

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

Of the

COMMITTEE ON FINANCE

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December 14, 2016

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HELD AT: Committee Room - City Hall

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

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

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

Dean Fuleihan
Director
NYC Mayor's Office of Management and
Budget

Larian Angelo
First Deputy Director
NYC Mayor's Office of Management and
Budget

CHAIRPERSON FERRERAS-COPELAND: Good afternoon and welcome to the City Council's hearing on the Mayor's November Financial Plan for Fiscal Years 2017 and 2020. My name is Julissa Ferreras-Copeland and I am the Chair of the Finance Committee.

I just wanted to take this moment to send our thoughts and prayers to our Finance Director Latonia McKinney, who lost her mother recently and we have her in our thoughts, our prayers; it was very difficult to prepare for this hearing, but we hope to make her proud. She's all the way in California, so I'm sure if you want to send her well wishes, I would recommend waiting a few days till she gets back. Again Latonia, we miss you and we love you.

We've been joined by Minority Leader Matteo. There are several competing committees happening today, so members will be coming in and out. The Council will begin its November prime hearing with testimony from the Office of Management and Budget (OMB); today's hearing will focus on the overall budget structure, changes in the Citywide Savings Plan, weaker than expected tax revenue and the economic challenges facing the City this coming year.

On November 17, Mayor de Blasio released his November Plan for Fiscal 2017 through 2020. For Fiscal 2017, the budget totals \$83.5 billion, up \$1.34 billion compared to the Adopted Budget. About two-thirds of the increase in the overall budget is due to increases in federal funds in state aid; however, Fiscal 2017 City funding spending is down by \$105 million.

The highlight of the November Plan is a Citywide Savings Plan, with savings of more than a billion dollars in Fiscal 2017 and 2018. This early release of a savings plan signals a cautionary approach and aligns with the Council's push for programmatic, lasting savings that offset spending increases. I am also pleased to learn that OMB has put together a team to focus on developing real baseline savings across agency boundaries. Some of the savings in the November Plan, like the paperless City initiative and the City Optimization Plan are efficiencies to come. We look forward to continued partnership with OMB to find savings.

Of the \$1 billion in savings over the next two years, \$691 million is projected for Fiscal 2017 and \$313 million for Fiscal 2018, with savings

1 characterized by programmatic and multi-year changes;
2 (2) one-time sources of additional revenue savings
3 and re-estimates; (3) debt service; and (4) agency
4 revenue. I am pleased to see that in Fiscal 2017
5 nearly 49% of the \$339 million of savings are
6 programmatic and multi-year changes and not one-time
7 savings or re-estimates. Of the projected \$691
8 million in savings in Fiscal 2017, almost two-thirds,
9 or \$439 million, are used to bolster reserves. The
10 remaining savings are used to fill in a \$105 million
11 reduction in City-collected revenue and to pay for
12 \$124 million in new needs.
13

14 Fiscal 2017 is balanced by using \$3.6
15 billion in resources from prior years, so there is an
16 operating gap and a difference between current year
17 revenues and spending.

18 The Fiscal 2018 projected budget remains
19 largely unchanged since adoption. The budget of
20 Fiscal 2018 is up \$113 million, reaching a total of
21 \$84.6 billion, mainly due to additional state and
22 non-governmental grants. There are \$32.7 million in
23 new needs and \$127.6 million in collective bargaining
24 costs and other adjustments. The largest new cost is
25 \$120 million in additional pension contributions.

Previous pre-prepayments in Fiscal 2018 savings of \$301 million are funding these new needs, which brings Fiscal 2018's budget gap down to \$2.2 billion from \$2.8 billion at adoption.

Tax revenues total \$54.5 billion for Fiscal 2017. There is a minor decrease of \$125 million to Fiscal 2017's tax revenue projection, which roughly reflects a decline in collections. The reduced collections reflect weakness in the general corporation's tax, the personal income tax and the two transaction tax [sic]. The sales tax and the unincorporated business tax, while growing more slowly than a year ago, are projected to bring in more revenue and we'd like to ask more questions on that aspect.

The November Plan shows an increase in the citywide pension contributions of nearly \$755 million through Fiscal 2020. This is largely the result of lower than expected asset returns in Fiscal 2016 and this will require additional contributions of \$120 million in Fiscal 2018; \$241 million in Fiscal 2019; and \$360 million in Fiscal 2020. The City expects to spend \$9.3 billion in Fiscal 2017.

We are going to also ask if you can walk us through that plan and whether it's sustainable.

The Plan includes City funding of \$123.8 million of new needs in Fiscal 2017 and \$32.7 million in Fiscal 2018. Overall, Administration spending in the November Plan is modest compared to the City's total Fiscal 2017 Budget. It also pales in comparison to the \$1.9 billion in new needs included in the Fiscal 2017 Adopted Budget.

Over 50% of the new needs reflected in the November Plan are allocated to the Department of Homeless Services and the Department of Correction. The homeless shelter census continues to surge since July 2015.

The November Plan reduces the Fiscal 2018 budget, but a lot of hard work remains in balancing the budget. Closing the projected \$2.2 billion budget gap for Fiscal 2018 will have to be done in an uncertain environment, with greater economic risk than at any other point in recent history, and where the City's economy has shown signs of slowing down. By the time the Administration releases its Fiscal 2018 Preliminary Budget, there may be a clearer picture of how these risks will play out.

Today the Committee looks forward to hearing from the Director of OMB, Dean Fuleihan, to learn more information about these issues.

Before I get started, I need to thank the Finance Division Director, Latonia McKinney and all her amazing staff, including deputy directors, the counsel, the unit head, the economist, the legislative financial analysts, and of course, the administrative support staff for putting so much work and dedication into today's hearing.

