't
22 think we've, we're challenging those issues. I
23 think the question is does the additional, are the,
24 is the additional level of officers necessary at
25 this point. And that's a topic of a conversation,

1 we had that topic with you last year. We, the, the
2 compromise was the 200 civilianization. So... [cross-
3 talk] and I, and I have no doubt, and the mayor
4 said this to you that we're going to obviously be
5 having this conversation.
6

7 COUNCIL MEMBER WILLIAMS: Well then,
8 what I would say is just that should not be used as
9 an excuse for these issues if when they are offered
10 they're not going to be received. That, that should
11 be not used, resource should not be an excuse when
12 we're talking about issues of policing if when
13 they're offered they're not going to be taken.

14 DIRECTOR FULEIHAN: Understood.

15 COUNCIL MEMBER WILLIAMS: And also when
16 it comes to units of appropriation we still have a,
17 a long way to go and I want to talk about two in
18 particular. One, is there UFA, U of A in education,
19 categorical aids? I'm trying to figure out why we
20 can't break that a little further. It's not a good
21 catch all to understand what's going on. And again
22 in the police department we have U of A 01 which
23 accounts, 001 which accounts for 2.94 billion of
24 the Department's 4.79 billion dollar budget. And it
25 has way too many things and there, has patrol

1 services which is about 1.5 billion. And so if we
2 want to have real conversations about law
3 enforcement and NYPD we should know what it's being
4 spent on. Can we break those down a little bit
5 further. I know at least for the 0, 001 in the
6 preliminary budget we asked for that to be broken
7 down and it wasn't.

9 DIRECTOR FULEIHAN: So I, I do believe
10 we're providing additional information on that code
11 at the NYPD and additional, in additional reports
12 on that to address your concern. However we are in
13 conversations with the NYPD. We understand that. On
14 the categorical we actually didn't think it worked
15 but you know what let's come back to you with a
16 little more detail about why we think that. You're,
17 we owe you that answer.

18 COUNCIL MEMBER WILLIAMS: So our next
19 conversation we're either going to have some more
20 information... [cross-talk]

21 DIRECTOR FULEIHAN: No I, no we will
22 give you more information on both of those.

23 COUNCIL MEMBER WILLIAMS: Okay thank
24 you. And then I have 45 seconds. The New York, new
25 York five that's coming, the way it's proposed we

1 will have an extra 40 million dollar losses
2 according to your testimony and according to what
3 most people are saying is that, where is that money
4 going to come from, have you figured out where you
5 would...

7 DIRECTOR FULEIHAN: No we're, we're
8 asking Albany to reverse that. We're asking the
9 governor director not to do that, that New York New
10 York four was a, New York, all the programs that,
11 that deal with the with the mental health
12 population were a state operating obligation. And
13 they are changing that. And that's, we're asking
14 them to reverse that decision and to increase it,
15 the last, the last time. The New York, New York
16 Three New York City received 9,000 units. And here
17 they're talking about 5,000 state wide.

18 COUNCIL MEMBER WILLIAMS: I have one
19 more housing question. Should I wait for the second
20 round?

21 CHAIRPERSON FERRERAS: Yeah.

22 COUNCIL MEMBER WILLIAMS: Okay thank
23 you.

24 CHAIRPERSON FERRERAS: Thank you Council
25 Member Williams. And now we will begin the second

1 round which will be at three minutes timed. I'm
2 going to talk about, ask a question on debt service
3 and barbs and pension. But before I do that I
4 wanted to talk about, I know that we had discussed
5 a ten year and you said that it was more, it's more
6 transparent and had more details. But I wanted to
7 just highlight that what I was specifically
8 speaking of is the narrative portion of the ten
9 year capital plan.
10

11 DIRECTOR FULEIHAN: Okay.

12 CHAIRPERSON FERRERAS: That narrative
13 tells us we're tying the agencies that follow and
14 the details that follow in this ten year capital
15 plan this is the thought, this is how we're going,
16 why we're making these decisions, why we're putting
17 this money where it is. So that is what was missing
18 and it's never been missing. And I'd like to ask
19 and see if there was, if we was omitted for a
20 particular reason, if there was a challenge or that
21 it be included in the executive. Or what was your
22 thinking...

23 DIRECTOR FULEIHAN: It will definitely
24 be included in the executive with much more detail
25 than you've seen in the past.

CHAIRPERSON FERRERAS: Okay.

DIRECTOR FULEIHAN: Alright, and much more focused.

CHAIRPERSON FERRERAS: Very, very often in those plans and that narrative really said here's the economic picture. Here are a vast number of needs and very much what our preliminary ten year plan does. It's about state of good repair. We will be focusing on many other issues that have been discussed today including where do we address neighborhoods. Where do we address income inequality. So we will have more expansive, the part of the detail that I was referring to was the actual number... [cross-talk]

CHAIRPERSON FERRERAS: No I, I got that.

DIRECTOR FULEIHAN: ...much more detailed than the prior tenor.

CHAIRPERSON FERRERAS: right. But I don't want to have details in the numbers and not have the narrative or have the narrative and no details in the numbers. We want it all.

DIRECTOR FULEIHAN: Okay. I understand.

CHAIRPERSON FERRERAS: Okay. So looking forward to having that and hopefully that won't be

1
2 a process of preliminary budgets that we omit that,
3 or did you omit it for a particular reason... [cross-
4 talk]

5 DIRECTOR FULEIHAN: Once again I think
6 what we are proceeding to do is much more
7 complicated than it had done before if there's, if
8 we need a, a conversation about a narrative for
9 this preliminary document I'm happy to have that
10 with you.

11 CHAIRPERSON FERRERAS: I would, I would
12 very much enjoy seeing that especially when we talk
13 about things that are going to be very important to
14 this council. And as we had hearings on this and
15 you know our libraries and our cultural and our
16 HHCs which we've had conversations about those
17 narratives are very important so that we can see
18 the connections between your narrative and the
19 agency funding.

20 DIRECTOR FULEIHAN: Do not disagree.

21 CHAIRPERSON FERRERAS: Okay. So I want
22 to talk about BARBs, Building Aid Revenue Bonds,
23 the city's pattern of financing New York City
24 School Construction has been adjusted because of
25 transitional finance authority has reached its

limits of its authority to issue BARBs which are backed by school building aid provided by the state. Can you discuss how this adjustment will impact a city's debt service responsibility and how wit, how it, how does it interact with the constitutional debt limit.

DIRECTOR FULEIHAN: So the, the BARBs were, go back I believe to 2004 2005 and I believe they were part of the campaign for fiscal equity capital piece and that was part of the state's commitment. The, the BARBs were, we, it's, New York City has authorization, I hope I'm using the right number of 9.4 billion dollars of BARB. So that authorization is not going away. So it's actually, we should be clear about that. That authorization stays and the city will continue to issue BARBs into the future. So as they're retired it's really revolving loan fund. It wasn't, it wasn't you, you issue up to, it's 9.4 billion about standing. And we intend issues significant BARB issuance over the next couple years. So we don't run out of that capacity. We, we never run out of that capacity but the large amounts we may issue probably only go on for another couple years.

CHAIRPERSON FERRERAS: Okay and... [cross-talk]

DIRECTOR FULEIHAN: And, and yes the state pays the debt service on the BARBs but even when we are no longer issuing hundreds of millions of BARBS but maybe only 200 million a year the state still is providing us 50 percent of our debt service. So we are actually not, the state will be providing the exact amount, same amount of debt service.

CHAIRPERSON FERRERAS: Okay thank you...

DIRECTOR FULEIHAN: So it'll be a different, different issuing entity.

CHAIRPERSON FERRERAS: Okay thank you. And do you see this will impact school construction at all?

DIRECTOR FULEIHAN: No.

CHAIRPERSON FERRERAS: No? Okay. So I wanted to talk about Hudson Yard's Development Project, the preliminary plan includes debt service savings of 93 million dollars due to the, to better than expected revenues in the Hudson Yards Project that will reduce city interest support and tax equivalency payments. Moving forward can you expect

that revenues generated by the Hudson Yards project will further reduce the city's supports payments.

DIRECTOR FULEIHAN: Yes.

CHAIRPERSON FERRERAS: And at what point do you expect Hudson Yard's infrastructure corporation to become self-supporting in the financial plan that appears that Hudson Yards will need interest support payments until 2020s.

DIRECTOR FULEIHAN: So I mean clearly more revenues are coming in. I'm going to be careful about the exact fiscal year I give you because I know you'll hold me to it so...

CHAIRPERSON FERRERAS: Yes.

DIRECTOR FULEIHAN: So I'm going to try, I'm going to come back to you on what fiscal year.

CHAIRPERSON FERRERAS: Okay.

DIRECTOR FULEIHAN: But more revenues are coming in. The costs are clearly being decreased. But when it is actually zero I want to be careful.

CHAIRPERSON FERRERAS: Okay so we'll add that to our follow-up questions. And then I want to transition to pension reform and then open up to our second round. Your predecessor has proposed

consolidating, had proposed consolidating the city's five pension systems the independent budget office estimates it would save the city 22 million dollars next year, a figure that would grow to 36 million within two years. Would you pursue or endorse such a proposal, why or why not? And if so might you, might you move forward in pursuing it?

DIRETOR: So I, I don't have a yes or no answer on what we should be doing on, on pensions and how we should be consolidating or not. So once again this is, involves many city agencies and, and I don't have a, a clear answer to turn around and say here's what we need to do going forward.

CHAIRPERSON FERRERAS: Well can you perhaps, I'm sure you've thought of this, there's conversations. Is there a timeline, what's, what's your strategy even in approaching the question of... [cross-talk]

DIRECTOR FULEIHAN: We are, we are, we are having conversations. We're having conversations with the city controller. There are conversations going on very preliminary at this point. So I, I can't actually, I'm just being you know honest on this. I don't have a... [cross-talk]

CHAIRPERSON FERRERAS: Well this is an honest budget I would expect you to be honest, you got sworn in. So... [cross-talk]

DIRECTOR FULEIHAN: Okay so maybe that wasn't the right... [cross-talk]

CHAIRPERSON FERRERAS: Okay.

DIRECTOR FULEIHAN: ...way to say that...

CHAIRPERSON FERRERAS: Okay.

DIRECTOR FULEIHAN: ...but I, I... I would like to give you a more elaborate answer, I really don't have on.

CHAIRPERSON FERRERAS: Okay so I will also ask this question of the comptroller when he comes up later today. But I'd like to follow up and, and see where we are because these are very serious savings that are important to this council and that proposal. But we also are cognoscente of your, of your, of your opinion on this on whether it, it, the savings do exist and whether it will work. And I know that IBO is also going to come and testify today so we'll follow up... [cross-talk]

DIRECTOR FULEIHAN: Yes. I, once again I'm going to reiterate what Bob said. You know we, we started this process... it's not an excuse but it

1
2 is actually what happened. We started this process
3 with no labor agreements. Our focus with our
4 employees was to do what no one thought that Bob
5 actually and the mayor could achieve which was 76
6 percent of contracts settled. And the other, the
7 next piece that we focused on was the health care
8 savings. And that has a long and difficult and
9 complicated process. It doesn't take things off the
10 table but those were the priorities that we
11 established.

12 CHAIRPERSON FERRERAS: Okay thank you
13 Director.

14 DIRECTOR FULEIHAN: And, and we, and I
15 would argue those had the most immediate effect on,
16 on the fiscal health of the city.

17 CHAIRPERSON FERRERAS: Thank you. And
18 now we will have actually, he wasn't here for the
19 first round so we're going to have him ask his, his
20 five minutes and then we will start the second
21 round. And I just wanted to publically thank you. I
22 know that you filled in for me at the last finance
23 hearing. I heard you were drunk with power. I hope
24 that you've sobered up now but I appreciate
25 everyone that made their calls, my son Julianne is

1
2 doing very well and I appreciate you filling in
3 Council Member.

4 COUNCIL MEMBER LEVINE: It's a good
5 thing you got back because the power might have
6 gotten to my head. So thank you. Director Fuleihan
7 great to see you. I was so heartened to hear the
8 mayor mentioned in his state of the city speech
9 support for the idea of getting more attorneys for
10 tenants in housing court because we've got an
11 eviction crisis here that's been fed by the lack of
12 attorneys for tenants in housing court and that is
13 the biggest cause of the rise in homelessness in
14 New York City. I know you know that. Could you tell
15 us a little bit about what the budget will offer on
16 this front. What were our total spending on
17 attorney's in housing court be at least as it's
18 listed in the preliminary budget if not, if you
19 can't preview what's coming next.

20 DDIRECTOR FULEIHAN: So I can preview...
21 the preliminary budget had five million dollars
22 additional funds to targeted areas, there is some
23 ramp up here. The, the mayor committed to 36
24 million dollars which unprecedented commitment on,
25 and that will probably, I mean once again we

1 haven't finalized this, we'll reflect that in the
2 executive budget but I'm assuming a three year ramp
3 up to be able to actually reach that kind of
4 capacity. The other piece though that we have to
5 raise and I said it in my testimony but much more
6 importantly the mayor said it in his testimony in
7 Albany, Albany is responsible not just for
8 strengthening the rent laws but to actually enforce
9 the, the rent laws. And part of what the mayor said
10 both in the state of the city and then reiterated
11 in Albany last week was that the state has an
12 obligation. We don't have any idea how much they're
13 actually spending on, on enforcement, how
14 successful they're being on enforcement and, and
15 the mayor basically said this is your obligation if
16 you won't do this you actually should provide us
17 the funds and we'll take it up.

18
19 COUNCIL MEMBER LEVINE: Yep. So just
20 understand this would be five million additional
21 this year ramping...

22 DIRECTOR FULEIHAN: Yes... [cross-talk]

23 COUNCIL MEMBER LEVINE: ...up at 36...
24 [cross-talk]

25 DIRECTOR FULEIHAN: ...15.

COUNCIL MEMBER LEVINE: Right, ramping up to 36 million for over a three year period, is that right?

DIRECTOR FULEIHAN: I, I'm guessing on the three years. I mean if we can do it faster we will. The goal is to get 36 million dollars.

COUNCIL MEMBER LEVINE: I'm, I'm thrilled for every time even one tenant gets an attorney. I think it's a step in the direction of justice. And so I really celebrate this. And there's no doubt that the neighborhoods that are being targeted for upzoning have a particular fear that needs to be addressed. If you look at the neighborhoods where eviction rates are the highest and the neighborhoods which are sending the most families into homeless shelters those aren't the neighborhoods that are being targeted for the upzoning. It, do, do you have a plan for.. provision of legal services in housing court to touch these neighborhoods which are really feeding the homeless crisis.

DIRECTOR FULEIHAN: Well I'm going to, I'm going to repeat what I said about the state obligation and our challenging the state that

1
2 either they should be enforcing the rent laws, they
3 should be strengthening the rent laws, by the way
4 that would help and go a long way towards, towards
5 many of the problems you've just cited. If we had
6 different vacancy decontrol for example it would
7 have a very different impact on those tenants, on,
8 in addition though it is an obligation of Albany to
9 enforce it and that's where we put that's what the
10 mayor requested and we're continuing with that
11 request. And we are in the middle of the state
12 budget process actually we look for and I'm quite
13 sure getting all the support you can give us.

14 COUNCIL MEMBER LEVINE: Well you can
15 count on that. Unlike most policy initiatives that,
16 that we consider this one actually has substantial
17 savings on the back end because...

18 DIRECTOR FULEIHAN: We, we agree.

19 COUNCIL MEMBER LEVINE: ...every time you
20 avoid one homeless shelter placement you're saving
21 tens of thousands only costing two or three
22 thousand up front. There's other savings that we
23 realized because homelessness also has extra cost
24 on the medical system, mental health system,
25 unemployment insurance... costs more to educate a

homeless child. Do you account for those savings in evaluating the long term fiscal impact of this kind of eviction prevention work.

DIRECTOR FULEIHAN: We recognize that there are potential savings, it's very hard to evaluate exactly I know the IBO had significant savings but they're still a significant cost, we can't avoid that. And there's still upfront costs, the question was it's still worth doing and of course it's worth doing.

COUNCIL MEMBER LEVINE: I understood. Have you, have you actually...

DIRECTOR FULEIHAN: And you know in addition I mean I've reiterated several times I'll do it again, there's a significant in the preliminary budget an expansion of homeless prevention programs.

COUNCIL MEMBER LEVINE: And we're, we're very happy about that. Have you actually put dollar estimates onto the savings if the city would...
[cross-talk]

DIRECTOR FULEIHAN: I, we have not put dollar... [cross-talk]

COUNCIL MEMBER LEVINE: But would that be standard practice where you do that...

DIRECTOR FULEIHAN: I, with a cautionary note I'm happy to review what we may think would be those savings, sure.

COUNCIL MEMBER LEVINE: I think this is so critical to this debate to understand the city would ultimately save money by preventing these kind of evictions and homelessness that when, when, when and if you have such analysis completed would you be able to share it with the council?

DIRECTOR FULEIHAN: Sure.

COUNCIL MEMBER LEVINE: Thank you very much.

CHAIRPERSON FERRERAS: Thank you Council Member, we'll have Council Member Van Bramer followed by Council Member Kallos. Again this is a three minute clock for the second round.

COUNCIL MEMBER VAN BRAMER: thank you very much Madam Chair... second round having covered libraries and cultural in the first round Dean I wanted to ask you a question not unrelated to Council Member Levine's questioning. You have a number of rezonings planned, one of which is in

1 Long Island City. And, and then you've... the
2 administration is also proposing to do some things
3 at Sunnyside Yards potentially. Now I realize the
4 Yards there's an RFP for a, a study so it's hard to
5 ask about possible costs or, or anything really
6 associated with that. If you have anything
7 different on that... [cross-talk]

9 DIRECTOR FULEIHAN: I do not.

10 COUNCIL MEMBER VAN BRAMER: But with the
11 rezonings which clearly are underway in some former
12 shape to what extent do you have needs, potential
13 needs in the plan in terms of, of accounting for
14 them. Alright we've already got legal services sort
15 of in the plan for the rezoning areas which we
16 anticipate some effect and, and that, that planning
17 and sort of careful though into how the rezonings
18 could affect people who live in my district, in
19 other districts all over the city. But they're also
20 lots of other needs that come with potential
21 rezoning or upzoning like schools and like
22 libraries and parks and all sorts of other things.
23 So to what extent is that in the plan now and if
24 not now than when does the administration come to a
25 place where you fully understand what the, the cost

could be and how a rezoning like that could impact this budget.

DIRECTOR FULEIHAN: So that is very much part of both PlaNYC and the final 10 year capital plan discussion. It's a complicated question and trying to figure out how we can allocate. I'm quite sure we won't have all the answers but even by the point of the executive budget. But the goal is to try to give you an answer with the executive budget.

COUNCIL MEMBER VAN BRAMER: So by the exact budget you think you'd have some estimate for example using... because it's in my district I'll use the Long Island City...

DIRECTOR FULEIHAN: Well I don't know once again I want to be careful about district for district. I mean there, there are other city agencies that are being brought into this process so I can't actually... I want to be very careful that I'm, that I'm saying what exactly is going to go in and how much we need exactly district by district but we do know that this is something we need to start to identify.

COUNCIL MEMBER VAN BRAMER: And by the executive budget...

DIRECTOR FULEIHAN: That, that is the goal.

COUNCIL MEMBER VAN BRAMER: What's that?

DIRECTOR FULEIHAN: That is the goal to start identifying once again that's may, that won't be a complete identification of needs.

COUNCIL MEMBER VAN BRAMER: Okay. Well there's a planning process and, and...

DIRECTOR FULEIHAN: Correct.

COUNCIL MEMBER VAN BRAMER: ...lots of other things will come to light and... [cross-talk]

DIRECTOR FULEIHAN: Sure.

COUNCIL MEMBER VAN BRAMER: ...and, in that process so I, you can't account for everything but, but it certainly would be good to know that there is some forethought into what this could potentially cost and that should be in the budget seems like good prudent fiscal planning.

DIRECTOR FULEIHAN: Yes I think you'll see more of that in the capital budget that we talked about.

COUNCIL MEMBER VAN BRAMER: Great, thank you.

CHAIRPERSON FERRERAS: Thank you Majority Leader Van Bramer. We'll have Council Member Kallos followed by Council Member Rodriguez.

COUNCIL MEMBER KALLOS: So we're going to try to get this all done in three minutes. So I'd like to talk about that it's fun I guess. Going forward we have three large liabilities. We have our capital debt, 69.4 billion. We have post-employment health benefits debt that is 92, sorry it's not that it's health and post-employment health benefits that are unfunded to the tune of 92 billion and then we also have pension liabilities. So I guess one question is how large pension liabilities. And then the two follow-ups are do we have a long term affordability issue and what actions are we take, or should we take to deal with these three large pots of obligations out there.

DIRECTOR FULEIHAN: So you're correct. These are three risks to highlight. It's part of why we need to be cautious about how we put together this budget, why we were cautious last year. Debt I think I, I've answered. We monitor our

1 debt and we're very careful about needs and
2 prioritizing and maintaining it in affordable
3 relationship to our total city revenues. On the
4 pension obligation we spend, somebody correct me if
5 I'm wrong eight billion a year. The growth rate
6 has, has slowed down significantly... it was in 2010
7 2011 2012. IT's come down, the growth rate has come
8 down. We are on an amortization schedule that was
9 agreed to so when the pension, when the interest
10 rate assumption on the pension was reduced from
11 eight percent to seven percent and I would point
12 out that seven percent's one of the lowest
13 assumption rates in the country. So we are using a
14 very cautious assumption rate on our pensions. And
15 we have an amortization schedule at the time I
16 believe it was 2012 or 22 years. And so we are
17 memorizing that to get to 100 percent fully funded
18 pension system. There are different evaluations.
19 This is under a very cautious evaluation. There are
20 other evaluations that would tell us that we're at
21 a much higher funded percentage than we're actually
22 using in that amortization schedule.

23
24 COUNCIL MEMBER VAN BRAMER: Can you send
25 over a copy of that amortization schedule?

DIRECTOR FULEIHAN: Of course we'd be happy to.

COUNCIL MEMBER VAN BRAMER: And now with regard to the poste employment health...

DIRECTOR FULEIHAN: On the post-employment let's remember that our debt service and our pensions are constitutional obligations of the city.

And the retiree health benefit is an accounting estimate. It is looking at what we currently have and what those costs are for retirees into the future. So it's not the same obligation. It's an obligation we need to recognize. We need to be careful about the risk. But, but I'm sitting here and we haven't had really much of a dialogue on the healthcare savings but it's good I'm sitting here with Bob Linn and, because there's 3.4 billion dollars of health savings between now and 2018 and that is an attempt to change what's been very historic high levels of growth and pension which are building that liability to actually bend that cost curve to get that under control while at the same time providing even better healthcare to our employees. So all

three are very important. All three need to be monitored, they need to be treated differently.

COUNCIL MEMBER VAN BRAMER: Thank you.

CHAIRPERSON FERRERAS: Thank you Council Member Kallos. We will have Council Member Rodriguez followed by Council Member Rosenthal.

COUNCIL MEMBER RODRIGUEZ: First one suggestion. As you know vision zero is a great initiative that we share with this administration. This initiative has been showing important results, saving many life, however we don't have an exact figure on how much money are we investing for the education part of this campaign. We know that we are doing. We know that using...

DIRECTOR FULEIHAN: Okay...

COUNCIL MEMBER RODRIGUEZ: ...using the resources... we see a lot of, we see of... in our buses in a train, but that money is not quantified. And also the Department of Transportation the, all the agency there investing their own way. But I would like to see how we can put a figure together that we can say we are invest in this exact amount of money on the education part. We are doing great investment on the redesigning. We are doing great

1 investment other things. But when it comes to
2 quantify how much are we investing in 2016 for the
3 educational purpose of, of a, a vision zero, that
4 money is not there is a suggestion that we should
5 be able to have it. And, and my, and then my
6 question is about after Uber... the first one is a
7 suggestion because the number is not there... [cross-
8 talk]
9

10 DIRECTOR FULEIHAN: Okay we, we believe
11 in the current years about five million dollars but
12 we'll get you that exact... and in 14 and 15 and
13 we'll get you what we think... [cross-talk]

14 COUNCIL MEMBER RODRIGUEZ: Great. Again
15 great... working fine but I would like to see that
16 number... [cross-talk]

17 DIRECTOR FULEIHAN: Okay.

18 COUNCIL MEMBER RODRIGUEZ: After Uber
19 and Lyft enter a, a, a, into the taxi industry the
20 value of the yellow medallion has been devaluated
21 since those two company they don't have to follow
22 the same rule and regulation than the yellow taxi
23 industry. How seriously is this devaluation,
24 devaluation of the yellow taxi medallion since we
25 are counting with that money in our projection.

DIRECTOR FULEIHAN: So we are counting that money. We're very comfortable with our taxi medallion sales. We thought that the prior administration's schedule of medallions was much too aggressive. We've done, we, we spread it out over some additional years. The first sale should happen this spring with 50 million dollars in the current year. Our projects are not based on the peak that the medallions achieved. So we're very comfortable that we can achieve those. Remember, I mean if we go back just a few years what we saw was really a skyrocketing exponential increase in the taxi medallions. They have, have they dropped? Yes. Have they dropped to... they're still historically high. So we're very comfortable with the estimates that we put forward. I would also add once again the agency should talk specifically about what it's doing in terms of competition for the medallions but they are doing efforts and, and you know this there are efforts to, to put more regulatory control over everyone in this business.

COUNCIL MEMBER RODRIGUEZ: But, but we hear from the lenders and the owner of the medallion that since Uber and Lyft are

participating in this business without the same rule and regulation that we would not be able to recuperate the value of the medallion in our city.

DIRECTOR FULEIHAN: So once again we are very comfortable with our estimates which never assumed the peak of what the medallions achieved a couple years ago. And I would add that there are regulatory, there are regulations that are being imposed throughout the industry. So there has been an increase in regulatory control as well.

CHAIRPERSON FERRERAS: Thank you Council Member Rodriguez. We'll have Council Member Rodriguez. We'll have Council Member Rosenthal followed by Council Member Gibson.

COUNCIL MEMBER ROSENTHAL: Thank you. I, I'd like to follow up on this DOE contract. And I'm just wondering what the process is for review?

DIRECTOR FULEIHAN: We, we have a contract at OMB to go through a review.

COUNCIL MEMBER ROSENTHAL: Do you know the timing?

DIRECTOR FULEIHAN: I, I do not know the timing.

COUNCIL MEMBER ROSENTHAL: Does anyone know the timing?

DIRECTOR FULEIHAN: No I, I will get back to you on this. I literally I, I promise I will, I will give you sense of timing. You've also told me there's an end date and that's good to know.

COUNCIL MEMBER ROSENTHAL: I guess the questions that, and I'll forward the letter to you that I sent to the chancellor. My questions are primarily you know if you really believe that they were able to get that budget, that bid down from 1.1 billion down to 635 million which on its face is implausible. What systems would they set in motion to monitor that every year. And I guess I would want to know from OMB what assurances you receive to feel comfortable to sign off on a contract that had that 40 percent reduction, negotiated reduction.

DIRECTOR FULEIHAN: So I'm not assuming that the 40 percent you know we'll take it at face value and we'll do a, we'll do a review of it and I, the question, absolutely it's a fair question to

say how are they going to monitor and how are we going to monitor.

COUNCIL MEMBER ROSENTHAL: Okay thank you.

DIRECTOR FULEIHAN: And I, I appreciate those questions.

COUNCIL MEMBER ROSENTHAL: And so similarly I'm just wondering would it ever be possible for OMB to turn the contract down, to say no?