I'd also like to remind everyone who wishes to testify to please fill out a witness slip with the sergeant at arms; the public session will begin today at 1:30, at 2:30 -- well that would give you fifteen minutes Dean, so we don't want to do that -- at 2:30 p.m. [laughter]

Lastly, and a quick reminder to my colleagues that the first round of questions for OMB -- well a quick remind -- Hi, Helen -- we've been joined by Council Member Rosenthal -- will be limited to five minutes per council member and then we will have additional rounds after that. We will now hear from OMB, after you are sworn in by the counsel.

DEAN FULEIHAN: Thank you.

COMMITTEE ON FINANCE

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COMMITTEE COUNSEL: Can you raise your right hand please? Do you affirm to tell the truth, the whole truth and nothing but the truth in your testimony before the committee today and to respond honestly to council member questions?

DEAN FULEIHAN: Yes.

CHAIRPERSON FERRERAS-COPELAND: You may begin.

DEAN FULEIHAN: Thank you. Thank you Finance Chair Julissa Ferreras-Copeland, members of the Finance Committee and members of the City Council for the opportunity to testify here today on the Mayor's November Plan Update. On behalf of the Mayor and the Administration, we are grateful for our partnership and collaboration throughout the entire budget process, including our quarterly updates and modifications.

I also want to join you in thanking Latonia McKinney and the Council Finance staff for their hard work and the positive relationship we have built over the past three years. I did speak to Latonia and we have offered, really on behalf of all the staff, our condolences to her and the family for the loss of her mother.

I'm joined at the table today by the OMB First Deputy Director Larian Angelo. We also have our dedicated and hard-working OMB staff here to assist me in answering questions.

Our city's adherence to Generally Accepted Accounting Principles to balance the budget and assess our financial conditions on a quarterly basis is unique and provides a strong foundation for fiscal stability.

The November Plan Update and Budget Modification continues our cautious and fiscally responsible approach to managing the City's budget. The Plan makes technical adjustments to the Fiscal Year 2017 Adopted Budget, but we also recognize significant savings as we prepare for the Fiscal Year 2018 Preliminary Budget. This is in recognition of potential risks associated with major policy changes (as you mentioned) in Washington, and mixed economic signals including weak GDP growth in the first half of the year, a decline in Wall Street profits, also in the first half of the year, a slowing of City revenue growth and uncertainty caused by international events.

Our revenue projections from the Executive and Adopted Budgets were very cautious. We anticipated only a 1.7% increase in revenues in the Executive budget, a 1.6% increase in revenues at the Adopted Budget, compared to 3.2% realized in Fiscal Year 2016 and 7.4% in Fiscal 2015. While collections are above projections because of the strength in property taxes, in particularly pre-prepayments, a slowing on collections of personal income tax and real estate transactions resulted in a lowering of our forecast for the current fiscal year by \$127 million. We have not adjusted the out-year forecast as we continue to assess economic and tax activity in preparation for the Preliminary Budget.

Outside of the savings actions, the City expense changes are largely technical. The largest (which you referenced) reflects the underperformance of the City's pension investments as reported by the City Comptroller, requiring an additional contribution of \$120 million in Fiscal Year 2018, \$241 million in Fiscal Year 2019 and \$361 million in Fiscal Year 2020. We continue to meet all pension obligations, including those required by last year's actuarial changes, to reach a 100% fully funded

system by 2032. Other expense actions include:
supporting the cost of housing the homes,
implementing the 14-Point Plan to combat violence at
Rikers Island, and converting student bathrooms for
gender-neutral use to 1,070 school buildings.

The Fiscal Year 2017 All Funds Budget
increased to \$83.46 billion in recognition of federal
Sandy recovery and reliance funds, homeland security
grants, maximizing other federal and state
reimbursements and the prepayment of Fiscal Year 2018
expenses.

In connection with the November Plan, the
Mayor directed OMB and City agencies to reduce City-
funded costs by: reassessing existing program
spending and needs; maximizing reimbursements;
restructuring the delivery of programs or services,
using technology to promote efficiencies; and
reducing administrative and overhead costs.

The result is a November Citywide Savings
Program, the first since 2012, which will save New
Yorkers \$1 billion in Fiscal Year 2017 and Fiscal
Year 2018. Many of these we were able to achieve
actually in partnership with working with your staff.

Examples: increasing the use of electronic payments to employees and vendors across all agencies; the Department of Citywide Administrative Services expanded the car sharing program in order to reduce the size of the City's fleet by over 30%, requiring interagency transfer of vehicles with useful life spans in order to reduce unnecessary purchases;

Faced with increased ridership in Fiscal Year 2018, the DOT determined that permitting lower level boarding at the Whitehall Ferry Terminal is a cost-effective alternative, and an immediate one, to scheduling more ferry trips. The change will enhance rider convenience, while not affecting scheduling;

The Department of Information Technology and Telecommunications will decommission old equipment and eliminate redundant software;

The Department of Environmental Protection changed the procurement method for Voice Over Internet Protocol and paging systems to open competitive bids, resulting in more competition and savings;

The Department of Education is increasing reimbursements for both special education students

receiving services from paraprofessionals and high-need special education students attending private schools;

The Human Resources Administration will contract for storage directly with vendors, reducing annual costs by over 40%, and;

We continue to aggressively reduce our costs of borrowing and realized Debt Service Savings of \$151 million in Fiscal 2017, \$33 million in Fiscal Year 2018, \$72 million in Fiscal Year 2019, and \$83 million in Fiscal Year 2020.

These actions are in addition to our historic agreement with the Municipal Labor Committee to provide improvement in the delivery of health care to our employees that will achieve significant savings of \$1 billion this year and \$1.3 billion in Fiscal Year 2018. For example, working with the MLC, based upon a careful evaluation of data, we are encouraging the use of primary care and preventive services in place of over-utilized emergency room or urgent care. We believe this will reduce costs and help our employees achieve the best health outcomes.

Building on this year's achievements, we will include a Savings Program -- which, once again,

we hope to work with you on -- in the upcoming Preliminary and Executive Budgets, as we continuously evaluate agency needs and search for cost-effective ways to delivery quality services to New Yorkers.

As a result of these actions, we have an overall reduction in Fiscal Year 2017 City-funded spending of \$105 million and a \$575 million reduction in Fiscal Year 2018 gap.

It is important to highlight that the Administration, working with the Council, has maintained historic levels of reserves. We have a record \$4 billion in the Retiree Health Benefit Trust Fund (most of that occurring by our joint actions), \$1 billion in the General Reserve each fiscal year through Fiscal Year 2020, when the traditional amount was a third of that, and \$500 million in the newly created New York City's first Capital Stabilization Reserve.

Our fiscal management will be a critical asset as we move into a period of uncertainty at the federal level. At this time, the consequences of federal actions are unknown and potentially widespread -- from tax changes and infrastructure funding, to affordable housing and the needs for four

million New Yorkers who rely on the Affordable Care Act and Medicaid. We know we will be working together in the coming weeks and months to assess the effects and impact of federal actions and prepare a coordinated response.

I want to thank you again for the opportunity to testify today. And now I look forward to your questions.

CHAIRPERSON FERRERAS-COPELAND: Thank you very much Director Dean Fuleihan. I wanted to first start kind of off topic, 'cause I think it's pertinent just to clear the air a bit. Last week the Finance and Veterans Committee held a joint hearing about a bill to provide tax relief for veterans; during the hearing, the Department of Finance Deputy Commissioner noted that rate changes could impact the value of the tax relief. Two newspapers, the *New York Post* and the *Staten Island Advance*, took that to mean that the Administration is looking at a property tax rate increase. I don't believe that that was what Deputy Commissioner Sheares was referring to; indeed it had been, and I'm sure if we were to realize that, we would have delved in deeper. Our experience is that we may have understood that, but

1 this is an opportunity for you to clarify it for the
2 record. I just wanted to very specifically ask, and
3 get it clearly on the record: is the Administration
4 considering raising property tax rates and if not,
5 can you explain what the Deputy Commissioner was
6 referring to?
7

8 DEAN FULEIHAN: There are no property tax
9 rates in the four-year Financial Plan of the City
10 before you and there are no plans for a property tax
11 rate increase in the Financial Plan.

12 As to what the Deputy Commissioner was
13 asserting -- I wasn't there -- my understanding was
14 that it was either a mistake or his answer was
15 hypothetical, and it has nothing to do with what you
16 see before you or what's reflected in the four-year
17 Financial Plan of the City.

18 CHAIRPERSON FERRERAS-COPELAND: So it was
19 more in reference to in the event that rates change..
20 [crosstalk]

21 DEAN FULEIHAN: That's my understanding.

22 CHAIRPERSON FERRERAS-COPELAND: Okay. I
23 just wanted to make it clear, just so we don't have
24 any... [interpose]
25

DEAN FULEIHAN: Hopefully I've made it very clear.

CHAIRPERSON FERRERAS-COPELAND: I think you have.

The November Plan recognizes \$861 million more in federal funds for Fiscal 2017, which means that funds that come directly from the federal government reflect about 10% of the resources in this year's budget. The incoming president's comment about cutting funds to sanctuary cities has raised concerns about how it could impact New York City's budget. I know you made mention to it, but can you tell us how you're approaching this concern; how are you beginning to figure out how we mitigate this as we move forward? And federal funds make up a significant portion of several agencies and authorities -- DOE, HPD, NYPD and NYCHA -- are there any other agencies -- and I guess we would also have to include H&H, but are there any other agencies or authorities where we should also be looking at?

DEAN FULEIHAN: So we are -- Let's start at the beginning of that. Yes, there is recognition of additional money; most of that additional recognition is actually Sandy Recovery and Resiliency

1 funds; there is also Homeland Security money, grants
2 recognized in there, about \$140-150 million; that's
3 the majority of the change that you're referring to
4 in the \$860 million. It is about 10% of the current
5 City All Funds Budget; we are reviewing all those to
6 understand exactly what the basis is. Many of these
7 things go through a very elaborate and detailed and
8 long federal budget process, others may not. We hope
9 to work with you and with your staff so we all have
10 an understanding of what may be at risk or what
11 actually in some situations may be a potential
12 advantage as well. So that's why I gave a list that
13 included the tax bill, which we can think of -- there
14 are positives and negatives there; infrastructure, as
15 well as the agencies you mentioned. You've mentioned
16 the major agencies that are affected. So we're happy
17 to look and work with you over the coming weeks and
18 months as we learn more. Right now it is very
19 difficult to make an assessment of exactly what is
20 going to happen.

22 CHAIRPERSON FERRERAS-COPELAND: And I'd
23 just like to add just kind of your thoughts, 'cause
24 obviously this is the direct federal funding, but we

also have money that comes through the state that will be impacted, so... [interpose]

DEAN FULEIHAN: Correct.

CHAIRPERSON FERRERAS-COPELAND: do you have an assessment of what percentage the state funding gap might be?

DEAN FULEIHAN: No, I'll have to get you the exact percentage, but we certainly know, and you mentioned it, Health and Hospitals, for example, the money that they receive is Medicaid funds; in addition to the City-funding Medicaid portion, the federal funds flow through the state to Health and Hospital Corporation, we do have those dollars; the exact percentage of all those dollars we'll have to get you. Once again, we're looking at every single one of the revenue flows through both the state and the city and we should, working together, coordinate our response to any action that may be taken [inaudible].

CHAIRPERSON FERRERAS-COPELAND: Now you know, and I know that we talked about the downturn or the negative impact and you just mentioned this, but with infrastructure spending, it may be something that the City can take advantage of; are there other

1
2 impacts that you're looking at where we may be able
3 to take advantage of some of the new administration's
4 policies?