DIRECTOR FULEIHAN: I, I'm not going to really speculate on, we, we have a contract...
[cross-talk]

COUNCIL MEMBER ROSENTHAL: Sorry in...
[cross-talk]

DIRECTOR FULEIHAN: ...approval process. I'm not assuming they did something, that there's something wrong with that contract or that the, you actually have more detail than I really know about this. You're telling me there was a reduction in the price and you're questioning that. That's a fair question. I don't have an answer for you.

COUNCIL MEMBER ROSENTHAL: Has there...

DIRECTOR FULEIHAN: But we'll ask...

1
2 COUNCIL MEMBER ROSENTHAL: In your tenor
3 at OMB have there been contracts where you've said
4 no?

5 DIRECTOR FULEIHAN: There are contract
6 on, there are contracts that, that continually, and
7 you know this, that continually get negotiated that
8 where modifications occur. It's not really my tenor
9 so we're just talking about the past years. Not a
10 yes or no, it's how do we work effectively together
11 to, to address what may be problems or may be
12 questions in a contract. It's about moving forward.

13 COUNCIL MEMBER ROSENTHAL: Sure. In the
14 contracts I remember back when we were talking
15 about the NYCHA security cameras you were saying
16 that you were going to sign off on each and every
17 one of those contracts. In your reviewing of those
18 contracts did you see any hiccups? Were there any
19 contracts that you, where you were negotiating
20 those as they move forward?

21 DIRECTOR FULEIHAN: I, I think what I
22 promised on the NYCHA security camera contracts
23 which, that we would expedite them, that we would
24 deal with them very quickly which we have done and
25 continue to do and that we would make them as

standard as possible so that there wouldn't have to be questions at either, at either the Office of Management and Budget or the Comptroller's Office.

COUNCIL MEMBER ROSENTHAL: I looked...

DIRECTOR FULEIHAN: ...worked cooperatively with the comptroller and NYCHA...

COUNCIL MEMBER ROSENTHAL: Sure.

DIRECTOR FULEIHAN: ...on, to make that happen.

COUNCIL MEMBER ROSENTHAL: I'd love to follow up with you on that one because the ones in my district came in grossly over budget. And because they, I don't know why. I couldn't speculate why. I mean we were very careful in laying out what the contract would be beforehand. And in fact when we did the initial round we were able to find savings that were very responsible savings where we didn't have to use three socks each at 60 thousand dollars. We only used one. And at the end of the day because they were expedited and the work was expedited they ended up coming in way over budget. And I'm just sort of wondering what roll, I mean I know this is very granular and I know you're looking at it from a very big picture

but I'm just sort of wondering what role you had in reviewing those budgets in detail.

DIRECTOR FULEIHAN: So two answers to that. I'm happy to do that with you. It's a good thing for both of us to do. Once again there was dramatic health and safety issues on those contracts and we all did push for NYCHA to expedite as quickly as possible. But you know what it's about a specific contract. We should go back and take a look.

COUNCIL MEMBER ROSENTHAL: I appreciate it, thank you.

CHAIRPERSON FERRERAS: Thank you Council Member Rosenthal. We will have Council Member Johnson who will be on a five minute clock. This is his first round. And then we will have a three minute clock for Council Member Gibson's second round.

COUNCIL MEMBER JOHNSON: Thank you Chair Ferreras. Dean good to see you. I'm... [cross-talk]

DIRECTOR FULEIHAN: Good to see you.

COUNCIL MEMBER JOHNSON: ...sorry I was not here earlier. I wanted to dig a little bit into HHC and the expected district funds from the

1 Medicaid waiver. We know that it was an eight
2 billion dollar federal waiver given to the state.
3 HHC I know has submitted an application for
4 district payments in December. I wanted to
5 understand where you see things currently. And
6 giving the looming kind and looming operational
7 deficit that HHC is under they closed I believe 1.6
8 to 1.8 billion dollar gap in their road ahead plan
9 a couple of years ago. In the next five years I
10 think there's an additional 1.4 billion dollar gap
11 that's looming that we have to ensure that our
12 public hospital system given that it takes care of
13 the poorest and the undocumented is on firm
14 financial footing and Washington is not helping out
15 in the way it used to. So I want to understand what
16 the city is doing to try to get HHC on firm
17 financial footing.

18
19 COMMISSIONER LINN: The eight billion
20 dollars received in the Medicaid waiver so we do
21 actually have to compliment Washington and the
22 president on the... [cross-talk]

23 COUNCIL MEMBER JOHNSON: You're too
24 nice.
25

COMMISSIONER LINN: No... well I we, we were without that it would be a very different picture. The application, the HHC application is before the state of New York were very helpful that we receive our fair share of this. We were instrumental in this obviously we participated with the governor in, in the Medicaid waiver. We actually believe the Medicaid waiver goes a long way to stabilizing HHC over the next couple years. I, I will add that, that the city did put in the labor reserve, the HHC settlement was part of the city labor reserve so...[cross-talk]

COUNCIL MEMBER JOHNSON: What is our fair share?

COMMISSIONER LINN: ...benefit... The other piece I want to raise was the HHC received I believe the largest or second largest FEMA award ever on, which just came through a few months ago at, I don't want to give the wrong number, how much, 1.7 billion which much needed. So we actually see a healthier HHC than I think we've seen in a number of years.

COUNCIL MEMBER JOHNSON: What's a fair share? What do you think a fair share would be out of the eight billion dollars for, for HHC?

DIRECTOR FULEIHAN: Yeah we've asked for two billion.

COUNCIL MEMBER JOHNSON: You've asked for two billion. Okay. I also wanted to...

DIRECTOR FULEIHAN: Okay I'm, I'm being correct... the agreement with FEMA is about to be finalized so we have not finalized that but we're very confident with the 1.7.

COUNCIL MEMBER JOHNSON: Okay. And the other thing I wanted to ask you about was you, you know I understand of course that part of, and, and I applaud you and the mayor and Commissioner Linn for securing labor deals with such a large share of the municipal work force. I understand though you understand far better than I do the amount of cost savings that we are going to receive through healthcare savings. Just one concern that I have is you know I'm, of course a city employee and on my first day here I'm HIV positive, I went to go fill my prescription across the street at Duane Reade and they handed me back a bill for 28 hundred

dollars for my two daily medicines. And then it was a whole mess actually working with the mail order company to get my prescriptions mailed to me in time. Part of my fear is I know that there's going to be cost savings on ensuring that people get things through the mail. But I'm wondering if, if the city sees any potential challenges for people with chronic conditions or health problems where it may be easier actually to in fact go to your local pharmacy and get something filled. Because it's, it, you know when you have to take your medicine every day and you have a problem with an insurance company waiting four days doesn't work.

DIRECTOR FULEIHAN: So I'm not certain of the specifics of your matter and certainly we would follow-up. But since my office administers the health benefits we can follow-up with the particular issues and which funds are supposed to cover those issues. On, on a broader context we believe and I think I'm going to be testifying extensively on, on April 1st on this. But we believe that we have set a program with the city unions in a, in an area that they would refuse to talk to the city before for quarter of a century.

1
2 And we came together to try and establish a program
3 that improves the healthcare that's delivered while
4 saving dollars. And we think that when, when, when
5 you hear more about what we're doing now and
6 especially in the months and years to come you will
7 see that we have dramatically changed the way New
8 York City delivers health in being both more
9 efficient and more effective. And I look forward to
10 testifying on that in several weeks.

11 COUNCIL MEMBER JOHNSON: Thank you. I
12 appreciate that. I just want to say that you know
13 if in fact a city employee does have an issue like
14 I did getting their medications filled it's a real
15 problem and I know we're moving to a mail ordered
16 system. So I, I'm wondering if there are any
17 contingencies in place for people that do have
18 chronic conditions.

19 COMMISSIONER LINN: I, I don't think
20 there's anything in the mail order specifically it
21 is detrimental. It can be very positive and very
22 effective. But there needs to be a way of
23 addressing specific issues and, and we have people
24 who will look at that.
25

COUNCIL MEMBER JOHNSON: Thank you.
Thank you Chair.

CHAIRPERSON FERRERAS: Thank you Council
Member Johnson. We will have Council Member Gibson
followed by Council Member Levine, Levin.

DIRECTOR FULEIHAN: If I may just to
what Bob said for no one ever looked at that
before... the city. And now we actually do. Bob has a
dedicated staff to look at these kind of issues.

COUNCIL MEMBER GIBSON: Thank you Madam
Chair. And I just wanted to continue, I'm still on
NYPD.

DIRECTOR FULEIHAN: Okay.

COUNCIL MEMBER GIBSON: There's a
settlement and acid forfeiture funds coming from
the Manhattan DA.

DIRECTOR FULEIHAN: Yes.

COUNCIL MEMBER GIBSON: And there was an
announcement with the mayor a couple weeks ago, 101
million dollars for NYCHA for security
enhancements. I'd like to know the level of
conversation you're having and how this is going to
work, who's overseeing the funds. And in terms of

oversight does that roll into NYCHA's official budget.

DIRECTOR FULEIHAN: So I, on some of this I'm, we'll get back to you on exact detail. As you know this was a federal forfeiture and actually... [cross-talk]

COUNCIL MEMBER GIBSON: Correct, right.

DIRECTOR FULEIHAN: ...was governed by the Department of Justice rules and not really by ours.

COUNCIL MEMBER GIBSON: right.

DIRECTOR FULEIHAN: And it goes to the Manhattan District Attorney on, and we have worked cooperatively with the Manhattan District Attorney on areas where we think these one-time expenditures can be very useful, NYCHA being a key one. And that's how we arrived at that. The actual flow of the funds I'm going to have to get back to you on.

COUNCIL MEMBER GIBSON: Okay thank you.

DIRECTOR FULEIHAN: ...right in the exact oversight at each step.

COUNCIL MEMBER GIBSON: Okay. And I certainly want to applaud the administration for leadership and a historic investment in LINC 3 which is the voucher system for victims of domestic

1 violence, unheard of, really appreciate that, the
2 five million dollar investment that Council Member
3 Levine talked about for legal services and eviction
4 proceedings in my district in my borough I
5 represent all the courts and housing court is
6 seeing about 11 thousand evictions over the past
7 year. A lot of those evictions are very preventable
8 so I appreciate the investment which I believe will
9 make a, a real difference. And I know the mayor,
10 you, myself, we're all going to Albany. Rent
11 regulation is truly important. A million rent
12 stabilized apartments in the city of New York. And
13 in addition not just rent regulation but MCI
14 reform, IAI, repealing earth stats, and vacancy
15 bonus. I mean it's a whole slew of different things
16 and I know that you will as I will be very
17 aggressive in making sure that beyond you know June
18 30th we have not just an extension but we
19 strengthen rent laws as much as we can. So I
20 appreciate that.

22 DIRECTOR FULEIHAN: Thank you. And let
23 me add to your immediate list with the state
24 because LINC 3 for domestic violence victims is one
25

of the programs we believe the state has a responsibility to participate on and they are not.

COUNCIL MEMBER GIBSON: Okay. Oh I'll add that to my list, no problem. And last year in the budget we did universal free lunch in middle schools as a pilot. Do you know, has there been success, are there any updates? And then also the second part of that is there is a big push by many advocates to institute universal in classroom breakfast for many students who unfortunately are in school in classrooms hungry. So I'd like to know are there any updates on universal free lunch in the middle schools and then are we looking at expanding an in classroom breakfast?

DIRECTOR FULEIHAN: So on lunch we, we have, apparently we have achieved a 75 percent participation rate. And I'll get you the number of meals that's serving and the increase in the... So we'll, we'll get you, give you this but yes it appears it's been very successful. On the breakfast piece it is one of the things that we are actually in conversations with the Department of Education on how to implement it and how costly it will be to

implement. So we're actually in the conversation right now.

COUNCIL MEMBER GIBSON: So it's still, it's on the table?

DIRECTOR FULEIHAN: It is definitely...
[cross-talk]

COUNCIL MEMBER GIBSON: Okay.

DIRECTOR FULEIHAN: ...a conversation...

COUNCIL MEMBER GIBSON: Great.

DIRECTOR FULEIHAN: ...that we're having with the department.

COUNCIL MEMBER GIBSON: Okay thank you very much. Thank you again Madam Chair and I'm on time again. Just want to recognize that.

CHAIRPERSON FERRERAS: Duly noted again. Council Member Levin followed by Council Member Williams. Council Member Levin will be on a five minute clock, it's his first round.

COUNCIL MEMBER LEVIN: Thank you very much... [cross-talk]

CHAIRPERSON FERRERAS: ...followed by Williams three minutes.

COUNCIL MEMBER LEVIN: ...Madam Chair. Thank you Director Fuleihan. Couple of quick

questions here and I'll keep it to five. First one; vouchers, childcare vouchers in ACS.

DIRECTOR FULEIHAN: Yes.

COUNCIL MEMBER LEVIN: The administration, the council agreed on funding restored funding for non-mandated vouchers, priority five vouchers if you will last year. I think that was around 12 million dollars in the FY '15 budget.

DIRECTOR FULEIHAN: Yes.

COUNCIL MEMBER LEVIN: Is that, is, is that funding in the FY'16 preliminary budget?

DIRECTOR FULEIHAN: It, it is not in the FY '16 budget. We know we're going to have conversations. As you know we spent a lot of time on this. It was a priority of the, priority of the mayor to be able to do this. We went through several reiterations to make sure that we were getting the vouchers out, that did not happen as quickly as we would have liked. But recently actually I believe we have taken care of the waiting list, correct? So we now have taken care of the waiting list so we now know how successful it's

been and we'll have conversations with you really as we approach the executive budget.

COUNCIL MEMBER LEVIN: Okay so there's a possibility that that funding could be... [cross-talk] in the executive budget?

DIRECTOR FULEIHAN: Definitely.

COUNCIL MEMBER LEVIN: Yes.

DIRECTOR FULEIHAN: Definitely.

COUNCIL MEMBER LEVIN: Okay okay. Wanted to ask about homelessness prevention program, LINC funding.

DIRECTOR FULEIHAN: Yes.

COUNCIL MEMBER LEVIN: So can you speak to what's included in the preliminary budget for LINC in FY '16 and then also briefly address how, how FY '15 funding is going because that program took a little while to get off the ground as well. And we would like to know whether we're on track to spend all the allocated funds in FY '15 and if not what happens to those funds? Can we, can we roll them over or is there any opportunity to, to allocate those FY '15 funds that might not be spent?

DIRECTOR FULEIHAN: Right. So we together have put in the current fiscal year over 130 million in new homeless prevention programs. Some of it, LINC 1 and 2 shared with the state, not 3 domestic violence victims or four or five.

COUNCIL MEMBER LEVIN: Right.

DIRECTOR FULEIHAN: We have asked the state to join us in that effort so we can do permanent funding into the future. So LINC 1 and 2 are funded into '16 and into the future. The other programs are not. Obviously after the state budget's done we're going to have to have a conversation about how we address this and what the state participation is.

COUNCIL MEMBER LEVIN: What about FY '15 funding, city FY '15 funding because it's, because it's... [cross-talk]

DIRECTOR FULEIHAN: But that's the... [cross-talk]

COUNCIL MEMBER LEVIN: ...been, it's been kind of slow to, on the uptake here and, and there's, we're, we are behind track in terms of placements and so... [cross-talk]

DIRECTOR FULEIHAN: Actually... So we'll come back. We, but we should have this conversation with the executive budget because yes several link programs were slow to get started but we're seeing much...

COUNCIL MEMBER LEVIN: They're working.

DIRECTOR FULEIHAN: They're working, we're seeing improvements and we're hoping for significant improvements. So I, I'm not willing yet to say...

COUNCIL MEMBER LEVIN: ...that there's going to be leftover funds because there might not be leftover funds.

DIRECTOR FULEIHAN: I, I, we'd prefer...

COUNCIL MEMBER LEVIN: Of course.

DIRECTOR FULEIHAN: ...that it not be.

COUNCIL MEMBER LEVIN: Absolutely. But, but it, we might have to prepare for that... [cross-talk]

DIRECTOR FULEIHAN: No we, we understand that but...

COUNCIL MEMBER LEVIN: Yeah.

DIRECTOR FULEIHAN: ...but at this point the, the directive from the mayor is pretty clear. It's one you support.

COUNCIL MEMBER LEVIN: Right. It's get the vouchers out...

DIRECTOR FULEIHAN: Correct.

COUNCIL MEMBER LEVIN: Yes. Last question. Every year I ask about this. The charter budget every year has the increase at prelim is a certain number and then we come back at exec and the increase in charter budget for schools goes up by somewhere between 100 million dollars and 200 million dollars from prelim to exec every year. So do we have, do we have enough... what's, what's the, what's the increase from FY '15 to '16 in the prelim for the charter school budget in, now? And then, and then are we expecting a, an increase at the exec?

DIRECTOR FULEIHAN: So I'm, I'm going to be careful with that answer. I'm going to get back to you.

COUNCIL MEMBER LEVIN: Okay because every year this happens.

DIRECTOR FULEIHAN: I know that's why...

[cross-talk]

COUNCIL MEMBER LEVIN: Last year it was...

DIRECTOR: ...I'm being careful.

COUNCIL MEMBER LEVIN: ...a 200 million

dollar increase year over, from, from prelim to

exec. So we were talking about, it was you know

massive amounts of, of, of money. Our charter

budget is well over a billion dollars now a year.

And it would be great to be able to have clarity at

the prelim so that we can have an accurate

discussion in, at this point in time in the budget

negotiations so that we're not you know just having

this as a, as a... [cross-talk]

DIRECTOR FULEIHAN: Let us, let us get

you that number and let me be sure that's... [cross-

talk]

COUNCIL MEMBER LEVIN: Great.

DIRECTOR FULEIHAN: ...the number.

COUNCIL MEMBER LEVIN: Okay.

DIRECTOR FULEIHAN: I understand what

you're saying.

COUNCIL MEMBER LEVIN: Great. Thank you

very much. Thank you Madam chair.

CHAIRPERSON FERRERAS: Thank you Council Member. We'll have Council Member Williams followed by Council Member Cumbo.

COUNCIL MEMBER WILLIAMS: Thank you just a couple housing questions. We're going to have a housing hearing so you may not know an answer to all of them. But obviously they had a huge debacle for lack of a better word... DOB and HPD and some folks were arrested for doing some things they shouldn't have. I didn't know if there were any budget adjustments to correct whatever the problems were that allowed those problems to exist in the first place.

DIRECTOR FULEIHAN: Yes we, I just wanted to make sure the numbers... we did add 14 positions to DOB specifically for integrity.

COUNCIL MEMBER WILLIAMS: Was there anything associated with any changes in operation to prevent it from happening?

DIRECTOR FULEIHAN: So that final determination has not been made no. They're reviewing that right now.

COUNCIL MEMBER WILLIAMS: Say it again.

DIRECTOR FULEIHAN: They're, that's under review right now.

COUNCIL MEMBER WILLIAMS: And... yeah it does sound like everything's under review but hopefully it will be reviewed by the conversation.

DIRECTOR FULEIHAN: I mean that did just happen. We did make the action on the 14 positions. You know once again the commissioner may have more updated information. That's what I can give you.

COUNCIL MEMBER WILLIAMS: Then, I am appreciative you mentioned, although I wasn't here I did hear it rent law renewals will be, they're very beneficial. You mentioned... decontrolled, there's some others that I think the administration is working out their position on like preferential rent, MCIs, IAIs. But in the 421 A we have about 1.1 billion dollars in tax exemptions that we're, we're losing. Fortunately the administration has of yet to make their position known. The longer we go I think the more insistent many of us will be that we understand what the position is. But has there been any calculations to what the adjustments could mean and how much the resulting could bring us back in the budget.

DIRECTOR FULEIHAN: So once again the focus with Albany, and remember 421 A is something that has to, that sun sets I believe sometime in June. The 421 A conversation is really a post budget conversation. We have focused all the mayor's efforts and all of our efforts on CFE, on enforcing the rent laws. We've stated we wanted them strengthen and, but we, but on enforcement of the rent laws on participation and homeless programs on a new New York New York 4 that's fair to New York City and that addresses needs and that's the focus we've done in Albany. It's a very short time frame. Really their budgets are going to be out in two weeks. So that's been the focus.

COUNCIL MEMBER WILLIAMS: Alright. Well we do have a, you know as you know we do have.. well not as much of a part as we'd like, we do have a part to play in 421 A so my hope is that..

DIRECTOR FULEIHAN: Understood.

COUNCIL MEMBER WILLIAMS: ...there is some thinking about what we could do with some of that 1.1 billion dollars that we're losing. Thank you, thank you Madam Chair.

CHAIRPERSON FERRERAS: Thank you.

COUNCIL MEMBER WILLIAMS: And I had 10 seconds to spare.

CHAIRPERSON FERRERAS: Also duly noted. I appreciate it. Council Member Cumbo followed by Council Member Levine followed by Council Member Miller.

COUNCIL MEMBER CUMBO: On October first 2014 the Office of the New York City Controller issued the Making the Grade Report which provided the analysis and the grades for the city mayoral agencies based on their MWBE spending in the prior fiscal year. I understand out of 32 analyzed agencies only two agencies got the B grade while others received C, D, or F. Although the OMB reviews and approves the project documentation such as contract the most agencies, most agencies don't meet the goals for MWBE participation set by Local Law 1. In the upcoming budget moving forward what role does OMB play in deciding when the priority should be given to MWBE contractor? How will budget allocations to different agencies be impacted by this grading system and, and what will be the penalties or ramifications if any for not making these grading.

DIRECTOR FULEIHAN: So I, we don't participate in the controller's grading system. I actually am not prepared to comment on the controller's grading system. I know that we have increased from 2013 to 2014, MWBE contracts by 57 percent procurement contracts, a huge amount of money. It's 690 million dollars increase. That's...

COUNCIL MEMBER CUMBO: Mm-hmm.

DIRECTOR FULEIHAN: ...pretty good by any measure that I can think of. We have also put more money into small business administration, 1.4 for MWBE participation. The mayor is very committed to this. My Wiley is personally directing this effort so I think with the Mayor's Office of Contracts we are very committed to greater participation by minority and women owned businesses. And I, I think that's clearly reflected in the increase we, we achieve last year.

COUNCIL MEMBER CUMBO: So I guess I would take it that both the mayor and the controller see the MWBE participation very differently.

DIRECTOR FULEIHAN: I, I, I'm, I'm not, I'm honestly not prepared to comment on what the controller's grading system was...

COUNCIL MEMBER CUMBO: Mm-hmm.

DIRECTOR FULEIHAN: ...or what period that covered or...

COUNCIL MEMBER CUMBO: Mm-hmm.

DIRECTOR FULEIHAN: So I don't even know the period so I want to be careful.

COUNCIL MEMBER CUMBO: Okay. The second one is... [cross-talk]

DIRECTOR FULEIHAN: ...came out some time ago actually.

COUNCIL MEMBER CUMBO: Mm-hmm. The second one is in regards to the Department of Cultural Affairs. And so I'm sure you read today in the times about the fact that the Department of Cultural Affairs is going to be doing a diversity study because it showed that the majority of the institutions that Department of Cultural Affairs funds the 90, 90 percent of them do not employ or have individuals on their boards of color. From the findings of this survey is there going to be or is there scheduled to be any increase in the

Department of Cultural Affairs budget as a result of this finding and or this study?

DIRECTOR FULEIHAN: I believe they do have funding to do that but I'll, we'll have to get you that specific answer.

COUNCIL MEMBER CUMBO: Will there be...

DIRECTOR FULEIHAN: They're not city funds but I believe they, they had other funds for this.

COUNCIL MEMBER CUMBO: Will there be funding in regards to the outcomes of that study?

DIRECTOR FULEIHAN: You know once again we'll have a conversation with the commissioner, I'll come back to you.

COUNCIL MEMBER CUMBO: Okay. Okay that's it.

CHAIRPERSON FERRERAS: Thank you Council... [cross-talk]

DIRECTOR FULEIHAN: And by the way there is an MWBE study going on.

COUNCIL MEMBER CUMBO: Mm-hmm.

DIRECTOR FULEIHAN: Right now correct? We're instituting. So we are instituting a, a, a

study on MWBE participation throughout New York City.

CHAIRPERSON FERRERAS: Thank you Council Member Cumbo. We will have Council Member Levine followed by Council Member Miller.

COUNCIL MEMBER LEVINE: Thank you Madam Chair. Director I want to ask you about the Park's capital process which has been a source of consternation for us here in the council because routinely projects can take four years or more, even small ones. One of the problems is that we can't start work until the project is fully funded. So if a council member puts two million dollars to a project nothing can start, even design work, until it's fully funded. Well often preliminary design work uncovers unexpected challenges in a project, maybe site conditions or other issues and the total project budget then inflates and so now we no longer have full funding. And we might have to lose a whole year until we can make up the difference. Is there a way to break out of that maybe by giving some flexibility to begin some portion of the work before you're fully funded or perhaps by funding some prescoping design work,

1
2 give the Parks Department a budget for that so that
3 they can come to council members with a really
4 robust estimate of the cost.

5 DIRECTOR FULEIHAN: So we are trying to
6 address this. We added 1.8 million to the baseline
7 funding to do predesign work. So the attempt is to
8 do this. The community park effort should help on
9 this. We do know we have a time problem and we're
10 trying to work that through.

11 COUNCIL MEMBER LEVINE: One to, 1.8
12 million would cover how many projects? I mean
13 there's, there's four hundred active capital
14 projects today.

15 DIRECTOR FULEIHAN: I, I don't, we don't
16 have... why don't we get an update on how that's
17 working and, and come back to you.

18 COUNCIL MEMBER LEVINE: I'm thrilled
19 about the addition of the money. It strikes me as
20 low considering the vast number of projects we
21 have.

22 DIRECTOR FULEIHAN: Okay but let, let's
23 see if it is before we...

24 COUNCIL MEMBER LEVINE: Okay.
25

DIRECTOR FULEIHAN: I'm not going to speculate whether... [cross-talk]

COUNCIL MEMBER LEVINE: Second question is that unlike some departments the parks department doesn't really have much of its own capital budget. I think it's critical that council members drive capital money for parks because we know our districts better than anyone else. But for some projects which really don't have a lot of political support or a lot of popular support but are critical infrastructure the parks department is left high and dry. I'm thinking upgrading of comfort stations to be ADA accessible. For example couldn't we give the parks department its own discretionary capital budget to deal with those kind of project?

DIRECTOR FULEIHAN: We do, we do, we do.

COUNCIL MEMBER LEVINE: ...is it? How much is it? I'm told that it's very small, maybe a few tens of millions that deal with things like retaining walls and not much more.

DIRECTOR FULEIHAN: So I mean they have 1.5 billion dollars of mayor, mayoral funds and

they have, they have over two billion dollars so why don't we review this with you.

COUNCIL MEMBER LEVINE: Okay we need to unpack that. I don't think they, the department has the ability to plan centrally and strategically and allocate... [cross-talk]

DIRECTOR FULEIHAN: I, I, it's hard to understand that so why don't, we should have a conversation... [cross-talk]

COUNCIL MEMBER LEVINE: Okay.

DIRECTOR FULEIHAN: ...we'll have a conversation with them.

COUNCIL MEMBER LEVINE: Thank you.

CHAIRPERSON FERRERAS: Thank you Council Member Miller who will be on a five minute clock followed by Council Member Johnson and that will end our second round.