5 DEAN FULEIHAN: That is the major one
6 that we know of at this time; obviously we're going
7 to be in touch -- I mean the other thing; I know
8 you're doing this; we're doing this; we're very much
9 in touch with our congressional delegation to make
10 sure and working with them so that we understand
11 exactly what is anticipated. At this point, it's
12 very hard to add what would be a positive; there may
13 be things in the tax bill that are very positive for
14 some New Yorkers; however, if it's a tax bill that
15 only benefits the wealthiest or hurts the charitable
16 contributions of the not-for-profits that are such an
17 important part of our human service delivery system;
18 that would be highly problematic. So we're being
19 very careful, watching anything we can to understand
20 what direction they're taking.

21 CHAIRPERSON FERRERAS-COPELAND: Okay. I
22 think this will be the last Trump question for now, I
23 think. But it has been reported that the protecting
24 of the President-Elect has put a considerable
25 financial burden upon the City and the Police

1 Department; has OMB looked at the long-term impact on
2 the Police Department's budget for protecting the
3 President-Elect, especially if the federal government
4 will not reimburse the City, and how has the
5 President-Elect impacted the Police Department's
6 uniform overtime budget; will the NYPD still meet its
7 projected uniform overtime budget of \$500.3 million
8 in Fiscal 2017 as the November Plan states?

10 DEAN FULEIHAN: So we asked the federal
11 government for direct reimbursement of \$35 million,
12 which covered the NYPD expenses (and it is primarily
13 the NYPD) from Election Day through the inaugural.
14 We continue to make that request, our congressional
15 delegation continues to make that request; we are
16 hopeful that that request will be honored; most of
17 that is overtime spending by the NYPD; they have
18 other responsibilities and we're not going to neglect
19 and they are not going to neglect those other
20 responsibilities. Beyond that, at this point we
21 don't have an assessment because we actually don't
22 know what those specific plans are, but we will
23 continue to work with you as we do. Once again,
24 right now the immediate need is the \$35 million. So
25 you know as we go forward, we will continue to make

modifications in this. As to the overtime cap, I think as we approach the Preliminary Budget we'll have a much stronger answer to know exactly what the consequences of this will be on that cap.

CHAIRPERSON FERRERAS-COPELAND: Okay.

The November Plan includes an additional \$115 million for the City's shelter budget in Fiscal 2017; while some of that reflects recognizing non-City revenue, \$52 million comes from the City tax levy dollars; this reflects a 10% increase over the amount of the budget at adoption, and it does not reflect any changes to out year spending projections. What caused this increase in Fiscal 2017's shelter costs and how confident are you that these new figures reflect what the City will actually be spending on shelter costs in Fiscal 2017? And we won't be having this conversation again in the spring.

DEAN FULEIHAN: So shelter costs have gone up; it is worth remembering that shelter costs have been increasing since the end of the Advantage Program in 2009 when there were about 37,000 in the shelter; after that point, it was pretty much a straight line until this administration, when we have, with your help, instituted programs,

significant programs, including rental assistance and other preventive measures that we believe have changed what the shelter population would be today. We believe actually it would be many thousands more than what we're currently at, which is about 60,300-400, as of I believe yesterday. So... [crosstalk]

CHAIRPERSON FERRERAS-COPELAND: So...

DEAN FULEIHAN: it is still a population where there is variation day to day and where there are cost changes day to day. Right now what we've given you is our understanding of that population and the costs associated with DHS services and we're just going to keep evaluating and keep working with you.

CHAIRPERSON FERRERAS-COPELAND: So in you not increasing the cost for Fiscal 2018 in your forecast, it would mean that you believe or you are confident that you will not need additional money between now and Fiscal 2018, so are we going to resolve the homelessness issue in one year, or how do you... [interpose]

DEAN FULEIHAN: Well there's still a significant amount of money in Fiscal Year 2018... [interpose]

CHAIRPERSON FERRERAS-COPELAND: Right.

DEAN FULEIHAN: so it certainly does resolve the issue; however, we are making changes, we are hoping to stabilize this; the Mayor has said that, he said there is going to be additional plans coming out and as we do that we will continue to make assessments. Let's remember; this is a November Update; this is a quarterly modification -- most municipalities don't even do this -- and we will continue to make that assessment. As we approach the Preliminary Budget we will be reforecasting and taking a look at the out year, as we do on revenues. We didn't change the revenue projections for 2018; we're obviously going to go back and look at that, we'll make a reassessment there and we'll certainly make a reassessment on homeless services.

CHAIRPERSON FERRERAS-COPELAND: Okay. On December 6, the Committee staff met with your OMB staff about estimates on shelter costs and followed up with a data request. Will OMB be able to fulfill the request by the end of this week?

DEAN FULEIHAN: Actually, we will be fulfilling that request; we're working with the agency, it was a very extensive list of requests that we received a few days ago, so we will be working

with the agency and your staff to fulfill that request.

CHAIRPERSON FERRERAS-COPELAND: Okay. I have additional questions, but I want to give my colleagues an opportunity to ask their questions. We've been joined by Council Members Cornegy, Johnson and Gibson... oh and Council Member Rodriguez and we will now hear from Minority Leader Matteo, followed by Council Member Cornegy.

COUNCIL MEMBER MATTEO: Thank you Madam Chair. Director, thank you for clearing that up; as the Council Member who asked the question on the property tax, which I'm sure you could decipher -- that was on the veterans tax exemption hearing, which we hope to have further discussions with the Administration about moving forward on what we... [interpose]

DEAN FULEIHAN: Certainly.

COUNCIL MEMBER MATTEO: believe here is a priority; we look forward to having those discussions.

I just want to ask you a few quick questions on some specifics, starting off as it relates to Staten Island, and start off with the

DEAN FULEIHAN: It's actually cost... It's cost avoidance.

DEAN FULEIHAN: Correct, it was... So I...
thank you for correcting that. So I gave a list of
many things, including increased reimbursements -- it
was many -- so where we can find cost avoidance...
[crosstalk]

DEAN FULEIHAN: and that was actually something the Council also asked us to do -- we're going to do that. This was a creative way by the Department to say they can actually address a need of Staten Island immediately and do it effectively and therefore was a cost avoidance.