COUNCIL MEMBER MILLER: Thank you Madam Chair and thank you to the panel, so good to see you hear again. So forgive me if this question, if, if I am a bit redundant but I, I'm going to go somewhere specific with this and that is to again talk about the contracts cost benefit analysis on our Local Law 63. And if it has been mentioned

1 before I want to talk about it specifically as it
2 pertains to the local labor workforce. And I know,
3 I realize that there are a number of contracts that
4 are going to be up in the next few months. Have we
5 began to take a look at that? And if so what impact
6 would that have on that workforce at potentially
7 being able to do that work in house?

9 DIRECTOR FULEIHAN: So many answers on
10 this. We, we are required to do cost benefit
11 analysis where there's displacement of state, of
12 city employees. We have the mayor's cost savings,
13 the saving measures that we have asked the agencies
14 or specifically about reducing contracts and
15 outsourcing and what we can do internally and
16 that's part of our review for the executive budget.
17 So we do hope to come back with those and that's
18 clearly one of the things we're trying to do.

19 COUNCIL MEMBER MILLER: So in, in...
20 [cross-talk]

21 DIRECTOR FULEIHAN: I, I don't have
22 right now... [cross-talk]

23 COUNCIL MEMBER MILLER: No I'm not going
24 to ask you if, I, I'm not going to ask you for a
25

list of agencies although I would hope to see those agencies... [cross-talk]

DIRECTOR FULEIHAN: Understood.

COUNCIL MEMBER MILLER: Perhaps we should...

DIRECTOR FULEIHAN: Sure.

COUNCIL MEMBER MILLER: ...help push it along. And, and, and kind of what we're, we're getting at is, is that I do understand that there are a number of contracts, significant number of contracts that will be expiring in the very near future. Are those RFPs going out prior to this, this information, this study coming back so that you can then evaluate intelligently whether or not...

DIRECTOR FULEIHAN: We, we are not, we have not stopped agencies from doing contracts. There are many contracts that we all need and programs that we really do want to get out there. But we have asked agencies to find savings and places where we can bring things back into a city workforce. So we have not stopped contracts specifically for that purpose. We have asked the agencies to come back to us.

1
2 COUNCIL MEMBER MILLER: So let me just
3 be clear. I, I know during the mayor's preliminary
4 budget there's, we, we, you kind of touched on that
5 briefly when the question was asked and you said
6 that of course that they would be looking to do the
7 work in house wherever possible. So I, I think that
8 if in fact we, we continue to move forward on
9 contracts without, without evaluating their, their
10 usefulness that perhaps we allowed a horse to leave
11 the barn before we get the most bang for our buck.

12 COMMISSIONER LINN: So let me just add
13 that we do have a process, an ongoing process with
14 the unions, the municipal unions, to be looking at
15 exactly this issue. And we are exploring with them
16 data and information and I think we have started
17 much as in the rest of our approach with labor a
18 collaborative process to look at the types of
19 issues that you, you want us to look at. And we
20 indeed agree that they should be examined.

21 COUNCIL MEMBER MILLER: So I, I, I'm
22 hearing that you are at the table with these
23 particular impacted bargaining units and that they,
24 because by, I'm, I'm sure that part of 63 says
25 that, that they also have an opportunity to kind of

show that they can do the work in house. So obviously there's some dialogue going on about...

COMMISSIONER LINN: There's some dialogue going on. I don't want to go through the specifics of, of what we're talking about but, you know in, in what areas but we are in fact, have commenced a dialogue with the unions on this, on this...

COUNCIL MEMBER MILLER: Okay. Thank you...

CHAIRPERSON FERRERAS: Thank you Council Member Miller. We will now have Council Member Johnson and that will end our second round.

COUNCIL MEMBER JOHNSON: Thank you Chair Ferreras because I don't have, don't have much time. So in the capital plan there's 70 million dollars for this fiscal year towards Riker's Island, towards a new facility, Capital Dollars. Next year 84 million dollars towards that same facility, I understand it's supposed to be a new jail, a new facility. I was wondering if you could talk a little bit about what the plans for that are. And then separately Dean have you, I know the mayor, have you been to Riker's?

DIRECTOR FULEIHAN: I, I have not.

COUNCIL MEMBER JOHNSON: You've not. So it's, I mean the facilities there are so depressing it's a really difficult place to begin with but then the physical structures are really bad and now there's a commitment to put cameras in which is great but we need dedicated capital funds to the existing buildings as well. I think that's really important. And I want to understand what that 154 million dollars is for exactly.

DIRECTOR FULEIHAN: So we're in design now on that facility and it is to deal with the capacity problems that you've identified. But to be really blunt about this we are, we are having, we are in conversations with the commissioner on what other improvements need to occur at Riker's.

COUNCIL MEMBER JOHNSON: Okay I would just...

DIRECTOR FULEIHAN: So...

COUNCIL MEMBER JOHNSON: I mean I, I hope that the new facility hopefully expands what we've heard about from DOC on the CADs unit, the Clinical Alternative Depunitive Segregation, the Pace Unit, these different units to deal with

seriously mentally ill people which are 40 percent of the population at Riker's.

DIRECTOR FULEIHAN: So the answer's yes to each one of those.

COUNCIL MEMBER JOHNSON: Okay and then you know...

DIRECTOR FULEIHAN: And that is the goal because...

COUNCIL MEMBER JOHNSON: Great.

DIRECTOR FULEIHAN: ...physical structure doesn't always...

COUNCIL MEMBER JOHNSON: I know and I applaud the administration for inheriting a real disaster from the previous administration and stepping up with tens of millions of dollars to try the right the course at Riker's. It's not sexy. It's not what constituents are typically writing about but it's the humane and important thing to do for our city. So I really applaud the administration. On that we had a hearing yesterday on Corizon, the contracted provider, 140 million dollars a year, three year contract, over 400 million dollars. They were downgraded by DOHMH last year. I know there are conversations that are

1
2 occurring on what should be done. The contract's up
3 for renewal on December 31st. I'm wondering how
4 involved OMB is in those conversations.

5 DIRECTOR FULEIHAN: We're part of, yes
6 we are part of this team and we have the same
7 concerns so we're... [cross-talk]

8 COUNCIL MEMBER JOHNSON: Okay.

9 DIRECTOR FULEIHAN: ...we are very much
10 involved.

11 COUNCIL MEMBER JOHNSON: And then I
12 would also say that I know that you all put in
13 money in the November plan for discharge planning
14 at Riker's, 28 new positions, 1.17 million dollars
15 in fiscal year 2015, 2.26 million in 2016. I want
16 to just, we don't have to do it now but I want to
17 understand what that's going to do to discharge
18 planning. How many new people are we going to touch
19 through discharge planning? So if we could get that
20 information that would be great.

21 DIRECTOR FULEIHAN: Right. We're happy
22 to.

23 COUNCIL MEMBER JOHNSON: And then lastly
24 there's a bill in the council to try to get full
25 service animal shelters in all five boroughs. We

1 don't have them in Brooklyn and Queens currently.
2
3 There was a commitment by DOHMH to do a full
4 service shelter in Queens, currently there is a
5 really lackluster animal receiving site. The money
6 that was put in the budget for that most recently
7 keeps getting pushed to the out years further and
8 further and further along. So I want to understand
9 what the capital plan is for the animal shelters
10 in, in the Bronx and in Queens.

11 DIRECTOR FULEIHAN: So we're still
12 working with DOHMH on the cost of that. So let me,
13 I, I need to come back to you.

14 COUNCIL MEMBER JOHNSON: It would be
15 helpful if before the, the Department of Health and
16 Mental Hygiene has their budget hearing if you all
17 could get them the information that they need
18 because they couldn't answer it a week ago.

19 DIRECTOR FULEIHAN: Okay.

20 COUNCIL MEMBER JOHNSON: Thank you.
21 Thank you Chair.

22 CHAIRPERSON FERRERAS: Thank you.
23 Director Fuleihan it is now a quarter to one. Thank
24 you very much for coming to testify today. We had
25 a, we have a lot of commitments, a lot of promises,

and I'm looking forward to getting some answers.
We're, this committee's going to follow up with
some questions that were not asked so I'm hoping
that I can get those responses so we can prepare
for our budget response. Thank you very much for
your... [cross-talk]

DIRECTOR FULEIHAN: Thank you.

CHAIRPERSON FERRERAS: ...testifying and
thank you for, to your team for being here. Thank
you very much.

DIRECTOR FULEIHAN: Thank you so much.

CHAIRPERSON FERRERAS: We are going to
take a 15 minute break. I know Commissioner Jiha's
here and council members Commissioner Jiha really
wants you to stay to hear his testimony at, we will
resume in 15 minutes, thank you.

[PAUSE]

CHAIRPERSON FERRERAS: Good afternoon
and welcome to the first day of the council's
preliminary budget hearings. My name is Julissa
Ferrerias and I am the Chair of the Finance
Committee We just heard from OMB Director Dean
Fuleihan we will now hear testimony from
Commissioner Jacques Jiha from the Department of

Finance. We have three more agencies to hear from today after DOF so in the interest of time I will forego an opening statement and begin this portion of the hearing with testimony from Commissioner Jacques Jiha once he is sworn in by my council.

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

COMMISSIONER JIHA: Yes.

COMMITTEE COUNCIL: Thank you.

COMMISSIONER JIHA: Good afternoon Chairwoman Ferreras and members of the city council Committee on Finance. I'm Jacques Jiha, Commissioner of the Department of Finance. I'm joined today by Michael Hammond First Deputy Commissioner, Jeffrey Shear Deputy Commissioner for Treasury and Payment Services. Thank you for the opportunity to testify before you today on our fiscal, the year 2016 preliminary budget. First, I'm glad to report that the city finances are in good shape. Through February the city collected 38 billion dollars which... 7.9 percent increase over the same period last year. Our average daily unrestricted cash balance for the first eight

months of the fiscal year was 9.1 billion dollars and exceeds the average for the same period last year by 1.6 billion dollars. When I testified before you last June had been at the Department of Finance for less than one month. Since then I have immersed myself in all aspects of the agency's business operations and I've gotten to know the many great public servants of our agency. I've also begun to operationalize the four basic pillars; fairness, transparency, efficiency, and exceptional customer service that have guided our decision making process in the last nine months. In my testimony today I will discuss these four principals have been applied to existing processes and programs resulting in significant accomplishments in our first year in setting the foundation to create a more progressive and innovative agency. I will also explain how they shape my vision for the future. One of my first priorities upon becoming commissioner was to establish a culture of accountability reviewing complaints brought to our attention through a lens of fairness. This has significantly impacted our issues are now resolved. We except responsibility

for mistakes we have made and correct them in a timely manner even refunding money where it's appropriate. While we have improved our deal with individual complaints we also recognize the need to bring a fresh perspective into the review process. And we are creating the office of the taxpayer advocate what may be the first for a municipality in this country. As an independent office we thank the Department of Finance to hold us accountable, identify systemic issues, and view concerns through a different angle than our in house staff that are focused on managing the daily operations. Another priority of the agency is to ensure that policies, procedures, and interactions are clear, simple, and unambiguous. Transparency, predictability, and open dialogue are critical to foster trust and are characteristics of what taxpayers and the representatives should expect from the government. To that end we have ensured new... of audit procedures to ensure consistent, consistency and clarity of our audit process. We are making it easier for small property owners to file their real property income and expense... by creating RPI a shortfall one that is as simple as the IRS easy

form. We have reduced penalties for property owners who fail to file or are late in filing their income and expense information realizing that many of those who fail to file on properties with low assets value and ends at the least ability to pay their high penalties. Additionally we have changed our, our policies so that commercial property owners can set aside replacement reserves in computing property net income similar to what other colleges in the nation allow. Property owners are also allowed to deduct market rate expenses for tenant improvements in these commissions. At our business centers we have streamlined our processes and deployed a retrained staff to enhance customer service. I am pleased to report that the wait time at our centers is down to an average of seven minutes from a high of 25 minutes last April, a 7.2 percent reduction. We are deeply committed to our work on behalf of seniors and those with disabilities. For the first time the agency is focused on identifying eligible households in neighborhoods with the highest percentage of under enrollment for the senior citizen with increase exemption and the disability with increase

exemption programs also known as SCRIE and DRIE. Last December we issued a report detailing our findings in outlining our efforts rebranding SCRIE and DRIE as a New York City rent freeze program and launching a major outreach campaign targeting the ten neighborhoods with the highest percentage of eligible households. The... strategies combined with the increase in the annual, in, household income threshold from 29 thousand dollars to 50 thousand dollars resulted in 31 percent more SCRIE and DRIE application, applications this fiscal year over the same period last year. Our commitment to this program is demonstrated in the scope of our outreach efforts. The number of forms held in 2014 for SCRIE and DRIE was by 200 percent. We held 77 SCRIE related events in 48 different council districts. 30 of them were sponsored by council members in every borough in the city. In addition we held two events to train council staff on the rent freeze programs to help them better assist constituents. Another area where we have made significant progress is in preventing... A home is still the most valuable asset for many people. Unfortunately there has been a dramatic increase in

the number of incidents in which people have lost their properties because of fraudulent deed recording. When this was brought to our attention we realized that we have to do something but the law does not give us much we go on. By law the city... is required to record a deed as long as it is in recordable form meaning it is certified by a public notary as a seller signature, a buyer signature, and other specific documentation. We did not however let these little constraints stop us from taking action. We implemented important changes expanding our quality review updating our land record management system to reflect patterns of fraudulent filings and inserting the city sheriff within the review process. We also expanded our recording documentation notification program to automatically send notices to registered property owners when a deed is recorded against the property. Such tactics have brought 600 suspected fraudulent transfers and resulted in seven deed fraud related arrests. These measures however are merely wood blocks. We are developing legislation and we'll work with the council and the state legislature to come up with more robust solutions.

During the past year the Department of Finance have actively work to fulfil the mandates of the city council 2012 responsible banking act. I the fall of 2014 we hired a consult solutions and two bank analysts to assist the newly established community investment advisory board with the... of the required... reports. The eight member board held its first meeting on January 13 and conducted public hearings in borough, in each borough between February 9 and the 18th. The CIAB plans to release its first biannual banking needs assessment in April and its first annual report on the first, on the 25 New York City designated banks in November. While we are proud of our accomplishments this past year we have a lot more to do. We are positioning the agency to adapt to a rapidly changing business environment. As a... physicist William Pollard once said the arrogance of success is to think that what you did yesterday would be sufficient for tomorrow. I am a student of that philosophy. Success of the agency depends on our ability and willingness to change and adapt not only in response to but also in advance of changes in technology, regulation, and consumer preferences. The Department of Finance

is too often constrained by 20th century systems, laws, and protocols that I've left the agency... the technological changes and operational practices that are transforming the world around us. We must become honorable in providing services for new modes of delivery and... and modernize our laws for conducting business in today's environment. This transformation is a multi-effort. Beginning with leveraging technology to provide our customers with more options to pay the taxes and parking tickets. This month as part of a pilot program at Brooklyn Business Center will accept mobile wallet payments such as apple pay, google wallet, and soft card. Last December we released a request for information seeking ideas from the technology community and I've already received a large number of promising sponsors. The goal is to allow customers to pay parking tickets, schedule a hearing if they want to challenge a summons and upload evidence using their mobile devices. We are also making our existing payment website mobile responsive and are exploring new technologies that would allow for payment using digital currencies. We are replacing our over 20 year old legacy computer system for business and...

taxes. We... tax software solution. The new system is highly configurable and will enable the agency to more easily adapt to, to changes in tax rate and other changes tax flows. AT the same time we are implementing a new property tax administration system which is scheduled to go live in 2016.

Technology and process changes are only one part of the equation. We must change, also change outdated laws to reflect the way business is conducted in a 21st century. We are on a verge of making dramatic changes to... in making tax laws. The city business tax laws date back to the 1940s and reflect on outdated financial regulatory structure. The repeal of the... act in 1999 and other changes to the regulatory environment has since led to the cost... and financial services companies. In 2014 New York state enacted a major business tax reform initiative that... treatment of banks and other corporations and changed how taxable income is computed for all cooperation's. Earlier this year we introduce a proposal to conform city business tax laws to key elements of the new state system in... manner. City state consistency on the... of taxes is critical to facilitate joint audits and prevent

major administrative burdens for both taxpayers and the city. These tax changes will also incentivize businesses not only to remain in the city but also to relocate to New York City since allocated income would be determined by where the customers are rather than the employees. A corporate business tax package will also provide relief to about 45 thousand small businesses. The proposal will exclude the first ten thousand dollars of the capital tax base which will eliminate a tax for more than 90 percent of the capital based taxpayers. It will tax... small... manufactures with less than one million dollars in allocated net income at a rate of six and a half percent down from 8.9 percent and tax small manufacturers with less than 10 million dollars of allocated net income at a rate of 4.4 percent which is a reduction of 50 percent. The current tax package... only at a C corporate tax level. The next phase of reform is to modernize the tax treatment of limited liability companies, partnerships, and sole proprietorships in the revenue... To support our plan we have created a tax force on... taxation composed of industry experts and tax practitioners we advise

the agency on how best to proceed. As a result of the regulation and advances in technology the telecommunications industry has changed dramatically. Yet the city... tax is still premise on the taxation of telecommunication services that both originate and terminate in the city... back to when AT&T was a monopoly and almost all long phone calls were local. This stands in sharp contrast to the bundle telecommunication packages such as internet, cable, and telephone services that are purchased today. We will consider our best... tax regime that affects... telecommunication and energy industries. Now that I've outlined some of our accomplishments and our plans for the future I would like to report on some key aspects of current activities. In January we release... assessment will valuing more than one million properties with a total market value of 988 billion dollars a 9.1 percent increase from last year. Not effective in a tentative assessment roll is our proposal to provide relief to property owners, to properties that have been rebuilt or repaired since damage by Eric and Sandy. Last year working with the state legislature and the council we provided some

temporary relief to homeowners. This year we are proposing a more permanent solution which will adjust the assess value of Class 1 and Class 2 properties with ten units or fewer after rebuilding so that their rebuilt properties are in the same position they would have been had the storm not occurred. A physical increase in the, in assess value above and beyond the... can only occur if the homeowner rebuilds a larger house than what existed prior to Sandy. The law will apply to rebuilding affected in the assess value for fiscal year 2016 and in five subsequent years for 2021. In May we will proceed with our lean sale for delinquent properties. While 98 percent of this past fiscal year property tax levy was collected a small portion of owners did not pay their property taxes on time. We sent, sent a 90 day warning notice to 27,233 property owners whose... may become part of the lien sale. Based on our own experience only 20 percent I expected to have the lien sold. The rest will either pay the tax bill or enter into a payment plan. Since 1996 the city has collected 1.3 billion dollars in delinquent property taxes through the lien sales process. This year sale is

projected to generate approximately 80 million dollars who would prefer property owners to pay the delinquent taxes before enforcement measures are taken. That is why each year we make every effort reach delinquent property owners before the lien on the property is actually sold. In addition to putting full page announcements in many newspapers in different languages we mail five separate notices to delinquent property owners before selling their lien. We also conduct meetings for property owners throughout the city on the lien sale process. The city only sells liens when owners fair to respond to this notification by making payment or entering into a payment agreement. Again our priority is to resolve delinquent tax situation with property owners before liens are sold. My advice to taxpayers if you have financial difficulties and cannot pay your difficulties please reach out to us. We will set up a payment plan that allows you to meet your tax obligation. I hope that my testimony today as fully outlined our board agenda for the Department of Finance. We have worked very hard to change the culture of the agency to become customer-centric requiring us to

1
2 be more engaged, responsive, transparent, and
3 accessible to the public. These changes have made
4 many folks very happy. And I hope and expect that
5 to continue. We will disappoint some taxpayers at
6 times too. That comes with the territory. But our
7 objective is for no taxpayer to ever say they were
8 not treated fairly or... again thank you for the
9 opportunity to testify before you today. At this
10 time I'm happy to take your questions.

11 CHAIRPERSON FERRERAS: Thank you
12 Commissioner Jiha and thank you to your team who's
13 been working closely with our finance staff and I'm
14 really excited we actually... you're going to have a
15 couple of congratulations. Your testimony speaks to
16 a lot of the work that you've been doing and we
17 appreciate it. I want to just dig right in and talk
18 about your five, your 55 As. I know we had a
19 conversation about this but I wanted to get into
20 the record. New York City has a program called 55 A
21 after its section of the civil right, a civil
22 service act permitting the disabled to obtain civil
23 service status without taking competitive exams in
24 2011 when DOF eliminated the jobs with the office
25 machine a job title the worker sued the city

1 claiming a violation of human rights law. They won
2 and now DOF has to rehire 16 of those aids. And
3 commissioner I know in our conversation this is
4 something that was very important to you to do
5 these rehires butt I know that there may be a
6 challenge in the machines that they used to use.
7 And as we talk about modernizing DOF I wanted to
8 know have these individuals been hired? What were
9 their salaries be? Will it be the same as previous?
10 And in 2011 DOF claimed the job was eliminated
11 because of technology that was made obsolete what
12 title or job responsibilities would the rehired 55
13 As have?

14
15 COMMISSIONER JIHA: Yes thank you. And
16 as you, as I indicated to you before this is
17 something which is to us it's a very decent thing
18 to do to bring these people back to the workforce.
19 I believe well we have hired many of them but... some
20 of them back. I think some, some of them still go
21 into the parks... [cross-talk]

22 CHAIRPERSON FERRERAS: I'm so sorry
23 Commissioner can you bring the mic a little closer
24 to you.

25 COMMISSIONER JIHA: Yeah.

CHAIRPERSON FERRERAS: Thank you.

COMMISSIONER JIHA: We, we've brought back many of them and I don't know... 22, we brought back 22 so far.

CHAIRPERSON FERRERAS: Okay. And what are the titles?

COMMISSIONER JIHA: ...Associates at 30 thousand dollars.

CHAIRPERSON FERRERAS: Okay and do you have a timeline for the remainder?

COMMISSIONER JIHA: That is about...
[cross-talk]

CHAIRPERSON FERRERAS: Oh that is...

COMMISSIONER JIHA: ...yeah.

CHAIRPERSON FERRERAS: Okay, great. And now I'm going to talk about the community investment advisory board. I want to thank yourself and also New York City Treasurer Linc House [phonetic] for taking the CIAB seriously and conducting very professional hearings. They did an amazing job, the needs report will be released on April 30th but I just wanted to give you that plug because this is very important to this council. And just background the community investment advisory

1 board was established in 2012 to implement the
2 provisions of the responsible banking act. The CIAB
3 provides information to the public about banking
4 needs of this city and how those needs are being
5 met by the city's 25 depository banks. Some have
6 argued that some depository banks will not review
7 the depository status. If the banking needs
8 referenced by the board we'll be too onerous on the
9 banks to comply and thus not worth their depository
10 status. Have you seen this trend in other cities
11 that, that have responsible banking act. And I know
12 the deadline to reapply or, or for redesignation as
13 this Friday do you expect some depository banks to
14 not renew their depository status.

16 COMMISSIONER JIHA: The only place that
17 I, that we, we have some information at this point
18 in time about this issue is we understand that some
19 bank have decided to.. But I don't have any
20 information any other place where that's, that took
21 place. We have a very strong, we have a very good
22 relationship with our banking partners and I'm
23 expecting if, I don't expect to, you know that, you
24 know many of them or all of them would fall. I, I
25 don't expect that because as I said we have good

1 relationship with them and will always work out any
2 issues that could arise. And we'll also give them
3 the opportunity also to remedy whatever issues
4 that, that may arise out of the report. So I'm not
5 expecting to have some, a lot of banks... of, of the
6 program just because of the implementation of the,
7 the, the legislation.

9 CHAIRPERSON FERRERAS: Last year DOF
10 received funding to hire two employees with the
11 expertise in community development banking services
12 and community reinvestment act. In order to assess
13 banking service needs throughout New York City and
14 meet terms of the enacted legislation do you think
15 the staff level will be more or less permanent or
16 do you foresee it need to increase the size of
17 scope within this unit.

18 COMMISSIONER JIHA: This is new to us to
19 be quite honest... we are assessing our needs as we
20 go. But so far we, has been very involve, require a
21 lot of resources on our part. But at this point in
22 time I don't see the reason to ask for more
23 resources. But as we go, as we, and as we continue
24 to implement the program we will do an assessment
25 of our needs and if there's a need we'll come back

to the council and ask, and request for more resources.

CHAIRPERSON FERRERAS: Okay. And can you provide any updates or details on the DOF's role in preparing the needs assessment, public hearing component, and review of New York City's designated bank data associated with the legislature?

COMMISSIONER JIHA: As I indicated my testimony we, we've been implementing the legislation will hire, we couldn't place all, our entire infrastructure by hiring a consultant to work with us. We had a couple staff to basically advise the CIAB in terms of what needs to be done. We held a public hearing, we held public hearings in all five boroughs of the city and I believe we have a report coming out at the end of the month of April... at the end of April. We dedicated an entire section of our website to the CIAB. I'm... something else you want to add more Jeff or...

JEFFREY SHEAR: Well first we've been doing... [cross-talk]

CHAIRPERSON FERRERAS: First you're going to say your name.

JEFFREY SHEAR: Yes. Jeffrey Shear.

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2 CHAIRPERSON FERRERAS: Thank you.

3 JEFFREY SHEAR: Do I need to be sworn
4 in?

5 CHAIRPERSON FERRERAS: No, I think we're
6 okay.

7 JEFFREY SHEAR: Okay.

8 CHAIRPERSON FERRERAS: Are you going to
9 be honest?

10 JEFFREY SHEAR: Yes...[cross-talk] yes I
11 will.

12 CHAIRPERSON FERRERAS: Alright.

13 JEFFREY SHEAR: So first I want to say
14 that all of the things that the commissioner
15 mentioned we've been doing in conjunction with the
16 council. We've been working very cooperatively and
17 we thank the council and in particular Tanisha
18 Edwards for being a member of the CIAB and working
19 so closely with us. In addition to what the
20 commissioner said we are planning to post some
21 initial citywide banking data on our website
22 sometime next week.

23 CHAIRPERSON FERRERAS: Great. Well thank
24 you. I just wanted to make sure we got that on the
25 record.

COMMISSIONER: And, and I should give
applaud to Jeff and Elaine for a job well done
because as you can imagine this is very challenging
require a lot of time and energy on their part to
make sure... and also Jackie Gould [sp?] our advisor.
So they, they... on the staff. They put a lot of
times into this program and work with Tanisha who
has been very very very helpful in terms of working
with us to make this happen.

CHAIRPERSON FERRERAS: Great. So I'm
going to congratulate you again. And that is on the
RPIE short forms. I think you know this council has
been working on this and requesting this for years.
So for you to come in and make, and identify that
this was a need and make it happen with no if ands
or but I think is impressive and this council
congratulates you on that. But that being said...

COMMISSIONER JIHA: Thank you... [cross-
talk] team... [cross-talk] with that and, and...
[cross-talk]

CHAIRPERSON FERRERAS: I, I wanted to
better understand when you talk about the reduction
by how much. How does the, how does this impact the

delinquency rates? And would you consider including RPIE collection methods in the PMMR.

COMMISSIONER JIHA: One, let's start with the, the... structure, the... structure is a little complicated. I will provide Leo the, you know the, the detail. I will provide the staff the detail because it's a little complicated in terms of... structure.

CHAIRPERSON FERRERAS: Okay.

COMMISSIONER JIHA: So it's... But we have reduced it significantly...

CHAIRPERSON FERRERAS: Okay.

COMMISSIONER JIHA: ...the fee itself.

CHAIRPERSON FERRERAS: Right.

COMMISSIONER JIHA: With respect to including the collection weight as part of the... and I don't, I don't see any reason not to because as I said we're trying to be as transparent as possible. So to the extent that... information and if we have that information... [cross-talk]

CHAIRPERSON FERRERAS: Great.