COUNCIL MEMBER MATTEO: And I agree with...
and you know, I agree with the lower level boarding,
you know and then saving or having cost avoidance is
helpful as well. You didn't talk about it, but you

also listed \$9 million for the reduction in the costs to close Fresh Kills. Do you have any information or could we follow up on just going over those costs; if you don't have it that's fine?

DEAN FULEIHAN: Let me come... [background comments]

COUNCIL MEMBER MATTEO: It's the final mound I believe.

DEAN FULEIHAN: It actually came in lower. Yes.

COUNCIL MEMBER MATTEO: I'm sorry?

DEAN FULEIHAN: The contract amount came in lower.

COUNCIL MEMBER MATTEO: Okay, it just came in lower. Okay.

DEAN FULEIHAN: Just came in lower.

COUNCIL MEMBER MATTEO: That's fine. And in terms of Sanitation, and I will talk with Commissioner Garcia about this, but I just wanted to know if you had any input -- the sectoring plans, the snow removal sectoring plans; has there been a reduction in costs based on expanding that neighborhood snow removal plans throughout the city?

DEAN FULEIHAN: So we haven't seen anything specific, but we're happy to go back and take another look and why don't we talk to you after this so we know exactly what you'd like us to focus on... [crosstalk]

COUNCIL MEMBER MATTEO: Great; I appreciate that. In terms of headcount, I think the new plan adds another 4,000 roughly new heads.

DEAN FULEIHAN: So it actually doesn't, the plan adds a little over... most of it is the Department of Education, 3,300 heads...

COUNCIL MEMBER MATTEO: Thirty-three hundred?

DEAN FULEIHAN: Yes...

COUNCIL MEMBER MATTEO: Okay.

DEAN FULEIHAN: and then there are a few others, but that's the vast majority of it. During the Adopted Budget we actually put the funds in; it was part of the Fair Student Funding, so we all approved that; we had submitted it with the Executive Budget; you approved it in the Adopted Budget. At that time, as we were raising the Fair Student Funding amount, we did not know exactly how the Department of Education and the principals at the

1
2 school level would be instituting those increases,
3 they could have done it through many means; the large
4 majority of the increase was directed at increasing
5 headcount, primarily special education teachers, at
6 those schools that had been historically underfunded..
7 [interpose]

8 COUNCIL MEMBER MATTEO: Okay.

9 DEAN FULEIHAN: So that's what it was, so
10 we actually had put the money in; we're not surprised
11 that that's the relationship; we're simply
12 recognizing it.

13 COUNCIL MEMBER MATTEO: Okay. Okay. And
14 I just want to talk about... [crosstalk]

15 DEAN FULEIHAN: I've been corrected; it
16 was 3,100; I apologize [sic]... [crosstalk]

17 COUNCIL MEMBER MATTEO: Thirty-one
18 hundred? Thank you. I just want to jump to the
19 sales tax, and growth in sales tax collections has
20 been falling off. Can you offer some comments on
21 where you feel that's headed and why and... [interpose]

22 DEAN FULEIHAN: Look, as I said to the
23 Chair, and actually, we both said in our comments,
24 particularly the first two quarters of the year were
25 weak and we've seen that and I can literally, except

1
2 for the property tax -- we can go tax by tax, the
3 non-property tax revenues, real estate transaction
4 taxes, the personal income tax, Wall Street corporate
5 profits -- we did see a rebound in the third quarter,
6 so there is some pickup again in the third quarter in
7 economic activity and hopefully we'll see that
8 reflected -- we certainly know that Wall Street
9 profits have increased; hopefully that will be
10 reflected in bonuses.

11 COUNCIL MEMBER MATTEO: Okay. Great, I
12 appreciate it. Thank you, Chair.

13 CHAIRPERSON FERRERAS-COPELAND: Thank
14 you. We will now hear from Council Member Rosenthal,
15 followed by Council Member Cornegy.

16 COUNCIL MEMBER ROSENTHAL: Thank you so
17 much, thank you Chair Ferreras-Copeland.

18 So nice to see you guys, thank you all
19 for your hard work; it's great that you bring your
20 whole team. I have a couple questions, and if we
21 could think about this as a lightning round -- no
22 need to go into deep details, but just sort of what
23 your quick thoughts are about this. First, you
24 mentioned your electronic payments to employees and
25

vendors resulting in a savings; is that from FIPA
[sic] or MOCS or something different altogether?

DEAN FULEIHAN: It's Department of
Finance and it would also be OPA as well.

COUNCIL MEMBER ROSENTHAL: Also OPA? And
is that because of new computer systems that Finance
brought in?

DEAN FULEIHAN: You know we'll give a
more detailed answer, but it is... they're attempting
to encourage people to use electronic methods of
payments... [crosstalk]

COUNCIL MEMBER ROSENTHAL: Oh, deposit
sort of stuff [sic]... [crosstalk]

DEAN FULEIHAN: instead of... instead of
paper.

COUNCIL MEMBER ROSENTHAL: Okay. Great.
Over the last few years -- we weren't able to quickly
check this -- but in DCAS you have the heating, oil,
utility expense, I think you keep it in DCAS...
[crosstalk]

DEAN FULEIHAN: Correct.

COUNCIL MEMBER ROSENTHAL: what's it
looked like in the last few years; have you been able
to capture the decrease in cost of oil?

DEAN FULEIHAN: Yes, we have. I don't have... [crosstalk]

COUNCIL MEMBER ROSENTHAL: That's alright.

DEAN FULEIHAN: the immediate cost as of today, but yes, we have been capturing and taking savings... [crosstalk]

COUNCIL MEMBER ROSENTHAL: Okay.

DEAN FULEIHAN: We have taken energy savings.