COMMISSIONER JIHA: ...I don't think it's a problem. And we'll talk with my trust staff to

1
2 make sure that she includes that into, in the
3 report. So it's not an issue.

4 CHAIRPERSON FERRERAS: Fantastic, thank
5 you very much. And the delinquency rates, did you
6 address that I'm sorry? Does this affect... [cross-
7 talk]

8 COMMISSIONER JIHA: For, for the RPIE?

9 CHAIRPERSON FERRERAS: Yeah.

10 COMMISSIONER JIHA: We have a compliance
11 with right now over 90 percent.

12 CHAIRPERSON FERRERAS: Okay. So I know
13 that you had mentioned in your testimony and I
14 think it's very impressive their decrease in time
15 that, and when we talk about customer service
16 there's nothing more frustrating than going to any
17 agency but a Department of Finance in particular
18 and having to wait. I, I'm assure, I'm sure that
19 it's because your team is more efficient but have
20 you seen any decrease in actual New Yorkers going.
21 Has that allowed for the decrease in time or is it
22 a combination of things.

23 COMMISSIONER JIHA: No actually we have
24 a, the volume of transaction is, is up.

25 CHAIRPERSON FERRERAS: Okay.

COMMISSIONER JIHA: So it's not the...
yeah the volume of transaction is up. I could
provide the, the actual number but it's...

CHAIRPERSON FERRERAS: Okay so you're
just more efficient.

COMMISSIONER JIHA: It's... we, we try, we
improve our process and we, we train the staff and
we deploy them accordingly.

CHAIRPERSON FERRERAS: Great. And I have
two more sets of questions and then I'm going to
open it up to my colleagues. We've been joined by
Council Member Barren and Council Member Cornegy.
The taxpayer advocates office which I know is
something that's very important to you, to you and
your team. You have stated that your office is in
the process of creating the taxpayer advocate. The
federal government has a national taxpayer
government, I mean advocate which is created by law
and is required to report to congress independently
and cannot, and can't be defunded by the IRS. New
York state has a taxpayer advocate that was created
a few years ago and is housed in the New York state
Department of Taxation of Finance. The state office
was not created through legislation though there

were bills to try to codify its existence. Okay.
Will the creation of the office of the taxpayer advocate within the Department of Finance require legislation and what will be the scope of the taxpayer advocates office?

COMMISSIONER JIHA: The way we see it it's... initial fees it's the taxpayer advocate will be appointed by me. In the initial phase in the first couple, you know for the first couple years as we're setting up the office. But I think ultimately next couple, two, day after we will seek legislation to have codify into the law. Our model is not the New York state model, our model is, model is the IRS model.

CHAIRPERSON FERRERAS: So can you walk me through why the appointment and then the legislation as opposed to just doing...

COMMISSIONER JIHA: Well it's, we have to have the office up and running so you have some, somebody has to basically be out there hire staff, you know do what, everything that you need to do to put together infrastructure.

CHAIRPERSON FERRERAS: Do you, do you foresee the taxpayers off, the tax advocates office

COMMISSIONER JIHA: Oh you would have a lot more teeth with legislation.

COMMISSIONER JIHA: You would have a lot more teeth with legislation than... [cross-talk]

COMMISSIONER JIHA: ..without because...

And again I, I don't want to have the perception out there because our goal is to create an office which is very independent of the Department of Finance. So we're not trying to undermine something that we're trying to create. So to the extent that we would have it be codified into the law we will. And as I said the initial phase has working the kinks around the office where... set it up ourselves and appoint somebody. But eventually after two years I... for the council and have the mayor appoint the person and have the council confirm the person. So that's the model. That, again as I said the, the, the model that we, we have in mind is a IRS model, a national model.

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2 CHAIRPERSON FERRERAS: Okay the, the
3 national, the federal model.

4 COMMISSIONER JIHA: Yeah not the...
5 [cross-talk]

6 CHAIRPERSON FERRERAS: Which you know of
7 course the council is always...

8 COMMISSIONER JIHA: Sure.

9 CHAIRPERSON FERRERAS: ...prefers the one
10 that can come...

11 COMMISSIONER JIHA: Of course.

12 CHAIRPERSON FERRERAS: ...and that we have
13 direct oversight over.

14 COMMISSIONER JIHA: Of course.

15 CHAIRPERSON FERRERAS: So while I'm, I,
16 I understand and, and recognize the importance of
17 the advocate we also would like to be able to have
18 oversight and ensure that this is being handled in
19 the way that you intended.

20 COMMISSIONER JIHA: Yes.

21 CHAIRPERSON FERRERAS: But also we
22 recognize that there is currently nothing in the,
23 there isn't a budget liner, anything related to the
24 budget that directly funds the taxpayer advocates
25

office. Why was that decision made? What are your thoughts?

COMMISSIONER JIHA: It will be part of the executive budget.

CHAIRPERSON FERRERAS: It will be part of the executive budget. That's exactly what we want to hear... [cross-talk] Okay I'm going to talk about business tax reform and then we're going have questions from Council Member Rosenthal followed by council Member Miller. The council has long been concerned about the taxation of small businesses. DOF's proposal to conform the city's business tax that sort of states recent changes is now in the state's executive budget as you stated in your opening testimony. If enacted the proposal would lower taxes for small businesses that are seed corporations but most of all small businesses are neither, businesses are either unincorporated such as sole proprietors and partnerships or S corporations and therefore were not covered by the proposal. And it, I know that you mentioned this in your opening statement but could we get more details on your plan for the, to, I'm sorry on your plan for the proposal of any similar changes from

the unincorporated business and the S corps that might lead to a tax reduction for them.

COMMISSIONER JIHA: As, as you know we, when we start the process we, it was about seven months ago. And so we, when we analyze the situation at that point in time we realize it would be almost impossible to do, transform the entire universe all at once. So at that point in time... decision to split, to address the corporate tax system first since the New York state has already made work on that, on that, on, on that front. So we could always piggyback on what the state did. So it would be a lot easier for us to just basically follow the city model okay because the city has already laid the groundwork, they already done the work. So it would be easier for us to do. Once we got this out of our way we know we have to begin to tackle the issue of tax, tax reform, modernization for partnerships is, again and the crusade of small businesses which are mostly partnership, sole proprietorship, or LLCs. We lack too much of our belief, too much of our, I think we created a taskforce on thoughtful business tax entity composed of basically practitioners and industry

1 experts. They seem to advise the, the, the agency
2 on how best to proceed. As you can imagine for us
3 to do it in a revenue neutral way we have to find
4 ways to do it so it's going to take us some times.
5 And but the goal is to come up with the proposal
6 sometimes at the end of this year okay. And to
7 propose it to the mayor and the council and discuss
8 it with the state... partners to see if he could be
9 included into, into the laws sometimes next year.
10 As you can imagine it's, there's going to be a lag
11 between... we're trying to minimize the lag because
12 if the tax, if the corporate section is enacted
13 this year and it's going to be retroacted for
14 January 1st okay. And we don't want to have too
15 much of a lag between the enactment of that
16 corporate section of the law and what's going to
17 apply to the sole proprietorship or LLCs or
18 partnership as you can imagine because many
19 businesses cost own. They own, you know have, you
20 have corporation that owns, that own LLCs or, or,
21 or partnerships or... partnerships that own also a
22 corporation. So you don't want to have a disjointed
23 laws for too long on the book so our goal is to
24 complete things sometimes at the end of this year
25

and to have legislation enacted sometimes next year be retroactive for beginning of January 2016.

CHAIRPERSON FERRERAS: Thank you Commissioner. I know that the conformity is plan to be, is supposed to be revenue neutral, does the administration expect the conformity proposal to have any other effects? Will it alter business climate? And will it change who pays the tax?

COMMISSIONER JIHA: It, it will and as I said in my testimony it's... Modernization of the tax code is critical and it's very important. You can imagine the introduction of concepts such as a single sales factor, market sourcing, any combination. We basically design more efficient ways of, of creating a tax regime than the model that we had before with a lot of moving parts. So to, from our perspective this is very good. When you look at a section of you know of the, one of the aspect of the proposal notion such as market sourcing and... factor from our perspective this has, this will probably have a, some ramifications from a community development perspective in terms of attracting businesses from New York because now businesses in New York City do not have... okay to

1
2 pay taxes... because they are employers of New York
3 City.

4 CHAIRPERSON FERRERAS: Mm-hmm.

5 COMMISSIONER JIHA: Okay. So they would
6 have incentive to export because moving to New York
7 City won't cost you... taxes.

8 CHAIRPERSON FERRERAS: Mm-hmm.

9 COMMISSIONER JIHA: Okay? So from our
10 perspective this is very good. The other aspect
11 which is critical is the current structure, that
12 the current law that we, the current proposal also
13 provide relief to about 45 thousand small
14 businesses. And as I said in my testimony a small
15 manufacturer would have its tax reduced by 50
16 percent.

17 CHAIRPERSON FERRERAS: Mm-hmm.

18 COMMISSIONER JIHA: Okay? This is very
19 significant.

20 CHAIRPERSON FERRERAS: Thank you
21 Commissioner. I wanted to talk about community
22 banks. Some community banks have expressed concerns
23 about the proposal. In your opinion will this hurt
24 our community banks and what have you heard from
25 the community bank?

COMMISSIONER JIHA: The, the issue is it's not community bank, community banks in New York City per say. The challenge we have is what I call in state community banks but out of New York City. ...in community banks on Long Island. That's what we have the complaints because the new you know... because of the sourcing rules they have to basically, they make loans in New York City. Now the loans that they make in New York City have become part of their receipts. Okay? So that's a condition but we're working with them to see if we could try to find ways to...

CHAIRPERSON FERRERAS: Okay. And if conformity proposal is approved by this date does DOF anticipate any administrative challenges in implementing those changes?

COMMISSIONER JIHA: No actually in anticipation of the, the enactment of the legislation we have already we organize... a lot of the units we have, we thank the agency... in order to... we have a division that does all of our banks, you know a section, you know a group that does all of our banks, all of corporations, all the small business and unincorporated business status we

1 already... in that suspicion of that. So I don't,
2 it's not going to be an issue for us in terms of
3 administration. We, we will work with our
4 collections for, with our payment people, our
5 payments folks basically to come up with new forms,
6 you know that it's going to require some work. I
7 don't, I'm not underestimating the amount of work
8 that's involved but I don't think that's going to
9 be a major problem, hurdle for us to overcome.
10

11 CHAIRPERSON FERRERAS: Thank you
12 Commissioner. We're going to be beginning our
13 questioning, or continuing our questioning by
14 council members. We will have Council Member
15 Rosenthal followed by Council Member Miller. Again
16 colleagues we'll be on a five minute clock. And if
17 needed we will do a second round of three minutes.
18 Council Member Rosenthal.

19 COUNCIL MEMBER ROSENTHAL: Thank you
20 very much Council Member Ferreras for holding this
21 hearing since starting us off with all the
22 questions so you didn't leave any for the rest of
23 us. But I will try none the less to ask a question.
24 Commissioner it's so nice to see you and your staff
25 here. Thank you for coming. I wanted to ask about

1 the commercial rent tax which is south, which
2 exists south of 96 street in my district. The bids,
3 the chambers of commerce have talked to, expressed
4 deep concerns about this tax and wondering what
5 opportunities there might be for relief. So I guess
6 to start just very broadly do you, can you identify
7 how much money the city yields from this tax
8 specifically. Sorry to be so narrow. I'm sure...
9 [cross-talk] Council Member Cornegy will follow up
10 but specifically south of 96th street.

11
12 COMMISSIONER JIHA: Yeah it's
13 significant. It's about 720 million dollars.

14 COUNCIL MEMBER ROSENTHAL: 720 and
15 that's just for south of 96th Street.

16 COMMISSIONER JIHA: That's commercial
17 rent tax yes. That's how much commercial rent tax
18 generally, in general. It's a tax... south of, on
19 lease south of 96th street.

20 COUNCIL MEMBER ROSENTHAL: It only
21 applies...

22 COMMISSIONER JIHA: Yeah.

23 COUNCIL MEMBER ROSENTHAL: ...south of...

24 COMMISSIONER JIHA: Yeah.
25

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2 COUNCIL MEMBER ROSENTHAL: ...96, sorry I
3 must... [cross-talk]

4 COMMISSIONER JIHA: Yeah, no, yeah.

5 COUNCIL MEMBER ROSENTHAL: Oh okay 720
6 million and are, in, with your database are you
7 able to see what the impact would be if we
8 increased... currently there's an exemption for
9 businesses that pay rents at 250 thousand dollars a
10 year. Have you looked at increasing that number,
11 does that number increase with inflation? Have you,
12 do you know what would happen if you increase that
13 exemption to 300 thousand dollars a year?

14 COMMISSIONER JIHA: We will, we could,
15 we will always, we could always run analysis for
16 you to see. We have not done the new analysis of
17 that... proposal but if you were interested we would
18 run the numbers for you and come back to you with
19 the, with the impact of that proposal.

20 COUNCIL MEMBER ROSENTHAL: Great. Thank
21 you. I'm definitely interested to see what, I mean
22 specifically and we can send this in a follow-up
23 letter.

24 COMMISSIONER JIHA: Sure.

25

COUNCIL MEMBER ROSENTHAL: But sort of at a meaningful dollar amount what the impact would be going upward. And whether or not you know we could possibly have that rate increase annually for inflation. Something like that. Okay thank you very much. And let see the other question I have is about just SCRIE and DRIE and we, we talked a little bit about this offline but whether or not we could sort of look at eligibility from you know income tax information eligibility for those who and, and directly target those who could be eligible.

COMMISSIONER JIHA: Yeah as I said we have a major outreach campaign and, and any... that we could look into to help us in terms of identifying eligible households would be very useful. So...

COUNCIL MEMBER ROSENTHAL: Great.

COMMISSIONER JIHA: ...if you have something specific in mind that you...

COUNCIL MEMBER ROSENTHAL: Great.

COMMISSIONER JIHA: ...want to discuss we're more than happy to talk to you about it.

COUNCIL MEMBER ROSENTHAL: Okay. Thank you very much. I would just like to note to our chair that I'm leaving two minutes on the table which I hopes make, makes up for all the errors in my ways with OMB. Thank you very much.

CHAIRPERSON FERRERAS: Thank you Council Member Rosenthal. Council Member Miller followed by Council Member Barron.

COUNCIL MEMBER MILLER: Thank you Madam Chair and thank you Commissioner to you and your team for being here today. And I, I want to start by thanking you and your office for the support that you have given to our community around areas of lien sales and others in coming out and partnering up with my office and, and really when you have 65 percent home ownership you potentially have that problem but we did not know the 90 day just went out and I assure you that we will do as we did last year. We will take care of that and we will get it down as much as possible.

COMMISSIONER JIHA: And we appreciate your cooperation as well.

COUNCIL MEMBER MILLER: Thank you. So is there a mechanism of, or do you have a team of

1
2 experts that provide similar resources when it
3 comes to, you spoke to the fraudulent, fraud and
4 fraudulent date. That's also a problem when you
5 have high intensity of home ownership there. Is
6 there something that you could resource that could
7 be provided as well that we could educate our
8 consumer or constituency.

9 COMMISSIONER JIHA: Well it's a good
10 suggestion as part... which effort we, we, we do.
11 But... probably expend you know as a, as we, you know
12 as we do for any other program. And I will be more
13 than happy to discuss and I think my staff... Yeah so
14 they always do bring the notification, notification
15 with them as they do the outrage. And maybe they
16 should put more, a lot more emphasis on, on that
17 aspect going forward, not just on lien sales and
18 SCRIE and DRIE but should put a lot more emphasis
19 on that as well. But they do bring information with
20 them... [cross-talk]

21 COUNCIL MEMBER MILLER: Okay because
22 yeah I know obviously we, we have done a... that...

23 COMMISSIONER JIHA: Yes.
24
25

COUNCIL MEMBER MILLER: ...something that has been missing and obviously they prey on seniors and... [cross-talk]

COMMISSIONER JIHA: Oh definitely.

COUNCIL MEMBER MILLER: ...situation it is is a far greater problem. And again is there anything that we can do as a council to partner with strengthening laws that would be protective of such a problem.

COMMISSIONER JIHA: Yeah we're going to working on a, on the package of... package and at some point when we are ready we will share with the council a lot of the laws I believe involve Albany but we will try to work with the council to get your support, input into the drafting such legislation.

COUNCIL MEMBER MILLER: Okay thank you. And, and finally in some of your, some of the companies that procure to collect other than... do, do you procure, do you contract anyone else?

COMMISSIONER JIHA: We only have one company. It's... Preloc [phonetic] but Preloc is a booding [phonetic] company.

COUNCIL MEMBER MILLER: And, and those are the only ones that do any collection for department of finance?

COMMISSIONER JIHA: No no for booding

COUNCIL MEMBER MILLER: For booding?

COMMISSIONER JIHA: Yeah that's the only one for booding.

COUNCIL MEMBER MILLER: Well just in general due to collection, a private collection... [cross-talk]

COMMISSIONER JIHA: No we have, we have about three collection agencies that will... [cross-talk]

COUNCIL MEMBER MILLER: Okay. And, and, and who, who's responsible for the oversight of...

COMMISSIONER JIHA: Jeff is Sharp is in charge of... you talking about on the day to day management of... [cross-talk]

COUNCIL MEMBER MILLER: Yes.

COMMISSIONER JIHA: Yeah, Jeff Sharp is in charge of...

COUNCIL MEMBER MILLER: So could you very briefly speak to the, the oversight that your office has to these, these companies to ensure that

1
2 they're number one provider services that they were
3 intended to provide, they provide it with the
4 transparency and that they, that often the
5 complaint is that citizens aren't treated with the
6 dignity and respect in doing so. What do you have
7 in place to ensure that the services are delivered
8 as intended?

9 JEFFREY SHEAR: Yeah so when we procure
10 the collection agency services we're very clear
11 that our agencies must comply with all federal,
12 state, and local laws. We do not allow our
13 collection agencies to sell their debts to other
14 collectors which has been an issue nationally. And
15 we allow people if they do have complaints to
16 respond to us via our website.

17 COUNCIL MEMBER MILLER: Okay thank you.
18 Thank you again for your time.

19 JEFFREY SHEAR: Thank you.

20 CHAIRPERSON FERRERAS: Thank you Council
21 Member. We will have Council Member Barron followed
22 by Council Member Rodriguez.

23 COUNCIL MEMBER BARRON: Thank you Madam
24 Chair and thank you to the commissioner for your
25 testimony. I just have a question about the lien

1 sales. I do want to say that we've worked with the
2 offices and the agencies to have sessions so that
3 we can council those and the notices go out
4 directly to those who are affected, so that's been
5 effective in the past and we expect to continue
6 that. I also want to thank the chair for calling
7 together a meeting for those of us who have a high
8 incidence of that problem in our district. In your
9 testimony you said that you recently sent out 27
10 thousand notices?
11

12 COMMISSIONER JIHA: Mm-hmm.

13 COUNCIL MEMBER BARRON: And that you
14 expect only 20 percent of them will have liens. So,
15 so that would be about 5,400?

16 COMMISSIONER JIHA: About, yes.

17 COUNCIL MEMBER BARRON: Okay what's the
18 target amount that triggers a notice being sent to
19 a property owner that their property may be put up
20 for a lien sale.

21 COMMISSIONER JIHA: This is... property
22 tax has to be delinquent for how many years? I
23 don't know. Thousand dollars for three years.

24 COUNCIL MEMBER BARRON: A thousand
25 dollars...

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2 COMMISSIONER JIHA: For three years.

3 COUNCIL MEMBER BARRON: ...for three
4 years. Okay. And so from the 5,000 properties which
5 represent 20 percent you expect that you will get
6 80 million dollars?

7 COMMISSIONER JIHA: Yes, that's is, yes
8 that's what...

9 COUNCIL MEMBER BARRON: Now once...
10 [cross-talk] Say again?

11 COMMISSIONER JIHA: It's from, it's from
12 the 27,000 but forget it's as you start the process
13 a lot of people stop paying, okay. So of those 27
14 thousand you're going to have like it's the entire
15 universe won't be paying. So it's not just that
16 5,000 people.

17 COUNCIL MEMBER BARRON: Oh. Okay so...

18 COMMISSIONER JIHA: It's a process
19 itself that drives people to basically because of
20 the enforcement people are afraid, their concerned
21 they're going to be maybe losing their home and as
22 a result come up with either pay or enter into a
23 payment agreement with office.

24 COUNCIL MEMBER BARRON: Okay so I'm, I
25 just want to be clear. Of the 27 thousand

approximately 5,000 will have their liens sold...

[cross-talk]

COMMISSIONER JIHA: Yes.

COUNCIL MEMBER BARRON: ...to a, to
another entity?

COMMISSIONER JIHA: Yes.

COUNCIL MEMBER BARRON: And the city
then will get 80 million dollars from the sale of
those liens?

COMMISSIONER JIHA: Yes but not just
those liens. It's, it's a 27 thousand, you start
with the universe of 27 thousand okay and then you...
people, and then once people realize they may be
losing their properties they then begin to make
payment arrangement or make payment to the city.

COUNCIL MEMBER BARRON: so the 80
million dollars is from the lien sales plus those
other 27 thousand property owners...

COMMISSIONER JIHA: It's including...

COUNCIL MEMBER BARRON: ...who are now...
[cross-talk]

COMMISSIONER JIHA: ...including...

COUNCIL MEMBER BARRON: ...settling?

COMMISSIONER JIHA: Yeah it...

1 COMMITTEE ON FINANCE 190

2 COUNCIL MEMBER BARRON: Okay.

3 COMMISSIONER JIHA: ...27 thousand...

4 [cross-talk]

5 COUNCIL MEMBER BARRON: Okay good. And

6 are those residential liens only? What is the

7 category that the liens are sold on?

8 COMMISSIONER JIHA: These are properties

9 in, in the city residential and nonresidential. You

10 know we, we have a... [cross-talk]

11 COUNCIL MEMBER BARRON: So it's more

12 than residential?

13 COMMISSIONER JIHA: Commercials it's,

14 it's... it could... exact way done but it's a, it's a

15 combination of residential and commercial.

16 COUNCIL MEMBER BARRON: And then earlier

17 in your testimony you talked about fraudulent...

18 [cross-talk]

19 COMMISSIONER JIHA: We have them by

20 borough, by tax class if you want. We'll find you

21 that information.

22 COUNCIL MEMBER BARON: Okay various

23 classes? [cross-talk]

24 COMMISSIONER JIHA: Mm-hmm.

25

COUNCIL MEMBER BARRON: Yes. You spoke about fraudulent deed recording. That's an issue in my community, especially there have been folks who have been swindled out of their property. It's really very heart wrenching that they find themselves in those situations. Not understanding documents that they're signing and perhaps sometimes even fraudulent signatures being advanced on those documents. So what can be done? I understand that you say there are laws and there are some restrictions but what can we do to protect those homeowners?

COMMISSIONER JIHA: So as I said the, one of the big, one of the critical things that, that folks do to begin with is to register the properties with us to begin with. Because what happen is once you register a property with us, with the Department of Finance if there's any transaction on your property you will receive a notice from us. Okay that's is the first thing. So you get the notice from us that there's a problem. And as I said we, we have implemented a number of things to basically put some kind of a wood blocks, these are not permanent solutions as I said. But

the one of the key elements we, we implemented is to insert the sheriff office within the review process. So initially when people you now... when people come in there's just just a, you know wake, a deed. If there's a problem we provide them in the name of customer service we tell them listen you do x, y, and z to fix the problem if that is something fishy. Now days if there's a problem, we forgot to the sheriff, had to share the preview it and if there's, there's a problem the sheriff would call you. And if you're not doing anything wrong you would come to the office and answer their questions but if there's something wrong... But we know there's folks who find ways around these issues anyways. So what we're working on currently, working a number of legislation to basically begin to address at least what we think our long term most structural changes that need to be done to take place particularly dealing with the notary, public notary. So these other things as I said as we develop our legislation we will work with the council, with the council on the things that which are the steps that we're trying to take... [cross-talk]

COUNCIL MEMBER BARRON: Okay.

COMMISSIONER JIHA: ...basically to send the proposal to Albany to try to get things fixed.

COUNCIL MEMBER BARRON: Thank you. Thank you Madam Chair.

CHAIRPERSON FERRERAS: Thank you Council Member Barron. We will have Council Member Rodriguez followed by Council Member Cumbo.

COUNCIL MEMBER RODRIGUEZ: Thank you Chair. Commissioner just want to thank you for your work that you do in the legislative, the Department of Finance. We know that you and many other commissioner also you inherit you know some mess from previous leaders and, and it is now our responsibility to be sure that you know we continue working, cleaning, whatever could be done better and... time to continue with the vision of this administration which is to close a gap...

COMMISSIONER JIHA: Mm-hmm.

COUNCIL MEMBER RODRIGUEZ: ...that divide our city between the one percent and 99 percent. It, when it come to, to the debt that the Department of Finance has not been able to collect

how much is the total amount that we're talking about?

COMMISSIONER JIHA: We talking about, if you're talking about ECB debt we're talking about one and a half billion dollars.

COUNCIL MEMBER RODRIGUEZ: How much.

COMMISSIONER JIHA: One and a half, one, 1.5 billion dollars.

COUNCIL MEMBER RODRIGUEZ: Okay.

COMMISSIONER JIHA: That's ECB debt.

COUNCIL MEMBER RODRIGUEZ: Mm-hmm.

COMMISSIONER JIHA: We have also other debt business taxes nexars [phonetic] taxes. If you're looking at the debt is about 600 million dollars and all the entire business tax debt is about one, 2.2 billion dollars if I remember correctly. But I will provide you the information.

COUNCIL MEMBER RODRIGUEZ: So we can say that we can be close to three billion dollars when you...

COMMISSIONER JIHA: Yeah in, and the, the... universe I think is 2.2 for business and excise taxes or that combined and then ECB is

another one and a half billion dollars. So we're talking about seven billion dollars easily.

COUNCIL MEMBER RODRIGUEZ: I just hope you know that you can be able to get enough resources to hire the necessary staff so that we can be able to recuperate as much as possible from those money that... all corporation or to our city because that's the money that they, we can reinvest building like a strong middle class in our city so that everyone will benefit. We banks. It, how does the Department of Finance make sure that banks that the Department of Finance make the depository reinvest in the local communicates.

COMMISIONER: Well that is what we're doing with the community investment advisory board. It's, we are issuing a report to basically the, you know the, the, our team would be issuing a report working with the consultant to do an assessment of the needs of the community in term of the banking needs of the community and all are the banks that are, are dealing with the city are working to basically meet the needs that we identified. Again as I said we about to issue a report sometimes at the end of April and, and that, that, that report

at some point will be included as part of the review process to make sure that the banks that do, that do business with the city basically take into account the needs of the city.

COUNCIL MEMBER RODRIGUEZ: How much do we deposit in banks?

COMMISSIONER JIHA: I mean all the city's resources are deposited in the banks. You know different banks, you know it's... [cross-talk]

COUNCIL MEMBER RODRIGUEZ: What is the average number on billion?

COMMISSIONER JIHA: Right now the average balance about like 9.6 billion dollars.

COUNCIL MEMBER RODRIGUEZ: How much?

COMMISSIONER JIHA: Okay but right now the average daily is about nine, nine billion dollars, the average daily. Yeah I know it's invested, no I understand yeah.

COUNCIL MEMBER RODRIGUEZ: Well they're, yeah they are our depository so you know like our big brothers insisting Wall Street they doing well with us and I think that and, and definitely we need banks. We need a private sector also to develop you know. They should be able to sit down

1 with us and, and reinvest especially in those local
2 communities. I can tell you that in Northern
3 Manhattan I have community board 12. We had the
4 higher number of, of regulated apartments. So now
5 that the city's working to look at Northern
6 Manhattan to rezone like 100 acres in, or more you
7 know this is what I hope to see that those banks
8 that we have made a depository that also can't come
9 back and say how can we be a partner because this
10 is not about giving to us. This is about you know
11 being able to reinvest since they also, they
12 benefit with us billions of dollar that we invest a
13 day.
14

15 COMMISSIONER JIHA: I agree.

16 COUNCIL MEMBER RODRIGUEZ: Thank you.
17 My, my last question. I have 40 second. We need
18 you, we need the Department of Finance to collect
19 the money...

20 COMMISSIONER JIHA: Yes.

21 COUNCIL MEMBER RODRIGUEZ: ...and it is
22 with the money that you, that we collect for New
23 York, that you help us to collect, that then we are
24 able to save the firehouses, invest in the after
25 school program. But you break my heart sometime

1 when I see a single mother who park the car in a
2 non-parking area on 93rd Street and Westside Drive
3 and Riverside Drive and someone is waiting to tow
4 the car for the purpose that we will be able to
5 collect the money. So there's not a ticket given to
6 that individual because she park the car during the
7 time that she was able to go and pick up her
8 daughter or son from school. Is someone waiting to
9 tow the car and collect those money? How can we
10 change that approach?

12 COMMISSIONER JIHA: As you know we are I
13 the business of collecting money, not in giving
14 tickets. So it's, it's a question which is more
15 appropriate I think for, for the police department
16 or DOT. But again I understand your concern and
17 it's, it's, it's, it's, we all deal with these
18 issues on the day to day basis. I receive a lot of
19 letters, emails, people complaining about that
20 aspect. But as I said our job is basically on the
21 back end to collect the revenue, not to make the
22 policy or to administer that policy on the front
23 end.

24 COUNCIL MEMBER RODRIGUEZ: Right. Thank
25 you for your work.

COMMISSIONER JIHA: Okay.

CHAIRPERSON FERRERAS: Thank you Council Member. We will now have Council Member Cumbo and begin the second round with Council Member Rosenthal.

COUNCIL MEMBER CUMBO: Thank you Madam Chair. It's so wonderful to see you again Commissioner. I have a question in regards to property taxes and not for profit organizations. So in District 35 representing Fort Green, Clinton Hill, Prospect Heights, Crown Heights, and parts of Bedford-Stuyvesant it's a community that's gentrifying rapidly and property values are going up very quickly. So I'm finding situations in my district where not-for-profit organizations and their landlords, the way they structured the leases were so that the landlords would then pass off the property taxes onto the not-for-profit organization. And as taxes are going up substantially as a result of the property values many of these not-for-profit organizations are finding that they can't keep pace. And some of them are saying escalations of 15, 20, 25 thousand dollar increase in taxes every year that they can't

1
2 keep pace with. Have you seen that trend happening
3 in terms of not-for-profit organizations that are
4 housed in facilities that are owned by, by private
5 landlords that those taxes were then passed off to
6 the not-for profit organization?

7 COMMISSIONER JIHA: I would, we will
8 look into that issue. Okay? Because it's, it's... I,
9 I don't have much, you know I'm talking to my folks
10 here... [cross-talk]

11 COUNCIL MEMBER CUMBO: Mm-hmm.

12 COMMISSIONER JIHA: ...and trying to get a
13 better grasp of, of the issue and concern that you,
14 that you raise. And I will discuss it with the, I
15 will discuss it with my folks and come back to you
16 with an answer.

17 COUNCIL MEMBER CUMBO: And also wanting
18 to know with that is there some type of tax
19 forgiveness program or some ways where
20 organizations can become exempt who can't afford to
21 pay taxes that are not for profit organizations?

22 COMMISSIONER JIHA: In general a not for
23 profit organization as long as they meet the
24 necessary and sufficient condition that we have no
25 law they are should be exempt from property taxes.

1
2 So the question is whether or not they have applied
3 or whether or not they knew you know they are for
4 the exemption. But again if you have a specific
5 case we'll be more than happy to discuss and review
6 them.

7 COUNCIL MEMBER CUMBO: Okay and I
8 definitely will follow-up with you because...

9 COMMISSIONER JIHA: Okay.

10 COUNCIL MEMBER CUMBO: ...I understand
11 that not for profits are exempt from paying
12 property taxes but if they signed into their lease
13 that they would assume the responsibility for it at
14 a time when the community was very different then
15 they are now held liable for paying those expenses.

16 COMMISSIONER JIHA: Yeah as I said it's
17 a, it's, I'm, as I said I have to review this issue
18 because you know not for profit typically you know
19 exempt, it's a question of whether or not they're
20 using you know properties for something, for
21 something different than what was the intention.
22 But again I'd be more than happy to discuss the
23 specific case with you and see exactly what's going
24 on okay?

COUNCIL MEMBER CUMBO: Look forward to
it. Thank you very much.

COMMISSIONER JIHA: Alright, okay
pleasure.

COUNCIL MEMBER CUMBO: Thank you. I have
just one question on the second round in reference
to SCRIE and I know that this, we had touched upon
SCRIE. DOF have received 8,141 new SCRIE
applications in the first four months of FY '15 as
compared to 2,623 new applications in the first
four months of FY '14. And I know that we talked
about lag time of the decrease and that you're
serving people in seven minutes. However given that
DOF intends on wrapping up SCRIE outreach efforts
within the next couple of weeks and that the
processing time for initial applications is already
up three fold since this time last year how does
DOF anticipate handling the new influx of
applications that will come in?

COMMISSIONER JIHA: Fortunately good
news is the processing time has dropped..

COUNCIL MEMBER CUMBO: Okay.

COMMISSIONER JIHA: To four days to the
train before the big spike we had as a result of

the major outreach effort and also the increase in the income threshold. So we have back, we are now back down to the trend of four days which we had before the big spike that we had last summer.

CHAIRPERSON FERRERAS: Okay great. Thank you. We'll have Council Member Rosenthal on a three minute clock.

COUNCIL MEMBER ROSENTHAL: Thank you very much Chair. I just want to follow-up, quick question on the commercial rent tax again. Can you, would you, do you have the computer, do you have the capacity to separate out those who paid a tax into different categories or groups of businesses like for example businesses that might have two or fewer stores or independent... and what I'm getting at is mom and pop stores so you know maybe businesses that are independently owned whether or not they're franchises, something like that?

COMMISSIONER JIHA: I don't know from the top of my head but I will have to talk with my tax policy people to see exactly what kind of data that they have available and we'll come back to you with... [cross-talk]

COUNCIL MEMBER ROSENTHAL: That'd be great. I mean whether or not it's available and whether or not you have the capacity to make those delineations.

COMMISSIONER JIHA: Yeah, yep, yep. So...

COUNCIL MEMBER ROSENTHAL: Maybe or...

COMMISSIONER JIHA: I'm sorry what'd you say?

COUNCIL MEMBER ROSENTHAL: Oh I was wondering if there was any hint?

COMMISSIONER JIHA: No. I mean as I said you know if you have a specific request you know send, send us a request and we'll look into it and come back to you. Because as I said from the top of my head I don't know what kind of data we have on the commercial rent tax. You can separate by, by location? Okay so we'll come back to you.

COUNCIL MEMBER ROSENTHAL: I sort of heard what she said.

COMMISSIONER JIHA: You heard, okay?

COUNCIL MEMBER ROSENTHAL: Can you just say it again because I'm eager to know.

COMMISSIONER JIHA: She said we can have the data by number of locations...

COUNCIL MEMBER ROSENTHAL: Okay great.

COMMISSIONER JIHA: ...but not by
business.

COUNCIL MEMBER ROSENTHAL: Okay great.
And I think she also said not by franchise.

COMMISSIONER JIHA: Yeah, not, exactly.

COUNCIL MEMBER ROSENTHAL: Okay,
alright. Thank you so much.

COMMISSIONER JIHA: Okay.

CHAIRPERSON FERRERAS: Thank you Council
Member. Commissioner we have some questions that
were not asked today so we're going to be following
up and hopefully... and also data or information that
you had committed to getting to this...

COMMISSIONER JIHA: Sure.

CHAIRPERSON FERRERAS: ...committee we
will follow up with you and hopefully we can get
that expeditiously. Thank you very much for coming
to testify today. It's been a great pleasure
working with you and I look forward to shake,
having a handshake on this budget. So thank you for
your testimony today.

COMMISSIONER JIHA: Thank you very much.

CHAIRPERSON FERRERAS: Great. And we will take a two minute break to allow Commissioner Pena-Mora to set up from DDC and we will begin our hearing shortly after that. Good afternoon and welcome to the first save the council's preliminary budget hearings. My name is Julissa Ferreras and I chair the finance Committee. So far today we've heard from OMB the Department of Finance. We will now hear testimony from Commissioner Pena-Mora from the Department of Design and Construction. The Department of Design and Construction was created by this committee in 1997 to carry out this city's capital projects more efficiently. I look forward to hearing from Commissioner Pena-Mora regarding the status of many capital projects particularly as they relate to Superstorm Sandy. With that said I will have my council swear you in and then we may, you may begin your testimony and we've been joined by Council Member Lancman.

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

COMMISSIONER PENA-MORA: I swear.

CHAIRPERSON FERRERAS: You may begin.

COMMISSIONER PENA-MORA: Good afternoon

Chairperson Ferreras and members of the Finance

Committee. I'm Doctor Feniosky Pena-Mora

Commissioner of the New York City Department of

Design and Construction. I am very pleased to be

here with you today with my staff sitting to my

right. I have a statement which will highlight some

of our work after which I will gladly answer any

question the committee might have. We are the...

[cross-talk]

CHAIRPERSON FERRERAS: Commissioner can

you just bring the microphone a little closer to

you so we can hear you...

COMMISSIONER PENA-MORA: Okay.

CHAIRPERSON FERRERAS: ...better. Thank

you.

COMMISSIONER PENA-MORA: Good. We are

the city's primary capital design and construction

project manager. Our public buildings division

provides communities with new or renovated

structures such as firehouses, libraries, police

precincts, call houses, and cultural facilities. We

have finished over 300 projects for FD, FDNY

completed more than two billion dollars of work of

our city's cultural organizations and manage nearly 680 million dollars in design and construction projects for New York City's three library system.

In partnership with the NYC Department of Transportation and the New York City Department of Environmental Protection our infrastructure division oversees the design and construction of sewer and drainage systems, water pipes, floodways, and other related projects. The funding of these projects is transferred to us from the capital programs of the more than 25 New York City agencies we do work for. To successfully manage this portfolio value at nearly 10 billion dollars our staff partners with other city agencies as well as tapping a pool of emerging and renowned architects and consultants whose experience and creativity build equitable, sustainable, resilient design and construction strategies to the projects we build.

Our goal is and will remain to serve the residents and businesses of New York City by providing the world class infrastructure and public buildings that people throughout the five boroughs have come to expect from us. DDC is committed to creating and fostering an equitable and competitive business

environment particularly for minority and women owned business enterprises. As such we have appointed a chief diversity officer who is responsible for delivering innovative solutions to increase procurement opportunities for WMBEs. We have also form our own extended diversity advisory board to develop and facilitate innovative practices, procedures, and initiatives to broaden participation of New York City certify MWBE consulting and construction firms. DDC also provides monthly workshops for MWBE firms so that they may gain a better understanding of DDC contract procedures and... business management practices along with the New York City Department of Small Business Services we have formed a construction mentorship program providing training and one on one assistant to help MWBEs participate in our portfolio projects and grow their businesses. We have also sponsor along with a New York City School Construction Authority a MWBE trade show, a networking event with prime contractors, MWBE firms, and other construction entities in order to provide MWBE firms an opportunity to meet prime contractors,

subcontractors and to hear about upcoming projects.

The Department of Design and Construction has also

created a Division of Community Partnerships and

assigns technology, architecture, arts, and

mathematics STEAM. ...this to help establish a

diverse pipeline to the fields of architecture,

engineering, and construction. Our agency efforts

are geared towards outreach programs intended to

enhance a student awareness of these fields

beginning in middle school through high school,

college, and their first job. DDC's STEAM

initiatives will expand opportunities for young

people, particularly women and minorities who are

underrepresented in the scientific and

technological fields. Jobs in this team are

projected to grow twice as fast as those in other

industries. There are careers that pay well even at

entry levels and represents the jobs of the future.

Our STEAM team has also been working closely with

DOE, DYCD, and LaGuardia Community College in those

efforts. We will also be partnering with several

middle schools in underserved communities to

facilitate an afterschool STEAM related curriculum

to expose young children to STEAM as its relate to

the AC industry. Collectively these efforts and others will increase lending opportunities for the students to explore STEAM professions and enhance DDC's talent pool and best practices for current and future construction projects. DDC fiscal year 2015 operating budget is 230 million, 230.4 millions. Of that 103.5 million is for personal services with budgeted head count of 1,311. The agency's fiscal year '15 other than personal services budget is 126.9 million including 102.1 million for the federally funded build it back and cost of resiliency programs. The 230.4 million budget is comprised by funding source of 118.7 million in FI, IF, IFA funds, 102.5 million in federal funds and 9.2 million in city intercity funds. As of the preliminary budget DDC fiscal year '16 total agency operating budget is plan to be 127 million. The fiscal year '16 personal services budget will be 104.5 million with a budget the headcount of 1,308. The fiscal year '16 other than personal services budget will be 22.4 million. The 127 million fiscal year '16 budget is comprised again by funding source of 119.7 million in IFA funds and 7.2 million in city intercity funds.

Federal funds for Build it Back and Cost of Resiliency are not yet included in the Fiscal Year '16. I would now like to take this opportunity to note some of the projects DDC's currently working on that may be of interest to you. Please also note that attached to these document I have provide images of some of the projects that DDC has work on or is in the process of completing. You will find reference to these on the testimony. On the public building site DDC's managing a portfolio consisting of new and renovated facilities that include over 240 libraries, 18 NYPD precincts and facilities, 10 fire EMS facilities, and 52 cultural institutions. In recent years DDC has completed seven new libraries as well as over 24 major additions and renovations to assisting library facilities. Major library projects completed within recent years include Glen Oaks in Queens, the Mariners Harbor Branch, and the greatly expanded Branch Libraries out of Stapleton in Staten Island, as well as Kensington in Brooklyn... Washington Heights Branch reopened mid-year at last, last year as well. These projects are clearly... to the wellbeing of these facilities and contribute greatly to the quality of

life enjoyed by the residents of our city.

Currently DDC's working on Queens Library New
Hunters Point Branch located on the prominent side
in Long Island City which had an initial kickoff
meeting this February. In addition later this year
the new library in Elmhurst Queens will be
completed construction and be ready for use by the
public. New York public library has two new branch
libraries in their design phases. The Westchester
Square Branch in the Bronx and the Charleston
Branch in Staten Island. Major renovations are
being planned to, for the Roosevelt island branch
as well as the Castle Hill Library in the Bronx. We
are also in the process of completing our work on
the Library for the Performing Arts in Manhattan.
Major renovations are also being designed for
Brooklyn Public Libraries Borough Park, Rugby, and
East Flatbush branches. I'm also pleased to report
that we have achieved substantial completion and
beneficial use by the New York Police Department of
the largest project in DDC history, the new police
academy in Coolidge Point Queens valued at nearly
750 million our construction effort on the NYPD new
35 acres campus facilities where the NYPD plans to

integrate their current group of dispersed facilities into a single location to allow more efficient training for all levels and bureaus. This state of the art academy includes traditional academy spaces as well as realistic environments for scenario based instruction, tactical training venues, indoor and outdoor tracks, a pool, and complete support facilities. Our design of the new police academy has been the... of awards including the American Council of Engineering Companies, 200, 2015 New York Diamond Award in the category of special projects. I'm pleased to announce that the NYPD began a full training load at the new academy for its 891 new cadets in January 2015.

Construction is also proceeding on the new public safety answering center 2, PSAC II located in the Pelham Bay neighborhood of the Bronx. Once completed PSAC II will operate in tangent with PSAC 1 in Brooklyn but it's also the sign so that it in an emergency can handle 9-1-1 calls and dispatch operations for an entire city. DDC's coordinating phase two... of the building with the NYC Department of Information Technology who will be owner and operator. Construction of the building will be

1 fully completed in early 2016. Last year under
2 Mayor de Blasio the city of New York move
3 aggressively to implement a truly universal pre-
4 kindergarten system in New York City that will
5 provide every four year old with a high quality
6 full day pre-K. These efforts have been guided by
7 the deep expertise of city agencies, best practices
8 for our community based organizations, and decades
9 of academy research that has proven high quality
10 pre-k is among the most effective ways to reduce
11 economic inequality. DDC was proud to join in this
12 efforts along with our partners from the FDNY, New
13 York City Department of Education, Health, and
14 Buildings in order to monitor and advise on the
15 design and construction efforts of UPK sites at
16 many community based organizations. As a result of
17 the hard work of many city agencies the number of
18 free Pre-Ks, Pre-K seats in our city has more than
19 doubled. Also within our public buildings unit for
20 the first time in history DDC's directly involved
21 in housing construction as part of the Mayor's de
22 Blasio build it back program. This project is
23 designed to assist homeowners, landlords, and
24 tenants whose primary homes were damaged by
25

Hurricane Sandy. The goal of the Build it Back Initiative is to help affected residents return to safe sustainable and resilient housing by addressing omit housing recover needs. Recently DDC and the Mayor's Office of Housing Recovery issue a new procurement for construction, management, and design firms that will greatly expand the city's capacity to rebuild... communities recovering from Hurricane Sandy. The procurement also... a new commitment to look at hiring on recovery projects, increasing social and economic resiliency in Sandy affected communities to, to substantiate workforce investment. Additionally joined together with the New York City Parks Department we are pleased to work on the construction of the 14.5 Bronx River house project at Starlight Park. The new facility will provide approximately 7,000 square feet and will contain a boat house, a nature classroom, and a multi-purpose community room. The river house will feature an energy efficient and water conservation elements such as green walls made of carbonized steel and mesh that wraps the entire building for vines to grow creating a favorite microclimate. When it is completed it will be the

heckwaters of the Bronx River Alliance. Our infrastructure project consists of over 300 roadways, sewer, and water main projects value approximately 5.6 billion including our projects to design and install water mains that connect the existing water main system to the Manhattan leg of the city's new water tunnel. We now have 13 projects associated with this effort value at more than 500 million. We project the completion dates ranging from this year to late 2017. The two projects that included all components clearly count to the activation of the Manhattan leg has been substantially completed. Much of this work is located in highly congested areas including entrance wraps to the Holland and Lincoln Tunnel and in proximity to the Queens midtown tunnel, Lincoln Center, the highline, Amtrak, and Hudson Yard's development. We're working closely with the area residents, businesses, NYU medical center, and elected officials to ensure that the transparency of our efforts and ensure that stakeholders have minimum destruction to their day to day operations. To alleviate the chronic flowing conditions in Garrison Bridge Brooklyn we have embark along with

the New York City DOT and New York City DEP on... roadway construction plan value at more than 10 million with a goal of restoring flood damaged streets in this area to a state of good repair I incorporate hazard mitigation design elements as appropriate to ensure both resiliency and sustainability. In addition a 28 million project for the reconstruction of West 11th, 12th, and 13th Street in the Broad Channel area Queens which included a much needed storm water system will start the construction with completion schedule for the fall of 2016. DDC also has undertaking along with our client agency the New York City Department of Transportation to address Mayor de Blasio commitment to expand select bus services in our city by constructing the infrastructure necessary to incorporate this innovate transit strategy on our major streets. Select borough services is the sign to reduce travel time and increase the level of comfort for the users. Currently DDC is working on SBS routes in the following areas; Western Avenue in the Bronx, Artica Avenue in Brooklyn, and Woodhaven Boulevard in Queens. DDC is also designing and building pedestrian plazas throughout

the city for the Department of Transportation. DDC Plaza's program is indeed to improve the... environment by reclaiming underutilized portions of the public right away turning them into valuable community outdoor spaces. There are currently more than 24 active plazas projects in various stages of design, procurement, and construction. Some locations are Montefiore Park and Plaza, Time Square, Astor Place, Forsyth Plaza, and Plaza de las America in Manhattan, Martell Avenue... Burke Avenue as well as Humboldt Street Plaza in Brooklyn, Fordham Plaza, and Roberto Clemente Plaza in the Bronx, and 71st Avenue and Corona Plaza in Queens. We also have a robust and extensive working relationship with our client agency the New York City Department of Environmental Protection and have recently announced the completion of two water and sewer infrastructure projects on the South shore of Staten Island. Prior to this project most of the roadways... were not equipped with catch basins and storm waters and they often flooded during heavy rain storm. As part of that upgrade of more than a mile and a half of storm sewers and hundred catch basins were installed which helped

1 drain, drain the precipitation from the roadways.
2 These project also include installation of more
3 than a mile and a half of sanitary sewers that will
4 allow 114 homes to connect to the city's sewer
5 system and discontinue to use septic tanks. This
6 resilient and sustainable infrastructure upgrades
7 in the neighborhoods are Arlington Heights and
8 Annandale we protect the public and the environment
9 but just as importantly they will improve the
10 quality of life for residents in this great
11 borough. DDC's also working with our partners, DOT,
12 to implement a safe route to school programs which
13 provide pedestrian safety improvement in the
14 vicinity of 135 school throughout the city with the
15 highest accident rates. This project directly
16 supports Bill de Blasio, Mayor Bill de Blasio
17 Vision Zero program of increasing pedestrian safety
18 and reducing crashes. Our construction efforts
19 include new already signed curves and sidewalks,
20 narrowing intersections to reduce crossing
21 distance, and other measures directly designed to
22 heightened safety in critical areas where children
23 run and play. After October 29 of 2012 the city was
24 faced with a new reality and an urgency to protect
25

its coastline. DDC has now joined in this effort as part of the Mayor de Blasio cost of resiliency program to safeguard hard hit areas in lower Manhattan along with our partners, the Mayor Office of Resiliency and Recovery, and the New York City Parks Department we are concentrating our efforts to protect neighborhoods and infrastructure from future storm surge and rising sea levels as well as working to improve recreational opportunities and access ability to parks and waterfront. Today we have land scoping and preliminary design work on the lower east side to implement a 335 million integrated neighborhood sensitive flood protection system to meet the... and help connect the community with the waterfront. This project which is funded by the US Department of Housing and Urban Developments to rebuild by design competition, preliminary runs from East 23rd Street to Montgomery Street and it's intended to be just the first phase of a larger project that will ultimately provide cost of resiliency for all of lower Manhattan. As part of our transparency and good neighbor policies we are engaged with outreach efforts describing our projects with elected

officials, community boards, and... groups. DDC also continues managing our capital construction project to rehabilitate the historic beauty of the high bridge which is located over the highland River connecting the two very important communities in the Bronx and Northern Manhattan. The high Bridge is a very important multiple span arch bridge built in the light, late 19 hundred century in the style of the roman aqueducts... it's the oldest surviving bridge in New York City and was built as part of the Croton Aqueduct that originally supplied the city with water. The rehabilitation project is valued at 61 million and will encompass improvement for both safety and aesthetics. As a follow-up to DDC previous year testimony concerning capital projects on non-city owner on property the agency continues to work with... organizations along with the OMB, OMB task forces to facilitate progress of this project throughout the various stages of approval. Since the problem began at DDC 2007 a total of 227 projects valued at more than 77 million, 77 million have been registered. In fiscal year 2014 there were 25 projects totaling more than 12 million this year approximately 33 projects have

1 already been registered and we expect another thing
2 will be at the end of the June. At present we are
3 working on a portfolio of over 250 projects with a
4 total value of approximately 155 million. As always
5 we continue to be available to meet... organization,
6 provide assistant, and answer question. Madam Chair
7 and members of the committee I would like to take
8 this opportunity to again thank you for your, your
9 staff as well as Speaker Melissa Mark Viverito and
10 her team... and the wonderful finance division. This
11 concludes my remarks and I'm happy to answer any
12 questions you may have.
13

14 CHAIRPERSON FERRERAS: Thank you
15 Commissioner and thank you for the very detailed
16 statement. We do have questions that may, maybe you
17 have already addressed in your opening statement
18 but we'll just ask them to get them into the
19 record. And we've been joined by Council Member
20 Treyger. I wanted to talk about housing recovery
21 and office funding, the housing recovery, recovery
22 office also known as HRO has provided 100 million
23 dollars to DDT, DDC in fiscal year 2015 to assist
24 the city's efforts to rebuild the coastline which
25 was devastated by Superstorm Sandy in the fall of

2012. The funding is designed to assist over 15 thousand homeowners, landlords, and tenants in the five boroughs who participated in the build it back program. How is the 100 million dollars going to be spent in more detail? And what is the timeline for spending the funding that you have? And I'd like to know if you'd be able to provide by district? And I know that you might not have that today but if you can provide by district where the funds are being spent if you can provide that to the committee.

COMMISSIONER PENA-MORA: Thank you Madam Chair. The HRO project that we have for Build it Back, the 100 million is for covering three contracts that we are trying to procure on the construction management activities for the build it back program and that will cover some of the construction costs as well as the management... cost. Right now I do not have the detail on how this is allocated by each one of the areas. I know that it's in Queens, Brooklyn, and Staten Island. I don't have that amount right now but we can get back to you with that information.

CHAIRPERSON FERRERAS: Yes I would appreciate it. And does the 100 million dollars

cover the needs that you have identified or do you, did you anticipate asking for additional funding and how much did DDC originally ask for?

COMMISSIONER PENA-MORA: The 100 million is just the initial funding start the procurement of the contracts. We are envisioning that we will receive more fund in order to be able to restore the homes of the affected residents.

CHAIRPERSON FERRERAS: And in your estimate what would that number look like or be?

COMMISSIONER PENA-MORA: At this time we don't have that, that amount.

CHAIRPERSON FERRERAS: You don't have it for this testimony or you don't, you don't...

COMMISSIONER PENA-MORA: Right now we are actually in the process to determining all the costs associated.

CHAIRPERSON FERRERAS: Okay so we're going to be following up with you because I'm sure that at some point you'll know...

COMMISSIONER PENA-MORA: Yes.

CHAIRPERSON FERRERAS: ...what this is and when we would like to plan from this perspective on any advocacy that we need to do during that

process. Was Hill International contracted through an RFPP process? I know we've had a lot of discussions on Hill International. So can you speak to me on the selection of Hill International?

COMMISSIONER PENA-MORA: Actually Hill International is within our task order contracts. That means we run every so many years, I think every three years our competition in which we request proposals for firms to provide services that we may need in terms of consulting services, construction management services, engineering services. Hill was one of those firms. And they were in our roster so he was a competitive request for qualification and then when we were able to get involved in the Build it Back we issue a task order for Hill to participate and support HRO in their endeavors.

CHAIRPERSON FERRERAS: But there was a competitive process within your agency?

COMMISSIONER PENA-MORA: Yes.

CHAIRPERSON FERRERAS: Okay. And I wanted to talk about, I'm really excited about your steam program and I know that you talked about it and you're partnering with DOE and DYCD which was

1 actually going to be one of my questions because I
2 think it's, you know it's imperative that you
3 partner with the established organizations that do
4 a lot of this and highlighting the architecture is
5 something that's very important to add to the STEM
6 discipline to have it added is very appropriate.