COUNCIL MEMBER ROSENTHAL: And in the future, are you capturing savings from shifting over to solar?

DEAN FULEIHAN: No, I... I'm sorry, I apologize, I should have let you finish. I didn't hear the end of the question, I apologize.

COUNCIL MEMBER ROSENTHAL: Oh sorry; the first was, in the past few years... [interpose]

DEAN FULEIHAN: Yes.

COUNCIL MEMBER ROSENTHAL: have you been able to capture; my second question is: are you including savings that you will get from solar going forward, is that captured in that line as well or in another line or... [crosstalk]

DEAN FULEIHAN: So I... I'm going to be careful about what the component is and how we do that; obviously price springs [sic] in energy tend to dominate our energy prices and once again, as in all of our forecasting, we're very cautious about how we forecast that price and we're much more about have we realized savings and taking them at that time...

COUNCIL MEMBER ROSENTHAL: Sure.

DEAN FULEIHAN: but I'm happy to have the conversation; we... you and I have been having conversations... [crosstalk]

COUNCIL MEMBER ROSENTHAL: Yeah, I appreciate that...

DEAN FULEIHAN: about solar and I will come back to you with a more specific answer on solar.

COUNCIL MEMBER ROSENTHAL: Thank you, and our hearing on this is in early January...

DEAN FULEIHAN: Okay.

COUNCIL MEMBER ROSENTHAL: I think the exact question I'd like answered is to what extent... how much energy is expected to be captured by the solar panels, so therefore, what's the decrease in the current oil, you know... [crosstalk]

COMMITTEE ON FINANCE

35

DEAN FULEIHAN: Fine... Fine...

COUNCIL MEMBER ROSENTHAL: gas line...

DEAN FULEIHAN: the consumptions...

absolutely... [crosstalk]

COUNCIL MEMBER ROSENTHAL: Right.

DEAN FULEIHAN: absolutely, the shift in...

COUNCIL MEMBER ROSENTHAL: Yeah. Thank
you.

DEAN FULEIHAN: the shift in the energy
use. Fine.

COUNCIL MEMBER ROSENTHAL: The NYPD,
which we're all concerned about, the overtime that's
required, obviously we've read in the news that you
guys are keeping a great account of the costs and
that you are trying to get the federal government... is
that something that the public can see easily on a
website how much this is costing the City on a daily,
weekly or monthly basis? How will we know what that
cost is? And also, I'm wondering -- just to nuance
it a tiny bit -- are you keeping that number separate
from the usual overtime budget, which you've been so
successful at staying on target -- last year you did
a great job... [crosstalk]

DEAN FULEIHAN: So...

COUNCIL MEMBER ROSENTHAL: with that with the increase in hires?

DEAN FULEIHAN: Right. So we are not separating it, we obviously have been very public; as you know, the Mayor and the Speaker, in a joint letter to the President, the congressional delegation has weighed in... [crosstalk]

COUNCIL MEMBER ROSENTHAL: Awesome.

DEAN FULEIHAN: we're all doing that; we have... the Commissioner went to Washington and certainly had conversations... [interpose]

COUNCIL MEMBER ROSENTHAL: Yep.

DEAN FULEIHAN: there are some things that the NYPD is not going to make public; whether we should separate that out and what we put out, that's something for us to consider and... [interpose]

COUNCIL MEMBER ROSENTHAL: I would encourage you... [interpose]

DEAN FULEIHAN: Okay.

COUNCIL MEMBER ROSENTHAL: and I would like to see this answer for our City Council purposes, those two numbers separated out; I don't see how we can think about it without that... [interpose]

DEAN FULEIHAN: Okay, we will keep you informed of that cost.

COUNCIL MEMBER ROSENTHAL: Thank you.
And then two last questions. Over time social service contracts were supposed to get increases for salaries and I know the City's -- it's taken a little more time than we expected to get those implemented; what year will the workers get paid for the first year that it was supposed... [interpose]

DEAN FULEIHAN: Yes. Yes. Yes.

COUNCIL MEMBER ROSENTHAL: to be implemented and do you know the value of how much that is? In other words, how much did you roll over from I guess '17 to '18; I don't know if it was '16 [sic]... [crosstalk]

DEAN FULEIHAN: I will get you... I will get you that number; I don't have... [interpose]

COUNCIL MEMBER ROSENTHAL: Thank you.

DEAN FULEIHAN: off the top... I know that we've reached 65% of the contracts... [interpose]

COUNCIL MEMBER ROSENTHAL: Okay.

DEAN FULEIHAN: and we're actually making a lot of progress as we're speaking this month.

COUNCIL MEMBER ROSENTHAL: Yeah. Okay, great. And similarly, the career ladder... [crosstalk]

DEAN FULEIHAN: I'm sorry; we're at 70%, I apologize.

COUNCIL MEMBER ROSENTHAL: Seventy. And the career ladder, has that been spent by OLR; there was \$5 million for the career ladder...? [crosstalk]

DEAN FULEIHAN: There are pieces of the career ladder and once again, we'll get you an exact counting... [crosstalk]

COUNCIL MEMBER ROSENTHAL: Okay. Thank you.

DEAN FULEIHAN: but I do know that OLR was very interested as part of their negotiations and conversations, for example, with the day care workers that the career ladder be a... [crosstalk]

COUNCIL MEMBER ROSENTHAL: Yeah; that's what I thought. Last question...

DEAN FULEIHAN: be a major component of it.

COUNCIL MEMBER ROSENTHAL: Last question, so I can be more polite to my colleagues than I have been -- the pension expenses, I noticed that for '17 you have a higher number than what was spent in '16

by about, maybe over a \$100 million and you are projecting that to increase by about \$300 million every year going out... [crosstalk]

DEAN FULEIHAN: That's correct.

COUNCIL MEMBER ROSENTHAL: is that... the longer question... [crosstalk]

DEAN FULEIHAN: So the pension... the pension... the... the... the... the...