7 But can you please flush out your details of the
8 programming including eligibility criteria how can
9 a young person participate or benefit from STEAM.
10 And I saw that in the budget you have 400 thousand
11 dollars is if 400 thousand dollars is needed just
12 for staffing of the program how much will the
13 program itself cost?

14
15 COMMISSIONER PENA-MORA: First to answer
16 your, your first question our approach is to be
17 very proactive in our outreach efforts and a STEAM
18 team is actually meeting with our partner agencies
19 like DYCD and DOE in trying to identify which one
20 where they ask, afterschool programs that they will
21 be... us to work with as well as the high school
22 programs that we wanted to interact. So we do not
23 have any particular selectivity criteria. We are
24 trying to be as encompassing as possible within the
25 resources that we can. In terms of the resources

1 the 400 thousand is right now for, for personnel.
2 We envision that this will grow but since we are in
3 the first stage we feel that that amount is
4 sufficient for now. We expect that in future years
5 we may have to grow that amount.
6

7 CHAIRPERSON FERRERAS: And Commissioner
8 you know I did say that I'm really excited about
9 the program and see the need but we're almost up a
10 half a million dollars in staffing for this and no
11 real program yet. So I'm hoping that we're able to
12 get a more detailed program scope or how many young
13 people you're looking to serve, how many just more,
14 because it's, it is a challenge for us to, we want
15 to be with you and we want to stand with you on
16 this one but I need to know what we're funding.

17 COMMISSIONER JIHA: Yep.

18 CHAIRPERSON FERRERAS: But at the same
19 time I know that we listed agencies are your
20 partners, council members are also your partners.
21 And I would hope that at some point you're able to
22 engage with council members that work closely with
23 local principals which is what's been our
24 experience with afterschool programs and UPK and
25 everyone's partnered with us when we need to get

1 the numbers up. This is a great program that we'd
2 like to be able to bring into, I'm sure into many
3 of our districts. So finding opportunities... and I
4 don't know what's best from your agency's
5 perspective but engaging with our offices so that
6 we can engage with our local schools to bring those
7 programs in. I think it's imperative.

9 COMMISSIONER PENA-MORA: Very, very
10 good. Very good I recommendation and we definitely
11 will be reaching out to the Council Members and see
12 how we can partner and we identified some of the
13 school. Just to clarify you know what, it takes a
14 lot of preparation to run out this program and we
15 just started this program late last year. Next week
16 we are starting one of our after school program and
17 we are going to have indictment a full blown
18 program including 50 kids from DYCD as well as
19 around 25 high school students from other schools.
20 So we are going to be ramping up and this summer is
21 where we are going to be able to showcase that. So
22 I will be happy to come back and show you all that
23 it's all...

24 CHAIRPERSON FERRERAS: Yes and I, you
25 know you've, these children have been selected.

1 We'd like to know how and why those kids and how we
2 can make sure that our children are in all of our
3 districts and you may very well have children from
4 throughout the city. But these young people we
5 would like to know how they're being selected and
6 how we can expand the program and get more young
7 people to actively participate in your STEAM
8 program.
9

10 COMMISSIONER PENA-MORA: Definitely.

11 CHAIRPERSON FERRERAS: I'm going to ask
12 one more question and then I'm going to open it up
13 for my colleagues. But this is in reference to your
14 customer satisfaction. DDC has shown a steady
15 increase in customer satisfaction with 93 percent
16 of respondents rating their completed projects as
17 adequate or better. There has been a steady
18 increase in this rating over the three year period
19 beginning fiscal year 2011 which is now well above
20 the targeted level of 90 percent. However there is
21 an 80 percent success rate for the first four
22 months of fiscal 2015. What criteria for
23 satisfaction are you measuring on your client
24 survey and can you please provide us with a copy of
25

that survey or whatever tool you use to survey your clients?

COMMISSIONER PENA-MORA: Definitely we can provide you with the survey itself. I can just share with you that the type of question that we ask is are they familiar or have knowledge of the history of the project? Where, then kept informed about the project how was they, they feel that there needs were met if they raise any particular issue and the satisfaction with the results of the project. So it's a very simple survey in order to get it but I would be able to provide you with a copy of the survey. With respect to the 80 percent of the last order we noticed that the number of returned surveys last quarter was actually lower than the prior year. So we feel that the numbers may not be representative because the numbers are very low in very few surveys so we expect that by the end of the year we would be able to maintain the level of satisfaction that we have been able to do in the past years.

CHAIRPERSON FERRERAS: Okay well we're going to be watching.

COMMISSIONER PENA-MORA: Yes.

CHAIRPERSON FERRERAS: Because of

course³ we want to make sure that this agency, that this council created is also providing the service that the, at the level that is expected. Of all the projects you managed totaling a price you stated in your opening testimony totaling approximately 5.9 billion dollars. How do you prioritize projects? Is it first come first serve based on project size, based on funded projects or what do you use. And I just say this because we find it challenging at times when our capital dollars go in and I understand the component of sometimes they're not fully funded but if you can just walk us through this process when we engage with our local libraries and those projects aren't happening fast enough when we have our, our, our parks dollars that we put into our parks and those, nothing's happening fast enough from our perspective. But I understand you have to lay down roads, you have to do DEP projects. How do you manage all this and what, what is the metrics that you use to prioritize these projects?

COMMISSIONER PENA-MORA: Actually the

priority, prioritization of the project is in

partnership with our client agencies. They are the ones that bring us the projects that they feel that we should be doing for them. And we work with them in terms of which projects they feel should be you know attacked first or when is in the fiscal year, a different fiscal year that they want to schedule this project. So we do not really do prioritization internally. We do it with our client agencies. In terms of the different clients our approach is we have two major divisions. And we reach out quite separate... time to integrate more and more now days is the Division of Infrastructure and the Division of Public Buildings. So the infrastructure works mostly with DEP and DOT and a lot of challenges are resolved in that particular division in terms of the priorities between DEP projects and DOT. Like for example DEP may want to move a project fastest while DOT may not. But then we work with them and we come into an agreement. So it's always in partnership with our client agencies. In terms of the public buildings we have different client group... for the courts, for the libraries, for the cultural centers. And we define priorities within each one of those group again with the client

1
2 agency. But we are the staff to take those projects
3 and move it forward given that they have the
4 funding available and the client agency would like
5 to continue moving those projects.

6 CHAIRPERSON FERRERAS: So do you find
7 that you will not start a project unless it's 100
8 percent funded?

9 COMMISSIONER PENA-MORA: It's not our
10 rule, it's OMB. They will not provide us with the
11 CP that we need to start a project without all the
12 funding being available. And, and I think you have
13 to understand that it makes a lot of sense because
14 all these projects are capital projects which are
15 financed with bonds and the capital assets are the
16 one kind of back these bonds. So unless the project
17 is able to be completed it would put the city in a
18 difficult position so...

19 CHAIRPERSON FERRERAS: What happens with
20 us from the, the challenge that we face is that
21 we're told the cost is going to be one thing, we
22 fully fund that one thing. A year later DYCD hasn't
23 moved forward with that... DYCD, DDC hasn't moved
24 forward with that project and now there's oh we
25 need another half a million dollars and then the,

1
2 it's like the clock keeps getting restarted every
3 time there's a new fiscal year. So it's a very big
4 challenge from our perspective here in the council
5 on whether you get something started it makes a
6 very big difference because it costs us an extra
7 half a million dollars in a lot of cases.

8 COMMISSIONER PENA-MORA: I agree and I
9 think there is a lot of frustration in terms of the
10 cost estimates and what we find that a lot of times
11 we have challenges from multiple perspective. One
12 is the scoping that was initially provided and this
13 estimates that were generated may not match the
14 actual conditions of the project. Sometimes also if
15 we are talking about projects in all buildings that
16 needs renovation you may only look at the parts
17 that you feel is needed like the restoration of
18 couple of rooms and you say wow why does need any
19 more money. But when you do that you may have to
20 look at code compliance according to the Department
21 of Buildings. Code compliance according to the
22 American to, for disability act which you may not
23 see at the beginning because you think oh I'm just
24 changing you couple of rooms or doing something
25

CHAIRPERSON FERRERAS: So I know this didn't happen during your tenor but I want to, I'm glad that you highlighted that. I have, and I, I don't like to do this often and I you know go specifically to our districts but I'm going to ask from a, a point, a break from my colleagues. Okay good good. So I have a comfort station at 127 Park in East Elmhurst. DDC went in and did the construction work for, to make it ADA compliant. We changed the, the stalls, everything was great. But the door was never expanded to get into the bathroom. So I have a challenge understanding a project like that. Now I have to redo the comfort station and fund this project even though I already put in for you know millions of dollars into this park and the community has to then wait again. So I don't know if that was contracted out or what the case is which we can try to figure out but that's a challenge because whenever we've done any work and there's a sign outside that says DDC is doing this we find it incredibly complicated.

COMMISSIONER PENA-MORA: And Madam Chair sometimes there are lot of confusions in which projects fall into the DDC umbrella and which falls into some of our clients.

CHAIRPERSON FERRERAS: Okay.

COMMISSIONER PENA-MORA: In some cases some of our clients they run their own capital projects like for example parks and I believe that that project actually that you mention was not in our portfolio.

CHAIRPERSON FERRERAS: Okay well then that is a challenge that we have right because as long as the... so who gets to choose? Is it the agency that chooses what projects go into where? Okay... [cross-talk]

COMMISSIONER PENA-MORA: The client agencies decide if they want us to do the projects or they would like to do it themselves.

CHAIRPERSON FERRERAS: Okay.

COMMISSIONER PENA-MORA: In... the ones that have the capital project capacity they are some agencies that do no... [cross-talk]

CHAIRPERSON FERRERAS: ...capacity.

2 COMMISSIONER PENA-MORA: They have to
3 give it to us. But there are some again parks is
4 one of them DEP DOT they have a capacity in house
5 and they decide which projects. So I'm going to
6 open up to a second round, I mean to questions but
7 I just, when you finish or complete a project what
8 is, what is your sign off that you give to the
9 agency that's going to manage this project. We're
10 talking about, and the reason I ask this is as, is
11 a continuum of the 10 year capital plan right, or
12 even capital needs that are identified to us. You
13 turn over a building, is there a, does, is there a
14 list that exists that says your roof is going to,
15 the lifetime of your roof is 20 years, you might
16 need to do this type of maintenance so that they
17 could last a little longer. This is the floor that
18 we put down. These are the things that are
19 happening. Does that exist? Because what I find is
20 that we are now dealing with the lack of that
21 information because the proper maintenance isn't
22 done and I know that it, it varies from expense to
23 capital, maintenance might be expense but you're
24 the ones installing these projects. So is there
25 anything that officially says we just built this

library for you. These are the things that you're going to need. These are, these are the live in this process.

COMMISSIONER PENA-MORA: We do share. When we close out the projects we do chair the warrant information and the manuals for the maintenance. That is shared with the client agencies for them to actually take over that project. So we do share that type of information.

CHAIRPERSON FERRERAS: So that goes to the agencies. You don't necessarily know if that trickles all the way down.

COMMISSIONER PENA-MORA: I, I cannot answer that question.

CHAIRPERSON FERRERAS: Okay thank you very much we're going to have Council Member Lancman followed by Council Member Cumbo.

COUNCIL MEMBER LANCMAN: Good afternoon Commissioner it's good to see you.

COMMISSIONER PENA-MORA: Thank you.

COUNCIL MEMBER LANCMAN: As you know I, I chair the Committee on Courts and Legal Services. We've met, we correspond with your office from time to time. If you could maybe give me an update on

some of the projects that DDC is, is working on and then I'd, I'd like to maybe ask some specific questions on, on a couple of them.

COMMISSIONER PENA-MORA: You want an update on all the... [cross-talk]

COUNCIL MEMBER LANCMAN: Well you don't need to do a line by line but if you can give me a, a, a big picture I'd appreciate it how many projects you're working on and... do you have that?

COMMISSIONER PENA-MORA: I will have my Associate Commissioner Christine Flaherty to be able to provide you that list.

COUNCIL MEMBER LANCMAN: Terrific.

CHRISTINE FLAHERTY: Good afternoon.

COUNCIL MEMBER LANCMAN: Just need to get a little closer to the mic.

CHRISTINE FLAHERTY: Good afternoon.

CHAIRPERSON FERRERAS: And if you could just state your name for the record?

CHRISTINE FLAHERTY: Christine Flaherty, Associate Commissioner of Public Buildings. So currently within our courts group we're handling about 10 to 12 various courts projects. Many of them include various upgrades, rehabilitation,

renovation type work. Additionally we're assisting the city in supporting punch list efforts the larger project in the Bronx. Our team is working on that as well. Staten Island family justice center is a renovation that's going out to bid this spring and it should be completing next winter.

COUNCIL MEMBER LANCMAN: What's the status of the, the court house in Staten Island that we're all eagerly awaiting?

CHRISTINE FLAHERTY: So are you referring to the 50 million dollar, the, the, the large project?

COUNCIL MEMBER LANCMAN: Yes, yes.

CHRISTINE FLAHERTY: So that is being managed by Department... the Dormitory Authority of the state of New York. That's not being handled by New York City DDC.

COUNCIL MEMBER LANCMAN: Got it. Thanks. And the one in the Bronx, I know when we met with the Bronx District Attorney's Office he was eagerly awaiting the completion of, of, of that, the, the punch list as you say?

CHRISTINE FLAHERTY: Yes so the city... we became involved in essentially the settlement.

1
2 There, there's a number of items that are needed to
3 be closed out in order to finalize the settlement
4 and we're working diligently on those specific
5 items as we, we have worked on those items we've
6 recognize there's additional needs and requests
7 within the building outside the purview of the
8 scope of the settlement and so we can't currently
9 address those needs but we're developing the scope
10 to identify that as an additional area of need with
11 OCA in short order and we're working with our legal
12 team on that but we have to find a new solution for
13 a new team to look at the, those other additional
14 needs. An example of that is, is looking at doing
15 virtual hearings. That's, that's a new request so
16 that doesn't fall into the settlement. We're trying
17 to protect the integrity of the settlement and the
18 scope that we have to complete there.

19 COUNCIL MEMBER LANCMAN: And how would
20 you describe the coordination between DDC, OCS, and
21 I'm going to say MOC J because as I understand it
22 MOC J is, is the, the entity that the government
23 plays where the courts capital plan is, is
24 formulated which we hope to hear more about when,
25

when MOC J comes and testifies for the Public Safety Committee.

CHRISTINE FLAHERTY: Yeah so I, I'll, I'll have to defer to say we work closely in getting the program when it comes to us. We, we serve a number of these clients that collaborate with one another to come up with the capital program. So basically we just take the scope in the budget when it comes to us and move forward from there.

COUNCIL MEMBER LANCMAN: Okay. So before I move on to, to libraries I wanted to be indulged in asking about a particular project that is in my district in which when I went out to, to meet with the, the leaders of the, the, the bench and bar in Queens to talk about the issues that they cared about and I was ready to talk about the great policy issues that confront our city and nation in terms of the justice system they want to know when their elevators are going to get fixed at Sutphin Boulevard. She knew, she knew what was coming.

CHRISTINE FLAHERTY: Yes we are working on the elevator contract right now. Let me look

something up and I'll... it went out to bid, due
March 20th...

COUNCIL MEMBER LANCMAN: Okay.

CHRISTINE FLAHERTY: ...the bids are due
March 20th and we'll... [cross-talk]

COUNCIL MEMBER LANCMAN: So as we all
know it's been going on for a long time. There have
been... [cross-talk]

CHRISTINE FLAHERTY: Yes.

COUNCIL MEMBER LANCMAN: ...deadlines and
those deadlines have been, been exceeded. So it
went out to bid. Can you tell me when you expect
to... I don't know if, if shovel in the ground is the
right metaphor for an elevator but you know when,
when can we start to see that something is being
done?

CHRISTINE FLAHERTY: So we have to
register the contact and then, so I would say end,
end of summer yeah.

COUNCIL MEMBER LANCMAN: End of summer?

COMMISSIONER PENA-MORA: I would say
that you can start seeing some activity at the end
of summer.

COUNCIL MEMBER LANCMAN: Okay. Yeah, okay. Libraries... Kew Gardens Hills Library. We've been waiting for it for a while. Like I'm not accusing you of delaying or it not being on time... you know maybe there was small delays. Is there anything you could tell me sitting here about where we are with that and when I could tell people that they are going to have their shiny new library?

CHRISTINE FLAHERTY: So the Kew Gardens Library has been a challenging project...

COUNCIL MEMBER LANCMAN: Just Kew Gardens Hills, just...

CHRISTINE FLAHERTY: Kew Gardens Hills...

COUNCIL MEMBER LANCMAN: Right, okay.

CHRISTINE FLAHERTY: The new addition...

COUNCIL MEMBER LANCMAN: Right.

CHRISTINE FLAHERTY: ...correct?

COUNCIL MEMBER LANCMAN: Right.

CHRISTINE FLAHERTY: So we're happy that you have an alternative library to go to the community, has a... space library.

COUNCIL MEMBER LANCMAN: The storefront.

CHRISTINE FLAHERTY: Agreed. But it's, it's a little better than some others. The project

1
2 is a challenging project also. I'm familiar with
3 it, I've walked the site. The contractor was held
4 up by the weather unfortunately with the addition
5 work. It's not enclosed. We're working with the
6 contractor right now to find ways to accelerate the
7 schedule because the production has not been our
8 best. We're aware of it.

9 COUNCIL MEMBER LANCMAN: So is there
10 anything you could, where are we in terms of the,
11 the, the, the timeline and in terms of the
12 chronology of the lifespan of the project and then
13 when can we actually expect a big grand opening
14 with ribbons to cut and pictures to take?

15 CHRISTINE FLAHERTY: So I think our
16 current schedule that is out in the public is July
17 correct? That's the current public schedule but
18 I'll be honest we're looking closely at that
19 schedule and because of the weather events and
20 looking at the contractor's production we may need
21 to push that schedule out.

22 COUNCIL MEMBER LANCMAN: Okay. And then
23 in terms of... I don't know if it's useful to talk
24 about where the, the project is in terms of its,
25 you know and like we did with the elevator is you

got to put a contract out to bid, then it's got to register, etcetera. So like are, where are they in terms of well they're almost done and it's just punch list type stuff or they're not you know...

CHRISTINE FLAHERTY: No I mean they're, the building's not enclosed, that's the big problem and they had a number of formwork to do in order to get the columns up they, the outside exterior shell of the building is unique. You know we have the glazing ticket in, the GFR, GFRC so the concrete work that needed to get done was held up by the weather. So we're, we have to enclose the building. We're not close to punch list.

COUNCIL MEMBER LANCMAN: Right, right. Okay. Well we might ask you to come visit us, speak to the local civic association, give them an update, etcetera.

CHRISTINE FLAHERTY: Absolutely we're happy to do that.

COMMISSIONER PENA-MORA: We would be more than happy to do that.

COUNCIL MEMBER LANCMAN: Okay and your office has always been very responsive. We appreciate that.

COMMISSIONER PENA-MORA: It's good to hear.

COUNCIL MEMBER LANCMAN: Thank you very much.

CHAIRPERSON FERRERAS: Thank you Council Member Lancman. I know you didn't know this but you got like an extra four minutes there. We're going to have Council Member Cumbo followed by Council Member Treyger.

COUNCIL MEMBER CUMBO: Clock starting in four minutes. Good afternoon. Thank you Madam Chair. Wanted to ask you a question in regards to, well just wanted to first say that I'm very interested in the STEAM program and share our chair sentiments and wanting to make sure that we have access to that program. So I definitely am also chair of the woman's issues committee and we're doing a lot of work around making sure that girls are exposed to STEAM and have all of the opportunities access that. So just want to put it out there that I'm particularly interested in that program and want to make sure in terms of its rollout expansion how to get that program in our schools in the district and beyond. The second one

1
2 is as a not-for-profit leader if memory serves me
3 correct and you talk about the architects that you
4 use on projects there is a preapproved list of
5 architects that you have, is that correct?

6 COMMISSIONER PENA-MORA: It's not
7 preapprove. We have similar to what I mention
8 before on the hill contract that we have. We go out
9 and request proposals, qualifications, and then we
10 select six firms that actually handle large
11 projects and 20 firms that handles small size
12 projects. And these 26 firms then become part of
13 our roster. And when there is a new project that
14 comes in we actually issue a mini RFP within those
15 groups and we see the responses and work with the
16 clients to determine the architects. So it's not
17 like a, a list but it has been procured
18 competitively.

19 COUNCIL MEMBER CUMBO: How often does
20 that list change?

21 COMMISSIONER PENA-MORA: It changes... a
22 normal contract is three years with regular
23 extension one year. We are starting to look at it
24 because in fiscal year 16 we have to go and issue
25 another call.

COUNCIL MEMBER CUMBO: As I recall on the other side of this one I wore my not-for-profit hat. One of the challenge with that as that I knew many architects, particularly African American and I at the time was a leader of an African American Museum and one of the things that you would want to do if you're Puerto Rican, if you're African American, if you're Cuban, part of the ability to build a facility would also to be have an architect of that ethnicity so that way it becomes the crown jewel of that community. But the process in which you use in terms of the selection of the 26 does not allow an organization to say I'm Puerto Rican, or I'm Dominican and I want to have this Dominican architect to actually do the design work for this proposal. And I understand that if you bring in an outside architect then the city with their capital dollars will no longer cover the costs and the expenses of that architect that you as the organization have to. So that's always been very problematic to me and wanted to know for the list right now of 26 do you know the ethnic breakdown of those particular architects?

COMMISSIONER PENA-MORA: Okay. I don't have all the details but I would like to answer one, one component. We have identified the needs to clear a more diverse pool on our list of architects and that's why with the creation of the chief diversity officer Magalie Austin who is there with me. One of her rolls is to ensure to outreach to the community. She has been meeting extensively with... NYCOBA, the New York City, organization of black architects as well as other groups. In order to ensure that they can fully participate and that's one of the things that we can do. You are correct that if an organization bring their own architect it does not fall into the purview of our finances. As you are aware we have to go to a very stringent procurement method and we cannot just cherry pick a particular consultant or a particular contractor. So to do that process we go through this qualification process which turns out at 26. Now the makeup of that 26 I do not have that make up with me right now but I can get back to you with a make-up of those, the ethnicity of those groups.

COUNCIL MEMBER CUMBO: Well let me just say that I find that practice highly problematic. I

1 understand that you have to go through a vetting
2 process but I would find it hard to believe that
3 all of these years through that vetting process.
4 You haven't been able to select more architects of
5 different racial backgrounds. And I, I also find it
6 highly problematic that if organizations want to
7 bring in someone of their own cultural background
8 that the city would no longer pay for that. I, I
9 find that highly problematic. And of the 26 do you
10 know how many are African American because last I
11 counted it was maybe two or... [cross-talk]

13 COMMISSIONER PENA-MORA: Your, your
14 recollection might be correct. I don't have the
15 numbers with me but your recollection may be
16 correct.

17 COUNCIL MEMBER CUMBO: Because if we're
18 not making a point to be inclusive we're making a
19 point to be exclusive. And in addition to that
20 consultants that work on so many of these projects
21 that's also very highly problematic. So in my
22 district in the 35th council district I have never
23 seen an architect of color work on any project. I
24 never met a consultant of color work on any project
25 all throughout the 35th district which is very

1
2 diverse. So this system that you have created is
3 very exclusive and it leaves many people of
4 different racial backgrounds and ethnicities out. I
5 don't know what your grading system was for the
6 controller but I find that issue to be highly
7 problematic. And I, and I hope that we will work in
8 terms of making this process far more inclusive
9 than it has been in the past.

10 COMMISSIONER PENA-MORA: I also look
11 forward to working with you and I hope to be able
12 to reach out to you to discuss our new procurement
13 and be able to get any input that you can provide
14 and that we can do within the rules of the city.

15 COUNCIL MEMBER CUMBO: And I know many
16 architects of color that I can also direct you to
17 as well.

18 COMMISSIONER PENA-MORA: Definitely. We
19 will follow up with your office to see if you can
20 make introductions and wait for us to work
21 together.

22 COUNCIL MEMBER CUMBO: Thank you.

23 COMMISSIONER PENA-MORA: Thank you.

24 CHAIRPERSON FERRERAS: Thank you Council
25 Member Cumbo. We will now be followed by Council

Member Treyger followed by Council Member Rodriguez.

COUNCIL MEMBER TREYGER: Thank you Chair. And thank you for taking time out of this important hearing to also focus on the issue... issue of the on, the ongoing Sandy recovery in our city. Welcome Commissioner. And in feedback that the committee, the staff got it says that your office reported that over 15 thousand people applied to the Build it Back program when in fact I chair the city's recovery resiliency committee we've received testimony that over 22 thousand people applied to the build it back program. Can you explain the discrepancy in that information?

COMMISSIONER PENA-MORA: There are two components. The Build it Back Program is run through the HOR... the, the, the housing recovery office and they are the one that selects and, and identify what each homeowner is entitled to and also what path they would like to pursue. Some owners may pursue the path of doing their own repairs and they will not fall into the purview of the world that we will do at DDC. So when we say it's 15 thousand is the number that we estimate

that will fall within the purview of the world that we would perform. That, it, that's not the whole population of the homeowners that apply for the Build it Back.

COUNCIL MEMBER TREYGER: Only because the chair asked before about the amount, a hundred million dollars, is that correct?

COMMISSIONER PENA-MORA: Yes, yes.

COUNCIL MEMBER TREYGER: And we need to make sure that we have enough money to cover every applicant that rightfully is owed that money.

COMMISSIONER PENA-MORA: Yes.

COUNCIL MEMBER TREYGER: And I'm not sure if we're getting that sense of certainty today. Do we, do you have a sense, do we have enough money to cover every applicant through this program when we know it's more than 15 thousand people.

COMMISSIONER PENA-MORA: Okay let me just ask my... [off mic comments]

ANDREA GLICK: Hi, I'm Andrea Glick. So the hundred million dollars is the first pot of money that we've received from OMB to start the registration process for the contracts which have

not yet been selected. When we finish negotiating with the vendors when we've made that determination we will go back to OMB and we will get the remaining funds. And that will, so they will give us some money for FY '15 and we're not sure what the whole pot of money is but then we will get more additional funds in FY '16.

COUNCIL MEMBER TREYGER: So...

ANDREA GLICK: And when we do finally have those contracts ready we will have public hearings on those contracts through the PPB public hearing process. So you, you will be notified at that point as well.

COUNCIL MEMBER TREYGER: Right. But the question is at...

ANDREA GLICK: Mm-hmm.

COUNCIL MEMBER TREYGER: ...would HRO or would your agent, would your department know, who will know first that we don't have enough money for every applicant. Because my concern is making sure we have funds for every single person in the pipeline.

ANDREA GLICK: HRO will be making the determination on the eligibility for the clients that will be served through this contract.

COUNCIL MEMBER TREYGER: So that's all in HRO.

ANDREA GLICK: That's in HRO. They will give us the pool of applicants who are available to use these contracts and that's how, it's not under our purview who's eligible. We just get the assignment of the clients.

COUNCIL MEMBER TREYGER: Okay.

ANDREA GLICK: The clients homes.

COMMISSIONER PENA-MORA: I would like to add to what Andrea said is that we are going to be working closely with HRO in providing in the estimates for... [cross-talk]

COUNCIL MEMBER TREYGER: That's... [cross-talk]

COMMISSIONER PENA-MORA: We will provide that but at the end of the day HRO is our client. And they will be the one determining the, the number of homeowners that will classify... [cross-talk]

COUNCIL MEMBER TREYGER: And the reason why chair this is so important and everyone is that because again a lot of these problems stem from the last administration. But because we have not gone out to all these properties I don't think we have a full accurate picture of the estimates to the damage to the extent of what... has to happen. So I'm not sure if we have the sufficient funds. So that's why it's critical that your office works very closely with HRO to get that information out to us as quickly as possible so we make sure you do have enough money to help every single person through the pipeline. Very quick, two quick questions. I see here that there's been a, a 1.6 million dollar allocation for Hill International, the chair mentioned before. Can you specify what exactly they're doing with build it back?

COMMISSIONER PENA-MORA: Yeah they are supporting HRO in managing some of the construction contracts that are designed contracts that HRO procured by themselves. As you made a call this program just recently came into our portfolio. Before it was being managed by HRO and they were contracting several design firms and different

1
2 construction firms. And Hill was contracted through
3 our mechanism to support HRO in the management of
4 those contracts. So that's some of the worst that
5 they are doing for HRO.

6 COUNCIL MEMBER TREYGER: So they are
7 handling construction case management cases, is
8 that what you're saying?

9 COMMISSIONER PENA-MORA: It's a part of
10 the, you know it's supplement the HRO construction
11 staff and, with field presses observe construction
12 projects and assist in the document control and... of
13 the different contracts that are received.

14 COUNCIL MEMBER TREYGER: So that's
15 something I could follow up with HRO directly. And
16 the last question is, is DDC in debt to any
17 contractor or company that did emergency work
18 during, right, during right after Sandy. Because
19 we've, we've heard that before from other, other,
20 in other hearings but are you currently still in
21 debt? Do you, are, is there money still owed to
22 companies and contractors that did emergency work
23 right after Sandy?

COMMISSIONER PENA-MORA: Yeah we are still getting invoices for some of those, that work that was done and we are following up on, and..

COUNCIL MEMBER TREYGER: And do you have an estimate of how much is still outstanding?

COMMISSIONER PENA-MORA: No we do not have that..

COUNCIL MEMBER TREYGER: If we can get that information that would be great.

COMMISSIONER PENA-MORA: Okay we will try to see what we can provide.

COUNCIL MEMBER TREYGER: Right. Thank you Chair.

CHAIRPERSON FERRERAS: Thank you Council Member Treyger. Council Member Rodriguez followed by our last council member, Council Member Johnson.

COUNCIL MEMBER RODRIGUEZ: Thank you, thank you Chair. Commissioner as you know like I'm so happy to see the initiative... New York City's falling behind when we measure when we compare to every other city. Most of the working class student in our city, they don't, they are not supposed to.. Less than 10 percent especially of black and Latino is student in our city, in New York City Department

of Education are enrolling a school focused on math and science. So I have no doubt that this initiative that your agency has... is something that I hope to see throughout the whole city. I believe that the only way of how we would be able to support our students to have the opportunity to be connected with STEM. It is like if the other agency where you were started and also how, and that's my question... How can you... I know that this is only a beginning but what is your plan also to engage the partners of the agency in private sectors, also to contribute on this initiative of STEM?

COMMISSIONER PENA-MORA: Thank you Council Member Rodriguez. These are very good questions. We do participate in some activities for mentorship programs. With some of the industry leaders through the ACE program that actually mentors high school students. And that's part of one of the program. In the program that we are currently developing under the leadership of Liam Bailies [phonetic] our Deputy Commissioner we are looking at how our agency can contribute to the education of those students both from middle school, high school, as well as college. And we are

looking forward to explore opportunities of collaboration with other agencies as well as with industry partners.

COUNCIL MEMBER RODRIGUEZ: Great. I just hope again that the other, that the whole city getting engaged in this process and this is as you know very important only for me as a council member but also as a family, my wife and I. Thank you.

COMMISSIONER PENA-MORA: Thank you Council Member.

CHAIRPERSON FERRERAS: Council Member Rodriguez we will have Council Member Johnson.

COUNCIL MEMBER JOHNSON: Good to see you commissioner. [cross-talk] Thank you for being here today. I enjoyed getting together with you and your staff last fall and talking about the many many projects that are happening in my district. I think the number ended up being close to a billion dollars... [cross-talk]

COMMISSIONER PENA-MORA: That's right.

COUNCIL MEMBER JOHNSON: ...funded projects which is incredible and I know it's a lot to manage. I, I just wanted to, you, you testified about the water main projects that are valued at

1 about 5.6 billion dollars that are going on. The
2 third water tunnel in Manhattan, the Manhattan
3 Connections are a large portion I assume of that
4 5.6 billion dollars. And you know the last time we
5 got together and, and spoke a lot of these projects
6 that are happening at least in the Times Square,
7 Hell's Kitchen, 9th Avenue, 10th Avenue, Quarter
8 area have been going on for quite some time. They
9 have created... not your fault major traffic problems
10 leading up to the Lincoln Tunnel. And in a density
11 residential neighborhood in Hell's Kitchen and
12 similarly down on... street next to Sierra Valley
13 playground. That side I think has been open for I
14 think eight years. And DDEP says it' DDC and you
15 guys say you know DEP is still doing work. So I
16 just wanted to see if you have any updates today.
17 If you don't I'm happy to check in with the great
18 people that work on your staff and get some more
19 specifics from them. But on the water main tunnel
20 projects do you have any updates on those?

22 COMMISSIONER PENA-MORA: Council Member
23 Johnson I would like to ask my Deputy Commissioner
24 Eric McFarlan [sp?] from the Division of
25

1
2 Infrastructure to give us a little bit of, an
3 update on those projects.

4 DEPUTY COMMISSIONER MCFARLAN: Eric
5 McFarlan Deputy Commissioner of Infrastructure
6 Division. In general all, we are basically... in
7 Manhattan we are basically four contract... And all
8 of them basically are more than 50 percent, almost
9 75 percent of the company. And we will by 2017 we
10 should be done with the connections with, with
11 those budgets. Because... the one on, on...

12 COUNCIL MEMBER JOHNSON: Times Square
13 yeah.

14 DEPUTY COMMISSIONER MCFARLAN: Times
15 Square area. But the, the issue with Time Square
16 area is that we also do, we doing Times Square
17 itself.

18 COUNCIL MEMBER JOHNSON: Yes.

19 DEPUTY COMMISSIONER MCFARLAN: And, and,
20 that involve the construction of Plaza which will
21 take a, will, will be finished basically next year.
22 And then, and then 2016. And also... 7th avenue, from
23 47 to 42nd, 42nd... which is going to exacerbate the
24 traffic issue that you mentioned on 9th Avenue.
25

COUNCIL MEMBER JOHNSON: And when we talk about Times Square are we talking about the 9th Avenue quarter?

DEPUTY COMMISSIONER MCFARLAN: The 9th...

COUNCIL MEMBER JOHNSON: Is that separate?

DEPUTY COMMISSIONER MCFARLAN: That's separate. That's two separate budget... 9th Avenue Corridor is part of the water tunnel connection.

COUNCIL MEMBER JOHNSON: And, and what's the timeline on... [cross-talk]

DEPUTY COMMISSIONER MCFARLAN: That should be done on a by, a 75 percent complete by Fall of 2017.

COUNCIL MEMBER JOHNSON: Fall of 2017?

DEPUTY COMMISSIONER MCFARLAN: Yeah.

COUNCIL MEMBER JOHNSON: Okay. Well I, I appreciate that and, and one thing I just want to flag for, for you commissioner and, and for your staff is I know you're doing a substantial amount of work in the Hudson Yards area as well. The area between 29th street and 33rd street on 10th avenue is like Hell. It, it's sort of impassable most times of the day. Again that's not your fault. It's DOT,

1
2 it is highline construction. It's related, it's
3 DDC, it's ConEd, it's the Morgan Annex Post Office
4 Facility that's right there with trucks backing up.
5 It is a mess and I don't know if there's any
6 interagency communication or coordination that is
7 going on but every time I go by there in the last
8 three months it's worse and worse and worse. And it
9 is where people are coming out of the Lincoln
10 Tunnel so it creates a whole host of issues for the
11 Westside. So I'd love to figure out with your
12 office if we can maybe have an interagency meeting
13 to talk about that construction and what's going on
14 there.

15 COMMISSIONER PENA-MORA: Well we do have
16 some of those meetings but I will ask Eric to
17 elaborate.

18 DEPUTY COMMISSIONER MCFARLAN: In fact
19 city hall under, sponsors these coalition meeting
20 with the related, the highline and us. And that's
21 being that we do have a, a biweekly coordination
22 meeting with all parties, also a way to sort of
23 move this forward. Yes this, it's, everybody's
24 there.

COUNCIL MEMBER JOHNSON: You're, you're currently having meetings there?

DEPUTY COMMISSIONER MCFARLAN: We're currently having them yes... under the sponsorship of city hall.

COUNCIL MEMBER JOHNSON: Where, where's my invite. Look for the email.

DEPUTY COMMISSIONER MCFARLAN: ...like... I don't know if you know her but...

COUNCIL MEMBER JOHNSON: No I mean, this is important and we get a lot of issues about it so... Chair sorry for being so local and parochial but these are important. I, I appreciate it. I look forward to working with all of you on these important projects. Thank you very much.

CHAIRPERSON FERRERAS: Thank you. Thank you Commissioner. It is, thank you for coming to testify today. And we have a few follow-up questions that my committee will get to you. If you could make sure you get them back to us so that we're able to respond and do our budget response... Okay it's been a long day. What I'm trying to say is I hope that you can get back to us expeditiously so

that we can then respond in the budget response effectively.

COMMISSIONER PENA-MORA: Okay we will.

[cross-talk]

CHAIRPERSON FERRERAS: Thank you.

[cross-talk] We're going to take a 30 second break which is, about as long as it's going to take our Controller to come up while we transition documents so that we can begin our testimony with our controller.

[pause]

CHAIRPERSON FERRERAS: Good afternoon and welcome to the first day of the council's preliminary budget hearings. My name is Julissa Ferreras and I chair the finance committee. So far today we've heard from OMB, the Department of Finance, and we've also heard from DDC the Department of Design and Construction. We will now hear testimony from the New York City Controller Scott Stringer once he's sworn in by my council. In the interest of time I will forego an opening statement. Council Tanisha Edwards will swear you in.

COMMITTEE COUNCIL: Do you affirm that your testimony will be truthful to the best of your knowledge information and belief? You may proceed.

SCOTT STRINGER: Well good afternoon I, I know you've had a long day so far but I want to thank Chairperson Ferreras and members of the Committee. It's a pleasure to be here and discuss our analysis of the New York City's FY '16 preliminary budget. And joining me here today is Tim Mulligan Deputy Controller for the budget, from our office and we're, let's face it we're meeting at a time of relative prosperity in New York City. Our recovery from the great recession continues. Revenue collections have been outpacing projections and our budget growth is appropriately moderate and controlled. But we cannot waste this moment of opportunity with complacency. We've got to double down and manage our finances effectively so we can maximize our resources to solve problems and invest in the future. I'll begin by talking about the city's capital budget and the new ten year capital strategy. The mayor's new strategy projects that we'll spend 67.7 billion on capital initiatives through FY '25. Now that's a 26 percent increase

1 since the last 10 year strategy two years ago and I
2 applaud the administrations commitment to investing
3 in infrastructure. But it's important to look at
4 the reality of what actually happens with capital
5 spending and our planned capital commitments. So
6 this is an analysis that has been all but
7 impossible in the past due to limitations in the
8 data. But this year the controller's office decided
9 it was a problem that had to be faced. And last
10 week our office released a report comparing the
11 capital commitments that were scheduled to happen
12 with the contracts that actually got executed. We
13 did this at a level of detail that's never been
14 available before. The report analyzed more than 14
15 billion in planned commitments, some 16 hundred
16 budget lines across 25 agencies. And our findings
17 were very revealing. Since FY '05 the city has
18 achieved an average of 60 percent of its planned
19 commitments. But in FY '15 only 52 percent of
20 capital commitments were achieved. That was the
21 second lowest rate in the last ten years. The
22 bottom line is the capital commitments are only as
23 good as your ability to complete them. And we
24 believe that this report will be able to guide the
25

council as you analyze the totality of the budget. The bottom line is that for those of you who also put forth capital projects, borough presidents, former borough president I put forth capital projects it's important to analyze which agencies actually finish the job. Sanitation Department 89 percent of their capital projects completed, 25 percent of Parks Department actually completed. So these are issues for your oversight and analysis. And I just want to give you some sense of the FY '16 preliminary budget. Again I do want to commend the Mayor for funding several important programs; 16 million for rental assistance for the homeless, 11 million to FDNY to cut EMS response times, 10 million to NYPD police to increase police cadet head count, and 4.2 million to the department for updated bullet proof vests... These are just a few initiatives that we were very pleased about. The overview of the proposed financial plan for us is as follows. It's important to note that the fastest and largest growing budget categories like salaries, debt service, and employee health insurance are projected to grow by an average of 14.7 percent this year. The large budget categories

that are growing at a slower rate include Medicaid, public assistance, and non-personnel service costs of city agencies. What's surprising is that pensions are also in the slower rate growth category. As of now the current stability in our pension contributions has actually helped us afford the increased salary cost, especially those salary costs related to contract negotiations. and that's because the average yearly salary growth from FY 15 to FY 19 is 3.6 percent while the growth in pension contributions has flattened out to almost zero. That's a big change. From oh nine to FY '13 average yearly pension growth was 6.5 percent. The change to that trajectory is effectively paying for more than half of the increased salary cost. This is good news but there's no guarantee this will continue. A lot depends on the market and if the pension contributions rise more dramatically there will be more pressure on the budget. So my argument today, my suggestion to all of us is we've got to be prepared. At the very least we got to create a citywide efficiency savings program in the aftermath of the 1970s fiscal crisis the city regularly implemented efficiencies from agencies

through peg programs. These efficiencies add up. The city saved more than 6.5 billion dollars in FY '14 alone from pegs implemented between oh eight and 20 13. In November city agencies were asked for savings proposals. They are now expected in the executive budget this spring. If an agency's efficiency program is, is, is implemented the city would save one billion in FY '16 alone. And if that program were continued together with new savings initiatives each year by the end of this plan FY '19 the cumulative impact would be 10 billion dollars. I want to just briefly talk about another area where we're leaving money on the table. There's no question that on average the growth in our state in federal revenue has not kept pace with the growth in our expenditures. Our state and the federal revenue growth rate is 2.5 percent. But our expenditures have grown at nearly double that rate. The upshot is the city taxpayers are footing more of the cost of running city government. For decades New York City has been an economic engine for the state and the nation. But we aren't getting our fair share of federal and state funding. If we were still receiving our long term average on federal

revenue New York City will have had an additional two billion dollars from oh nine through FY '14. Think about that, two billion dollars. If we were still getting our long term average of revenue from the state we would have had an additional 7.7 billion. So you do the math. Right? That's 10 billion dollars that we've lost over the last five years and that includes 2.6 billion that we're owed from the campaign for fiscal equity. And I also want to remind you that we've lost revenue sharing, billions in revenue sharing which was our only source of unrestricted state aid and that's been the sixth year in a row that New York City has been excluded from a statewide revenue sharing program. It's pretty incredible if you think about it. So we've lost 10 billion in five years. And that's why I was in Albany last week calling on New York City legislatures to fight hard for the city to reclaim its fair share of funding. Now how much 10 billion is worth to us just think of what we need to do as a city. We've got to double what's in the city budget for childcare and head start and that would be important because that would only tap into a quarter of the money that's out there. We could

triple what's spent on prison health at Riker's and use only five percent of that fair share figure. We could quadruple the budget for family shelters and it would still be less than a quarter of almost 10 billion. But we can't just blame the state and federal governments for our shortfall, we as a city has, have missed opportunities to collect reimbursements to which we're entitled. And I urge you to ask these questions during the budget hearings. For example NYCHA failed to take advantage of 692 million in federal funding going back to FY '06. From FY'12 through FY '14 the Department of Education lost out on 779 million in revenues. They failed to successfully claim funds ranging from Medicaid reimbursements for special education to funding for broadband connectivity in our schools. As an oversight agency the council has the authority to hold these agencies accountable on erate [phonetic] reimbursements, on Medicaid funding, and on NYCHA's pending opportunities for new funding. We have to work together to hold agency's feet to the fire so not a single dollar is, is left on the table. And finally I just want to give you an analysis of the preliminary budget.

We've done an independent projection and anticipate added tax revenue of one billion in FY '15 and FY '16 and early 3 point billion in the out years.

These higher numbers stem from projected income tax payments on capital gains and real estate transactions. The net impact is significantly below our budget gaps, we project that New York City will have nearly enough funds to close all of our out year gaps all the way through 2019. Now the first question people ask me is well how did this happen.

And the bottom line is in four of our last five years the gross city product has growled faster than the nation's gross domestic product. In FY '14 our economy grew at 3.1 percent compared to the national rate of 2.4 percent. Now make no mistake this is not the roaring 90s when the city's growth rate was 5.2 percent and the nation's growth rate was 4.1 percent. The recovery is not being felt by everyday New Yorkers and the reason is virtually nonexistent growth in wages. If you adjust for inflation average workers here are making less than before the recession. So for all the, the, the, the power of this economy right now it is true that people who are low wage workers are not making it

1 in the city. So it's pretty incredible. This is a
2 time of, of great revenue growth but people on the
3 street are not feeling this. Now I support the
4 council's effort to raise the minimum wage for city
5 workers. I want to work with you on that and I want
6 the city to obtain the statutory authority to set
7 our own rate. We believe in our office at a 15
8 dollar minimum wage can be supported in this city.
9 And we need to ensure that that is successful. So
10 to conclude our economy continues to recover but
11 we've always got to be prepared for an unexpected
12 downturn. Being disciplined however doesn't mean we
13 shouldn't be ambitious and we do have to rebuild
14 NYCHA. We've got to turn around Riker's and combat
15 homelessness. We've got to build affordable housing
16 and we've got to give our children state of the art
17 broadband. As economic growth slows we've also got
18 to manage our finances with discipline and which is
19 why we are working with OMB to maximize our debt
20 service savings from refinances, from refinancings.
21 We're doing this not just for immediate budgetary
22 relief but for long term reoccurring savings that
23 address rising future costs. These two goals
24 investing the future and maintaining fiscal
25

discipline are not incompatible. Where they converge our city thrives. And I want to thank you for giving me an opportunity to give you an overview. We'll be submitting more in depth testimony and documentation for your review but I'd be happy to answer any questions you may have.

CHAIRPERSON FERRERAS: Thank you Comptroller and we didn't swear you in but I'm going to accept your testimony... [cross-talk]

SCOTT STRINGER: No we did. I, I did a quick...

CHAIRPERSON FERRERAS: Oh you did?

SCOTT STRINGER: Yeah.

CHAIRPERSON FERRERAS: Sorry it's been a long day. [cross-talk] Tanisha swore you in. That's why we moved, gotcha. Okay well she's... thank you.

SCOTT STRINGER: So everything I said...

CHAIRPERSON FERRERAS: ...is honest and true. Thank you. So I know that you addressed this in your testimony but I wanted to kind of get, delve more, more deeply into the efficiency program. Can you explain how agency efficiency programs would work and how the city might move

forward on such a path how might this council and the comptroller play a part in that process?

SCOTT STRINGER: Well part of, you know part of these efficiencies, efficiency programs they, they don't have to be punitive right? But one of the things that I've learned as we audit city agencies is there, there's always ways to channel the bureaucracy, to make agencies more efficient. We see this with the fact that just looking at the Department of Education and NYCHA there are ways to actually bring more money into an agency. If DOE had a program for Medicaid reimbursement we would have recovered a lot of that money. My sense is there's a lot of agencies out there that with, you know with a real peg program we can get the kind of efficiencies we need. And this is not a new program, this is not a leftover prior administration program. I didn't realize that the peg program efficiency program goes back to the 70s. But people have asked me well on the one hand you're talking about great revenue growth that we can pay our, you know our, our budget gaps in the out years and things seem pretty good. That is the moment, this is the moment when we save for the

1 rainy day. And we've learned painful lessons after
2 9/11, after Hurricane Sandy that unfortunately the
3 world we live in, you know the economy turns on a
4 dime and as much as you've heard from the budget
5 director today our office about national economy
6 and the strengths of where we're at. No one can
7 guarantee that this economy will be what it is two
8 three four years no matter what the financial plan
9 says.
10

11 CHAIRPERSON FERRERAS: So the mayor
12 agrees with you when it comes to finding
13 efficiencies. But he isn't happy about the use of
14 pegs as a tool to achieve those efficiencies. How
15 do you suggest that we do it if we're not using
16 these pegs?

17 SCOTT STRINGER: Well I, I'm, I'm pretty
18 attuned to what makes him happy and unhappy. And I
19 haven't heard a, I haven't seen a, I haven't seen a
20 smiley face but I haven't seen a frown. And the
21 mayor has said that they're going to talk about an
22 efficiency program as he releases the executive
23 budget. And so what, why, why I bring this to you
24 is to come up with a efficiency program that's not
25 punitive, that doesn't hurt essential services, but

also takes a hard look at ways to save money within our agencies.

CHAIRPERSON FERRERAS: Thank you. I want to move on to pension management and best practices.

SCOTT STRINGER: Mm-hmm.

CHAIRPERSON FERRERAS: Your office issued a request for proposal last year that sought outside perspectives regarding management of the city's five pension systems. We had our director here earlier and we asked him the same question. The proposal sought to compare New York City's pension management to best practices elsewhere. What is the process, progress has a consultant been selected and when do you expect to receive or issue a report on those findings.

SCOTT STRINGER: Part of what I said when I was elected controller is that we would take a hard look at, at the management of our pension fund and the staff at the Bureau of Asset Management and that we released a six point reform plan. And I'm proud to tell you today that after just a year we have implemented the reforms we talked about so for the first time ever we now have

a compliance officer in the Bureau of Asset Management. We have a risk management officer so that when we do our asset allocation and bam makes those decision with approval of the five boards we have independent oversight looking over our shoulders, not yearly, not every few years, not when a scandal hits, but we have a compliance officer and a risk management officer doing their due diligence. These are experts in their field. They're used to working at large corporations. So that to me is a very critical component of ensuring the integrity of the pension fund. We also finally banned placement agents. Those were the political middle men who basically used their political influence to get business from the fund. We made that clear, the five funds made it clear that those days were over. Now we have more work to do. Part of what we have to do is better align the pension system, work with the 58 trustees to create an opportunity to be more efficient, more nimble in our investments. This is a very fast paced world, the world of investment. You have to be careful and cautious but you also have to be nimble. And I continue to talk to the mayor's office and our

trustees to come to a point where we can bring forth a proposal.

CHAIRPERSON FERRERAS: Thank you. We, the previous administration proposed consolidating the city's five pension systems. The independent budget office which is going to testify just after you estimates that it could save the city 22 million dollars next year in a figure that would grow to 36 million within two years. Would you pursue or endorse such a proposal?

SCOTT STRINGER: We are, we are working toward that end. The proposal that Mayor Bloomberg and Controller Lou [sp?] brought forth had many strong elements in this proposal, a real merit based system. What was missing was the discussion with the 58 trustees of the five funds.

CHAIRPERSON FERRERAS: Okay.

SCOTT STRINGER: And remember it's those trustees in the, the money comes from that, those contributions by, by working people. You know part of my fiduciary responsibility is to 700 thousand retirees or people who will retire. So I want to get to a pension alignment work but I can't do it on my own right? I'm the financial advisor. We have

1
2 a trustee. But the bottom line is we have to work
3 with the 58 trustees and I will assure you that
4 those conversations will accelerate, they're
5 ongoing. We're working on design options for the
6 fund. And we are, we are, I believe soon going to
7 have that more public discourse.

8 CHAIRPERSON FERRERAS: Excellent. Well
9 we look forward from this council to see the more
10 public discourse so that we can definitely ensure
11 those savings and of course including those very
12 important voices of the trustees. Thank you
13 Comptroller. We're going to hear from Council
14 Members Miller followed by Council Member Johnson.

15 SCOTT STRINGER: Oh hello Council
16 Member.

17 COUNCIL MEMBER MILLER: Good afternoon
18 Mr. Comptroller. Thank you for coming...

19 SCOTT STRINGER: Council Member.

20 COUNCIL MEMBER MILLER: And so... yeah.
21 And, and...

22 SCOTT STRINGER: I've never known you to
23 be nervous...

24 COUNCIL MEMBER MILLER: So here's what's
25 interesting. Obviously you know, you dove right

SCOTT STRINGER: Well... we had, we had some very good news last year. Our pension performance was over 17 percent which was you know half by the way for the record under Comptroller Lou, the other half on myself although the biggest growth was under my... No I'm just kidding. We, we obviously are hoping to hit our actuarial target which is seven percent. Can't tell you whether that's going to happen until we finish up the fiscal year at the end of June. We do not project returns or the market. So we don't, we don't know that. So what we, you know what we do is we have a, I think a very strong asset allocation. We spend a lot of time thinking about how to both be cautious but also get to a reasonable return on our investments. You know it's a, it's a volatile market but I think we've put, we protect our

1
2 investments and we also strategize about how to you
3 know hit that target. I will tell you over the
4 last... maybe Tim could, over the last ten years
5 we've exceeded our actuarial targets. That's some
6 good news for our pension fund..

7 COUNCIL MEMBER MILLER: Absolutely.

8 SCOTT STRINGER: But obviously,
9 obviously as you know protecting the retirement
10 security of our 700 thousand retirees, or future
11 retirees is the most powerful aspect of this
12 office.

13 COUNCIL MEMBER MILLER: So on the, on
14 the pension reforms that were achieved over the
15 last 2010, 2012 the tier 6 have we begin to see any
16 difference in, in, in contributions. Have the
17 contributions brought in additional dollars and in
18 terms of that are, can we then project based on
19 that additional earnings or has it just leveled off
20 or is that paying... [cross-talk]

21 SCOTT STRINGER: No if I, if I had a
22 crystal ball based on how a pension would be... I'd
23 be doing a different, I'd be in a different line of
24 work right?
25

COUNCIL MEMBER MILLER: Yeah but...

[cross-talk]

SCOTT STRINGER: I'd be on the other side.

COUNCIL MEMBER MILLER: I was speaking to just the additional contributions that are being made based on the tier 6... was that, did that, was that a significant bump?

SCOTT STRINGER: There's, there's, there's a number of factors that we talked about in the testimony about why basically our pension rate of growth has been somewhat flat, some of it is adjustments that were made this past year with, with the, with some of our projections. But, or not projections but some of our analysis whether it's pension adjustments or the like. But basically what I think you'd find interesting is that while salaries are going up because we're rightfully resolving labor contracts and I think that was something that we talked about last year we agreed that we had to settle those labor contracts the mayor has settled now 75 percent of those contracts. You can see that salaries are going up but what we're also seeing is the rate of growth of

1
2 our pensions are not going up as much. So you are
3 seeing, is a leveling fair... the, the, we can
4 actually say that they're leveling off and that is
5 very significant because that is actually helping
6 us pay for the salary increases. So the, the notion
7 that the pensions are quote unquote under control
8 actually has been very flat and helpful to use
9 these savings for the labor gills.

10 COUNCIL MEMBER MILLER: I, I certainly
11 agree and just, and, so do, do, do you, I don't
12 want to put you on the spot... [cross-talk]

13 SCOTT STRINGER: No it's okay.

14 COUNCIL MEMBER MILLER: ...I don't want to
15 talk about any, any specificities but there are a
16 number of pension reform initiatives out there.
17 Some, some potential equity pension reforms that
18 have been discussed. In your opinion is there room
19 or there a possibility that these can be achieved
20 under the current budget? As, as, well not the
21 budget, as, as the, in, in the current, your
22 current fiscal cycle based on the savings that we
23 have achieved and what we've been earning do you
24 foresee us being able to achieve these reforms.