COUNCIL MEMBER ROSENTHAL: but I'm concerned about the fact that the City is having to put in more money [background comment] to our pension funds, you know I'll be interested to hear from the Comptroller as to why our investments are coming in lower so that City taxpayers have to pay in our current dollars for our retiree expenses, which is not now the system is supposed to work -- I mean, it's how the system works, but one would hope that our projections are in sync with what we have to pay, therefore lowering the burden on current [bell] pay... current taxpayers, so I'll stop now, but obviously a question for another time; I think this is alarming.

DEAN FULEIHAN: So as you know, we are simply reporting the earnings that the Comptroller gave us and that's the pension earnings and obviously

1
2 we're committed, as you are, to full funding the
3 pension system by 2032 and these are the payments
4 that resulted from those earnings. As to the further
5 question of why those earnings are there, that's...
6 [background comments]

7 CHAIRPERSON FERRERAS-COPELAND: Thank
8 you. And before we hear from Council Member Cornegy,
9 who will be followed by Council Member Johnson, I
10 wanted to follow up on something that Minority Leader
11 Matteo was talking about, but on the flip side; it's
12 about headcount vacancies. There are numerous
13 agencies that currently have a large number of
14 vacancies in their budget headcounts, including the
15 Board of Correction, DCAS, DOB, and DoITT. At what
16 point does OMB recognize that these vacancies are not
17 temporary and adjust agency headcount to accurately
18 reflect personal service spending for Fiscal 2017?

19 DEAN FULEIHAN: So we're constantly
20 working with the agencies; you have raised this, your
21 staff has raised this, and we'll keep doing this; as
22 we go to the Preliminary Budget we'll make sure that
23 the headcount is... is the headcount appropriate -- in
24 some cases it's delayed; in some cases it may be
25 because of the civil service exam; in some cases it

1 may be difficulty in finding the right individuals;
2 in others, it may be because programs are ramping up.
3 We have together initiated many new programs -- UPK,
4 Thrive; other programs that do have a ramp-up period
5 -- we take savings against those, but we're
6 constantly reevaluating and we will be, with you, in
7 the Preliminary Budget looking at those headcount and
8 those vacancies to see that they're appropriate.

9
10 CHAIRPERSON FERRERAS-COPELAND: And we
11 are going to be following up on the Preliminary
12 Budget; in particular, we want to also understand not
13 just the budgetary impact, because eventually they
14 become savings; however, also the programmatic
15 aspect, like how are programs being affected because
16 we are not hiring at the rate or what the
17 commissioners... [crosstalk]

18 DEAN FULEIHAN: [cough] Excuse me.

19 CHAIRPERSON FERRERAS-COPELAND: expect to
20 be hiring. You know, be it in the Department of
21 Buildings or any of these agencies, one would think
22 that you're identifying positions because you need
23 them programs, or to run the agency efficiently. So
24 you know at some point this is a flag for us when
25

these particular agencies are having challenges during this hiring... [interpose]

DEAN FULEIHAN: Yes, in some of the examples you gave, for example, the Department of Buildings, we believe they are actually hiring up and they're on a much more successful path, now that we gave them significant increases in resources, but do we care about having that conversation with you? Definitely.

CHAIRPERSON FERRERAS-COPELAND: Okay. We will hear from Council Member Johnson, followed... sorry, Council Member Cornegy, followed by Council Member Johnson and you're going to make this list a little clearer. Thank you.

COUNCIL MEMBER CORNEGY: Thank you, Madam Chair. Thank you, Dean Fuleihan for being here. As the Chair of Small Business, I'm going to keep mine in that realm, my question.

So OMB expects the City's hotel occupancy tax collections to drop 3.2% in Fiscal Year 2017, from \$565 million in FY 16 to \$547 million in FY 17. So the Finance Department expects a downturn, but they're not anticipating such a drastic drop. Can

you please explain why you believe hotel tax collections will be so reduced?

DEAN FULEIHAN: So we will be working with your finance staff and understanding -- we did not do a reforecast on the hotel tax; we literally just took the collections to date, that first quarterly results and said okay, they were a little off, 3.2; wasn't certainly a crisis in the hotel tax, and that's all it reflected. As we come to you on the Preliminary Budget, we'll actually be doing a reforecast and we'll come back to you and say here is actually what we think the projections are for the hotel tax.

COUNCIL MEMBER CORNEGY: So for me personally it was alarming because you know while I'm watching what I think to be a boom in hotel... you know in tourism and hospitality, in Brooklyn at least, a hotel being built on seemingly every street; I would have antici... [crosstalk]

DEAN FULEIHAN: So... So we are... we are...

COUNCIL MEMBER CORNEGY: I have anticipated the exact opposite... [crosstalk]

DEAN FULEIHAN: Right. Look, we're at a very high occupancy, we still have more tourists

1 coming; how much actually gets spent, that may be
2 somewhat affected by what happens in Washington; what
3 happens internationally, so there are other
4 consequences that could affect, as we said, as both
5 the Chair said and I said, walking in; the first two
6 quarters of this calendar year were weak in economic
7 activity; hopefully that's turning around, the third
8 quarter was stronger and hopefully that'll be
9 reflected, but this is a conversation we're going to
10 know much more once we go through the holiday season
11 and in January.

12
13 COUNCIL MEMBER CORNEGY: Thank you.

14 That's all I have.

15 CHAIRPERSON FERRERAS-COPELAND: Thank
16 you, Council Member. Council Member Johnson,
17 followed by Council Member Gibson.

18 COUNCIL MEMBER JOHNSON: Good to see you,
19 Dean. So I wanted to ask a bit about New York City
20 Health and Hospitals. So last year the City put in
21 in City tax levy -- how much was it, \$300 million?

22 DEAN FULEIHAN: It was \$300 -- and
23 someone correct me if I'm wrong -- \$300 in the
24 Preliminary and I believe 160 additional at the
25 Executive.