1
2 SCOTT STRINGER: If I'm getting your
3 question what I, what I like to say is that there
4 are, there are proposals I believe to strengthen
5 our pension position and to align the system. As
6 you know the way to do this is not for the
7 comptroller to put your fist down and say this is
8 my plan because there are five separate funds, five
9 separate boards and 58 trustees that need to be
10 consulted through this process.

11 COUNCIL MEMBER MILLER: Right.

12 SCOTT STRINGER: And I will assure that
13 we are going to work very hard with whatever plan
14 that may or may not be put forth that we engage in
15 a consultative process that includes the mayor and
16 includes the trustee from all five funds. And you
17 know we're a unique pension system. We're the only
18 pension system in the nation that has a, you know
19 five separate boards, 58 trustees, it's certainly,
20 I can tell you now having served as comptroller for
21 a year it certainly can be challenging. But I do
22 know as I've gotten to know the trustees that they
23 want what's best for their members and they're open
24 to ideas to better align the system. And as that
25 becomes, as those proposals, if they go a little

further we would certainly bring them to all of you for obviously discussion and collegial you know discussion on these issues.

COUNCIL MEMBER MILLER: Thank you. And, and, I'm sorry one further question...

SCOTT STRINGER: Sure.

COUNCIL MEMBER MILLER: ...brief. Among those trustees have there been conversation about local investment?

SCOTT STRINGER: There were conversations about local investment, state investment, international investment, international investment... You know part of, part of what I will say is that you know there's a lot of people who are you know want to be investors right. And... [cross-talk] everybody has an idea, everybody has an investment you know but what I've tried to do is work with a extraordinarily qualified CIO Chief Investment Officer Scott Evans who is great experience in working on an investment strategy that works for the whole system. And obviously I'd be happy to talk about you know our allocations, people believe in investing in infrastructure. People believe in, in a whole host of ways to grow

1 the pension system. We listen to everybody. But in
2 a sense we also leave it to the professionals
3 because I can't and I won't micromanage you know
4 the day to day investments of a 160 billion dollar
5 fund. My job is to put in place the people who are
6 the experts at bringing investments. My job is to
7 bring in investment opportunities to the five funds
8 and the trustees in their wisdom say yes or no or
9 modify that investment strategy.

11 CHAIRPERSON FERRERAS: Thank you Council
12 Member. We will now have Council Member Johnson
13 followed by Council Member Levine.

14 COUNCIL MEMBER JOHNSON: Mr. Comptroller
15 good to see you. I wanted to just drill down a
16 little bit on an issue that Council Member Levine
17 has worked on extensively over the past 14 months
18 which is the parks capital process. And you just
19 did a report on that looking at capital commitments
20 and the amount of money that was being spent. You
21 know your office through the, you know the initial
22 phases of course, the design phase, then the
23 procurement phase, then the construction phase.
24 Your office is involved in the procurement phase as
25 it relates to registering the contracts and moving

1
2 it from the procurement phase into the construction
3 phase. Has the Department of Parks and Recreation
4 coordinated or reached out to you all to determine
5 if there are ways that your office could work
6 together with the agency to speed up the timeline a
7 little bit where we're still going by the letter of
8 the law as it relates to our procurement processes
9 but to expedite the timeline a bit given that it
10 takes so long currently to get a project done from
11 start to finish?

12 SCOTT STRINGER: So it, so I, I don't
13 think the problem here is our 30 day contract
14 review process with all due respect. I actually
15 think that this time to bring the Parks Department
16 in and talk about how they manage the capital
17 projects. So you have the Department of Sanitation,
18 you know they're completing you know 89 percent of
19 their capital commitments. I agree that obviously
20 buying a truck is less complicated than redesigning
21 a park and the different hoops that you have to go
22 through. But we will work with the Parks Department
23 but we also, we also have to look at, in this
24 report how we actually accomplish our capital
25 projects. If you look at during, you know my tenor

as borough president I was surprised during this exercise to find out that 18.6 percent of council and borough president capital projects were funded right or actually were completed on time. So I think there's just a discussion that we should all have. You know I spent eight years thinking okay you, you allocate money, you renovate the park. This is all worthwhile projects our constituents want but clearly we're not getting these projects on time or completed. So I think there's a lot reason for that. It could be the bureaucracy. We'll certainly look at procedures in our office. But I think we have to, I think we have to drill down a little bit more. The mayor's going to release a very ambitious capital plan and we're going to be excited about it. We need to build new schools, we need to rehab our parks, but we also, also have to look at the numbers and figure out a way to make the system better. And we'll certainly work with you and I've had many conversations with your fellow Manhattan Council Member who's doing a great job as chair of the Parks Department. Calls me on my cell phone all the time on anything we do on

1 parks. You know I got a brief... calls me at my
2 house. He's very... [cross-talk]

3
4 COUNCIL MEMBER JOHNSON: I should know
5 this but just to refresh my own knowledge on this.
6 You're by charter, your office, you're allowed to
7 audit any city contract that we have, is that
8 correct?

9 SCOTT STRINGER: Yes any that receive
10 city money.

11 COUNCIL MEMBER JOHNSON: So yesterday we
12 had an oversight hearing in the Health Committee on
13 the city's contract with Corizon which provides
14 health services at correctional facilities. It's
15 approximately 140 million dollars per year. It's up
16 for renewal at the end of this year on December
17 31st. Over 400 million dollars spent, real problem
18 that that we're seeking to get some answers to
19 through some legislation. The reason why I ask you
20 about that is you know there, I know that you last
21 year looked at, to lawsuits that are filed against
22 the city and tried to figure out how to save the
23 city money as it relates to people sewing the city.
24 Corizon has an indemnification clause in their
25 contract. So 15 deaths that have occurred over the

1
2 past five years the city ends up being on the hook
3 for those lawsuits. And Corizon, the contractor
4 who's supposed to provide the services continues to
5 not operate in my opinion as the best provider on
6 Riker's Island. I'm not sure if it's something that
7 you've looked into but I mention it because it
8 aligns with I know a lot of what you've been
9 talking about over the past year and I wanted to
10 see if you guys have conducted an audit of
11 Corizon's contract or if you have any thoughts on
12 the indemnification. Is that a normal thing in city
13 contracts?

14 SCOTT STRINGER: We have, we have spent
15 a lot of time through our claim state initiative
16 looking at rising costs per inmate right even
17 though, even though we have less people in the
18 system and rising violence. So we are looking at
19 the numbers related to the crisis at Riker's. I
20 applaud the hearing you had yesterday. I thought it
21 was high time to bring them in. They have a huge
22 contract. Their record is not something that they
23 should particularly be proud of. I'm glad you
24 brought them in and I will make this commitment to
25 you today. We... happy to sit down with you and look

1
2 at the tools we have to make sure that we're
3 delivering health services to people at Ryker's and
4 that we're actually promoting health and, and
5 breaking down the, some of the critical issues that
6 this company has.

7 COUNCIL MEMBER JOHNSON: Thank you. And
8 just quickly is it normal that there be an
9 indemnification clause in a contract that large so
10 that the city's on the hook and the, the contractee
11 [phonetic], the contractor... [cross-talk]

12 SCOTT STRINGER: Give me, give me the,
13 I'm under oath so I don't want to speak out of turn
14 let me, let me consult with... [cross-talk]

15 COUNCIL MEMBER JOHNSON: Okay.

16 SCOTT STRINGER: ...council and I'll get
17 back to you.

18 COUNCIL MEMBER JOHNSON: Okay thank you
19 very much. Thank you Chair.

20 CHAIRPERSON FERRERAS: Thank you Council
21 Member Johnson. We will now have Council Member
22 Levine.

23 COUNCIL MEMBER LEVINE: Hello Mr.
24 Comptroller great to see you.

25 SCOTT STRINGER: Good to see you.

COUNCIL MEMBER LEVINE: I also wanted to ask a couple of Parks related questions.

SCOTT STRINGER: Sure.

COUNCIL MEMBER LEVINE: Claims fall under your jurisdiction and you've done a lot of work analyzing patterns. And I'd like to hear from you what kind of patterns you're seeing in the parks properties that are leadings to claims. You recently produced a report on playground claims. Maybe those claims are rising from falling limbs from street trees, broken blacktop in ball courts... Give us the sense of the state of claims for parks properties... [cross-talk].

SCOTT STRINGER: So I, so as, so I, I know that you have been laser focused and we've talked a lot about some of the issues with the Parks Department. My recommendation is to bring them in on, on a number of these issues and, and focus on the following. When you look at our claim stat report you can see data that, that I think just needs to be explored. You know we looked at you know tree safety and the fact that we were paying out a lot of money in claims because branches and limbs were falling on people and

causing damage to people, in some cases serious. We also did an analysis that showed that the tree accidents or the tree claims sort of followed after we cut a million dollars of the tree pruning budget. So what I would say to all the agencies and to the chair of finance you know you, you look at some of our initiatives and on the face of it probably somebody sat around one day and said we're on a tight budget crunch let's get rid of tree pruning right, it's, it's trees right they'll, they've been there a hundred years they'll stay, they'll stay where they are. Not true. If you don't maintain the trees they fall down and they hit people. So this is something we're seeing in the Parks Department where sometimes cutting a program like this ends up costing the city more and also risking peoples' lives. So we did that analysis. The other thing is that to continue to look at claims against the city as it relates to accidents at, at playgrounds and then figuring out a way that we can look at the playgrounds. I now have the whole, you know every playground online. There's been 577 claims against the city on playgrounds. We've paid out 20 million dollars in the last

1 decade. Some have been, you know they, they're not
2 the, I'm glad we don't have to report terrible
3 injuries though there've been some. But you know
4 you see that, you know the knees being scratched,
5 the legs being broken, kids falling, there are
6 nails, you know there are protruding nails, the
7 carpeting you know for a lot of the play sets are
8 not properly maintained, the monkey bars, and, and
9 things like that. As you know and listen I
10 experienced this you know in the spring. I'm, I'm
11 relatively new at this but you know I'm, I'm, you
12 know I'm chasing a three year old and a 20 month
13 old and you also have to make sure there's no
14 glass, there's no, you know there's no nails out
15 there. And we need the Parks Department to go in
16 and really do that inspection because it matters
17 for the city's fiscal health. But this is where
18 claim stat's so useful because you can solve two
19 purposes. You can save the city money by reducing
20 claims but can also actually prevent kids from
21 getting injured.

23 COUNCIL MEMBER LEVINE: The, the tree
24 pruning example is, is, is such a vivid case in
25 which think we've been penny wise and pound

1 foolish. We've now cut back to the point where
2 we're only hitting every street tree once every ten
3 years for pruning, much less than experts
4 recommend, at least seven years is the standard.
5 And we're doing almost no pruning in park trees. Do
6 you know how much the paths are yearly or over the
7 last decade on tree related injuries?

8 SCOTT STRINGER: I didn't, I didn't
9 bring the data with me but you can go, literally
10 you can go online. We, we have, we have a very
11 transparent tool. Any staff member can go online,
12 look at all of these agencies where continue to
13 release various claim stats last week. We did
14 playgrounds but we've done trees. But you know we
15 will be happy Madam Chair and, and, and Mr.
16 Chairman to meet with any member of the council who
17 wants to get a better understanding of how we're
18 calculating claim stat, how to use it, it's a very
19 useful tool. You know part of what we were able to
20 do following on control or lose checkbook. We are
21 now adding to the checkbook data system
22 subcontractors. So one of the things about our
23 office, it's a treasure trove of data and
24 information that I actually think can help with
25

1
2 budget priorities, inform hearings because you know
3 the data doesn't lie. It's sitting there and I
4 think it would be very useful to an activist chair
5 who, who wants to solve some of these issues.

6 COUNCIL MEMBER LEVINE: Great. Thank
7 you. Thank you for your focus on Parks. I really
8 appreciate it.

9 SCOTT STRINGER: Thank you.

10 COUNCIL MEMBER LEVINE: Thanks.

11 CHAIRPERSON FERRERAS: Thank you Council
12 Member Levine. And we will be following up with
13 your, your, the numbers that we need on the tree
14 pruning example because that is very important. And
15 this council for many years we would go over this
16 issue in, in different hearings. So thank you for
17 that. With no further questions I'd love to thank
18 you...

19 SCOTT STRINGER: Scott.

20 CHAIRPERSON FERRERAS: ...for all of your
21 work and of being an amazing partner with us. And I
22 look forward to continuing to engage with you to
23 make sure that this is a responsible budget as you
24 had stated and that June comes around we will all
25 be happy.

SCOTT STRINGER: Well I just want to say thank you to you. I think your tenor as the finance chair has, has I think really made a difference for the city and the way you're working with our office. You're certainly putting us through our paces and, and we appreciate the, the thoughtful questions and the give and take. So I just want to say thank you to you in particular.

CHAIRPERSON FERRERAS: Thank you, thank you comptroller. We will take a 30 second break to give IBO enough time to come up and then we will begin the IBO questioning at, shortly after followed by the public testimony for today.

[pause]

CHAIRPERSON FERRERAS: Good afternoon and welcome to the first day of the council's preliminary budget hearing. My name is Julissa Ferreras and I am the Chair of the Finance Committee. So far we've heard from OMB, the Department of Finance, the Department of Design and Construction, and the Comptroller's Office. We will now hear testimony from, from the Director of the Independent Budget Office. And in the interest of time I will forego an opening statement if you can

just begin your testimony. And thank you so much for being here.

DIRECTOR LOWENSTEIN: Thank you so much for inviting us. And in the interest of time and the lateness of the hour I am not going to read my testimony but just give you a few highlights. And if you'd like to... those that's possible too. Okay. I think the big picture... [cross-talk]

CHAIRPERSON FERRERAS: Your name for the record, I'm sorry.

DIRECTOR LOWENSTEIN: Ronnie Lowenstein. I'm director of the city's independent budget office and I'm accompanied by George Sweeting who's IBO's Deputy Director. Bottom line is the city's fiscal outlook remains healthy but as always there are ample reasons for caution. We're projecting that the city will end the current fiscal year with substantial surpluses. 1.8 billion for this year which is about 180 million more forecast by the administration. And for next year we're expecting a surplus not balance as OMB forecasts but a surplus of 1.3 billion for FY 16. We're also expecting somewhat smaller surpluses over the remainder of the financial plan in the rough vicinity of 350

million dollars a year. But keep in mind that there are reserves, general reserves for each of those years of another 750 million, so it's not a small number at all. What's driving that forecast is our economic forecast in line with most macroeconomic forecasters. We're expecting pretty robust US growth this year and next, and then slowing in 2017 through 2019. Our forecast for local job growth follows very much the same pattern. New York City has added more than 80 thousand jobs each year for the last four years. We're expecting that streak to continue for the next two years with job gains of 83 thousand for the current year and 80 thousand for next year. They'll be fewer new jobs each year after that and moreover the pattern of jobs gains is changing somewhat. We'll be creating fewer of the very low wage jobs in retail trade and leisure and hospitality that have been driven by the tourism industry. And given that the numbers are still fairly robust you know more of everything else particularly on the upper end. We expect increases in tax revenue to follow the same sort of pattern again with somewhat stronger revenue growth this year and next year and somewhat less the two years

after. Although employment and tax revenues follow the same path there are really important difference. While employment is expected to grow strongly this year and next tax revenue growth even in the near terms I relatively subdued. Our forecast for tax revenue growth averages 4.8 percent over this year and next which really pales in comparison to the 7.3 percent average growth we enjoyed over the last two years. They say nothing of the double digit growth we were enjoying before the crash. This forecast of tax revenues exceeds OMBs for each, each of the years of the financial plan. The differences start pretty small. This year we're anticipating there'll be about 300 million more in revenue, tax revenue for this year. But then grows quickly at 1.3 billion more in revenue for 16. The difference is widened further as the financial plan period progresses and top added over two billion dollars. And I should say that based upon the very quick glance I got at the council finance forecast and thank you for sending it your tax work is, is very similar to ours for this year and next with bigger differences later on. There are also differences between IBOs and OMBs

1 expenditure forecast. For example we're projecting
2 more spending in places like education and shelter
3 for homeless families. But despite these forecasts
4 of higher spending we're still projecting budget
5 surpluses for each and every year of the plan. As
6 always there are always reasons for caution. One
7 big question mark is Albany and the extent that's
8 the, the extensive state aid that the city will
9 receive. Also following the release of his
10 preliminary budget the mayor requested the state
11 provide an additional 300 million for NYCHA and
12 said that if the state did the city would follow
13 suit. And then there are several mayoral
14 initiatives such as ferry service and less rapid
15 transit that are included in the current plan but
16 not fully funded. Finally the, and as I'm sure you
17 all know the preliminary budget doesn't include
18 some of the initiatives important to the council
19 and notably the thousand additional policeman that
20 the council has been lobbying for. Our full report
21 isn't due now for several weeks but we're going to
22 be releasing brief write ups of various issues...
23 first of them came out about an hour ago as the
24 hearings progress. And we'll try to time those in a
25

way to make them most useful for you as the hearing process goes on. And as always we welcome any questions you may have.

CHAIRPERSON FERRERAS: Thank you very much. I actually have one question and it speaks to the uniformed, more specifically the overtime in, in the uniform agencies. Overtime at uniform agencies has long been an area of concern. In particular uniformed agencies have often spent more on overtime than budgeted for. For example NYPD added several new initiatives which increased fiscal 2015's current modified budget for uniformed overtime totals of 498.6 million dollars. However fiscal 2016 for uniformed overtime budget totals 423 million. Can you share with us any analysis you have conducted in relation to uniform overtime? And what areas of improvement can agencies or OMB make in terms of reporting on overtime so that there is a better understanding of this issue.

DIRECTOR LOWENSTEIN: I think George is better positioned to speak to that

DEPUTY DIRECTOR SWEETING: Good afternoon. First of all in, in an hour... [cross-talk]

CHAIRPERSON FERRERAS: I'm sorry if you could just state your name for the record?

DEPUTY DIRECTOR SWEETING: George Sweeting. Deputy Director of IBO. In our expenditure forecast we've actually added 50 million year to police because we think they've underestimated the overtime spending need there and about 15 million in corrections. So we think there's a, a problem that will remain for, that, in terms of what, what they've allocated for overtime which falls back really to what are they allocated in terms of their, their total staffing and can they ban all the posts that they need, all the shifts that they, they're, they're, intend to provide the, the citizens of the city with the staffing they have available. And you know the fact that they need to rely so heavily on overtime suggest that the, you know there are, there are certainly issues there around their staffing and how they balance it that you know have, have been a persistent problem for many years. But we've not done any specific analysis on, on ways they could do that better.

CHAIRPERSON FERRERAS: Well I think that you know it's such an issue and something that we talk about consistently throughout various budget hearings and it would help us and empower us greatly if we had that analysis especially when we're advocating for a thousand more office or we're advocating for when we see these overtime numbers rise at our fire departments or, and so on and so forth. We can go down the list of uniforms. But it would be great if, if you would look into that because you would empower us with the tools necessary to use this analysis that you do so well but that would give us that opportunity once again to reiterate why we believe we need these officers not only for the great policy you know that, or to improve policy but to improve this budget scenario and that you know it would be great if there's a time when overtime is only used in the very, in the very needed times, very specific to you know incidents that happened as opposed to using overtime as a staffing mechanism.

DIRECTOR LOWENSTEIN: I think it's interesting that the fire department was left off of the list that, that George just went over and

1
2 this fire department was badly understaffed for a
3 long time and it's our expectation that now that
4 they're staffing up again that you know some of the
5 increases in overtime will stop but of course we'll
6 take a look at it.

7 CHAIRPERSON FERRERAS: Great. And I
8 think the reason why I mentioned for the department
9 is that then that proves if you hire more people
10 the overtime improves this way. So it's almost like
11 a comparison in our two forces or you know maybe we
12 identified that we still need to hire more people
13 at the fire department. But it would be great if
14 we're able to partnering that way, for that
15 information.

16 DEPUTY DIRECTOR SWEETING: We'll take a
17 look at it.

18 DIRECTOR LOWENSTEIN: Yeah.

19 CHAIRPERSON FERRERAS: Great. Well I
20 thank you very much for coming to testify today. We
21 may have a few additional questions that we'll get
22 to you if you can get them back to us expeditiously
23 so we can include them in our budget response.

24 DIRECTOR LOWENSTEIN: Thank you.
25

CHAIRPERSON FERRERAS: And now we will begin our public portion of our hearing. As a reminder for members of the public who wish to testify please fill out a witness slip with the Sergeant at arms additionally the witness panels will arranged by topic. So please indicate the topic of your testimony on your witness slip. If you have written testimony please be sure to give the testimony to the Sergeant at Arms when your name is called to testify. And so far we have three, three members of the public that are coming to testify so we will just have one panel. We have Rafael Palatino, the second vice president of local 1549 DC37 is on his way, up the block. Okay. David Aang, Human Services Council if you can come up, hi. And Bill Busk from the Tremont neighborhood in the Bronx. Oh come on up. So you will be put on a, a three minute clock if that's okay with you. So if you can surmise your testimony I greatly appreciate it. Okay thank you.

DAVID AANG: Thank you Chair Ferreras. I'll be very brief and to the point. My name is David Aang. I work for the Human Services Council of New York as their government and external

relations manager. HSC is a membership organization comprised of nonprofits in various areas such as childhood education, youth development, mental health, and services to seniors and immigrants. As you know non-profits have been facing many challenges throughout the years. We provide crucial services to many New Yorkers and unfortunately over the last five years non-profit industry has been financially eviscerated. We face many challenges including heavy overhead costs, many regulations, and at the same time we also have been going without a adjustment in our increasement [phonetic] in our colab [phonetic]. It is important to know that nonprofit human service providers deliver essential services on behalf of the city government. So while our employ, the provider employers are not city employees they are providing city services. Furthermore you know we've been experiencing inflation. Prices rise for public workers, private workers, and the non-profit human service workers alike. The lack of a salary increase to offset growing costs has been creating a recruitment and retention crisis for its nonprofits. We are asking that there be a total

1 increase of 10 percent in colab by 2016 for the
2 nonprofit sector. We urge the city to provide
3 financial support also for a living wage for many
4 New Yorkers. We understand that it's very important
5 for us to have a living, good living wage for many
6 New Yorkers. And we also understand that it's
7 important to provide resources to non-profits
8 employees as well. In, in keeping it short we hope
9 that while we support a living wage we must
10 acknowledge that without adequate funding to cover
11 the cost and flexibility for non-profits to
12 implement the new wage the instability within that
13 sector will be exacerbated. We also note the need
14 for state investment in non-profits funded largely
15 through state contracts to be, that will be
16 expected to pay a living wage. Because a long term
17 lack of investment in our sector many organizations
18 are already struggling to pay even the current
19 minimum wage. We hope that city legislatures and
20 our mayor will recognize the integral role that
21 non-profit human service providers play in
22 preventing, alleviating, and reducing poverty as
23 they develop the city's financial plan. We look
24 forward to working with the city council during
25

1
2 this budget session to ensure smart equitable
3 investment in our sector so that we can continue to
4 work to benefit all New Yorkers. Again thank you
5 Chairwoman Ferreras and we hope to be working with
6 you on this issue.

7 CHAIRPERSON FERRERAS: Thank you. I
8 think that was the fastest read testimony that
9 we've had today and I appreciate it. You may begin
10 your testimony.

11 WILLIAM BUSK: Hi my name is William
12 Busk. I want to stress that I am not speaking as
13 part of any organization but as somebody who lives
14 in the Bronx. I live on Tremont, East Tremont
15 Avenue in the Bronx. The reason I'm speaking out is
16 in regard to DDC and Department of Design and
17 Construction. Forgive me I have a bit of a speech
18 problem and I think you've seen me give testimony
19 previously so you know that. The particular thing
20 I'm speaking out of particularly with DDC is not a
21 unique situation for my neighborhood. I live near
22 the what's called the west farms rapids park which
23 is between 180th street in the Bronx and East
24 Tremont Avenue in the Bronx. There is two housing
25 projects near there, Lambert Houses and Murphy

Houses. Murphy Houses is a NYCHA project. Lambert is a, is a private project. This as has been brought up several times during today the old former administrations had contracted things out a lot, did not use local hires, etcetera etcetera. So this project had been funded from numerous monies, state DOT, federal DOT, environmental protection etcetera etcetera. Supposed to be part of cleaning up the Bronx River, part of the Bronx River Greenway Project overall. Bottom line is during Bloomberg days they started it. There was a problem with the contractor back during the time of the great recession like around 2009. And since then the park has been chained up and work was stopped. That is SOP apparently whenever there is a problem with a contractor whether it's the quality of their work or a legal problem so that people can't go on site and take material or whatever. But what's happened is it's been over five years that the community has been locked of a garden that's actually three quarters of the, I mean a park that's three quarters of the way finished. Now I attended a meeting last spring at Council Person Carmen del Arroyo's office in the Bronx. DDC was

there also the former, well now former. He was a current Bronx Park Commissioner, Mr. Aponte [sp?]. They said that all legal hurdles to move forward on completing the West Farms Rapid Park had been taken care of what they needed was DDC to reevaluate what in 19, I'm, I'm sorry in 2014 dollars or 2015 dollars what the new cost to finish the park would be. It has not come through. It has been almost nine months. From my understanding speaking to my local council person which is Ritchie Torres from District 15 which is where I live and the park sits in District 15 and next to Carmen Arroyo's district this is normal, this happens a lot that there are numerous projects. And from my involvement with other groups I attend many of these committee, committee hearings and I hear the council people from the new admin... since the last election and people from the new administration saying that and we heard it sit today that they want to end that. And I'm just pointing out that as far as what I'm told in the park in my neighbor that probably has a month work to finish it tops. DDC could have had this job done, their job, the, the, the replanting could have been done ages ago.

CHAIRPERSON FERRERAS: Well I want to just thank you for your testimony. I'm going to be following up with DDC in this particular project that you're inquiring about working with both of the local council members. And if you speak to my staff or Ivan Acosta, my legislative director we can help follow up and see what the status off that is.

WILLIAM BUSK: Okay.

CHAIRPERSON FERRERAS: Okay?

WILLIAM BUSK: And I appreciate your attention to the individual park that is in my neighborhood.

CHAIRPERSON FERRERAS: Absolutely.

WILLIAM BUSK: But also bear in mind that this is a systematic problem.

CHAIRPERSON FERRERAS: Yes, agreed and that... [cross-talk]

WILLIAM BUSK: Although I'm happy to hear that the new, the, the new changes and, and that the council wishes to address that systematic problem.

CHAIRPERSON FERRERAS: Absolutely.
That's what this council's about and we'll work

1 together with our council members. Is Mr. Ray
2 Palatino anywhere in the building? Okay so
3 hopefully we can get his written testimony and we
4 could put it in the record, is that okay because
5 we're ready to call this hearing to a close? Thank
6 you very much for your testimony. And we will ask
7 Ralph Palatino to submit his written testimony
8 [phonetic] and we appreciate his opinion very much
9 but we're going to call this hearing to a close.
10 Thank you very much. And this concludes the Finance
11 Committee's Fiscal 2016 preliminary budget hearing.
12 We've officially had six and half hours of hearing.
13 For the entire month of March the council through
14 the appropriate committees will conduct hearings to
15 hear from agency commissioners about the impact of
16 the mayor's preliminary budget on their agencies
17 for a full schedule of all the preliminary budget
18 hearings please contact the Sergeant at arms or
19 check the council's website. This meeting is now
20 adjourned.

21 [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 March 22, 2015