COUNCIL MEMBER JOHNSON: And... [interpose]

DEAN FULEIHAN: And then in the out years, I believe we added about... we picked up the debt service and I believe that was \$180 million -- we're using 180... approximately \$180 million a year. So we picked up Health and Hospitals -- the debt service on City-issued debt, the City is now taking that responsibility.

COUNCIL MEMBER JOHNSON: So the total amount put in last year was \$480 million?

DEAN FULEIHAN: That's correct.

COUNCIL MEMBER JOHNSON: And how do we look now, with this November modification, with this update, where do things stand?

DEAN FULEIHAN: So there was no need to do any modifications in November, we didn't feel any need to make any adjustments in that. Once again, it's one of the benefits of having a quarterly review; we're going to be coming back to you in January. Once again, I don't perceive that we'll be doing anything significant in January, but you know we're going to have that conversation; we're working constantly with Health and Hospitals; we'll be coming

back to you with an assessment of here's where we stand.

COUNCIL MEMBER JOHNSON: So I know that...
[interpose]

DEAN FULEIHAN: But we will be doing that with you with the Preliminary Budget and the Executive Budget.

COUNCIL MEMBER JOHNSON: I know that Dr. Raju is leaving at the end of the year and Stan Brezenoff is coming in in an interim basis while the search goes on for a new president and CEO of Health and Hospitals. Dr. Raju had been -- and I'm sure you were in communication with Dr. Raju and probably part of the conversation with Secretary Burwell at HHS about pushing off some of the significant DISH cuts, the disproportionate share cuts to later years. Where do things stand on that? The DISH cuts were going to ramp up and it was going to be... I think next year it was supposed to be somewhere in the range of \$500 million...

DEAN FULEIHAN: Good -- \$400 million.

COUNCIL MEMBER JOHNSON: Yeah, \$400 million.

DEAN FULEIHAN: We are actively engaged with our congressional delegation -- Dr. Raju was very active in it; Stan Brezenoff will be active in it -- we're all taking an active part in this, with the State, working with the State to coordinate to try to make sure that those... either there's a permanent elimination of that cut or it is postponed. You know at this point in Washington, I'm going to start predicting, but we're receiving very positive indications from the congressional delegation, but we're going to keep pushing.

COUNCIL MEMBER JOHNSON: And the feds announced that they were going to extend the Medicaid waiver, the \$8 billion Medicaid waiver... [crosstalk]

DEAN FULEIHAN: Yes.

COUNCIL MEMBER JOHNSON: how does that affect us in any way?

DEAN FULEIHAN: Well it's a positive action -- you know right now the City and the State are having constant conversations with CMS, I mean it's an ongoing basis on waivers, modifications; approvals and all of that is moving in a positive direction, so that's all positive; exactly how the new administration is going to handle Medicaid and

the Affordable Care Act, you know we don't know;
we're very concerned.

COUNCIL MEMBER JOHNSON: So the \$180
million that was taken off on debt service; that was
going to be an annual thing that we're going to do
moving forward [sic]... [crosstalk]

DEAN FULEIHAN: It is **[inaudible]**, yes...
[crosstalk]

COUNCIL MEMBER JOHNSON: Okay. So...

DEAN FULEIHAN: We made a commitment on
that; it is City-issued debt... [interpose]

COUNCIL MEMBER JOHNSON: Got it.

DEAN FULEIHAN: it really made sense for
us to be doing it [sic].

COUNCIL MEMBER JOHNSON: And the \$300
million that was put in so that they could, you know
meet payroll... [interpose]

DEAN FULEIHAN: Correct.

COUNCIL MEMBER JOHNSON: and continue to
operate okay, do we expect that we're going to have
to put in a similar amount this year?

DEAN FULEIHAN: Right now I do not at
this point in this November Update. Once again,
that's one of the benefits of the City budgeting

1
2 system; we're going to come back in the Preliminary
3 Budget and continue to have this conversation with
4 you about what their needs are.

5 COUNCIL MEMBER JOHNSON: Okay. And then
6 in reserves there is \$4 billion in the RTHBT...
7 [interpose]

8 DEAN FULEIHAN: Correct.

9 COUNCIL MEMBER JOHNSON: the Retiree
10 Health Benefit Trust, a billion dollars in the
11 general reserve and then \$500 million in the Capital
12 Stabilization Reserve; is that number where you want
13 it to be? What's the optimal number of where our
14 reserves should be?

15 DEAN FULEIHAN: So we believe these are...
16 Look, together we... this is historic level of
17 reserves, however anybody looks at it, it's a
18 historic level of reserves. The \$4 billion in the
19 Retiree Health Benefit Trust Fund, \$3.3, \$3.4 billion
20 of that is actions we took collectively. The
21 historic level of the general reserve is \$300
22 million; we're doing a billion ever single year, and
23 the \$500 million Capital Stabilization Reserve
24 literally was a Council and mayoral initiative
25 directly and that's [bell] \$500 million. These are

1
2 very high levels of reserves; we're very pleased with
3 that level; we're comfortable with that level; we
4 constantly get monitors and rating agencies
5 **[inaudible]**... [crosstalk]

6 COUNCIL MEMBER JOHNSON: Should it be
7 higher?

8 DEAN FULEIHAN: that acknowledge that.
9 You know, as we move forward we're going to be making
10 always a decision what is the appropriate level; what
11 are the consequences; what are we going to do on
12 program spending; where we find savings, and we're
13 going to be doing that with you.

14 COUNCIL MEMBER JOHNSON: So just to
15 finish, Madam Chair, last thing. I'm glad that at
16 adoption last year the Council worked with the
17 Administration on getting that \$500 million in there;
18 the Comptroller, when he's testified, has talked
19 about he believes the optimal number should be, which
20 is higher than what it's at, but still lauding the
21 fact that we're at this level. In a perfect world,
22 what do you think the number should be?

23 DEAN FULEIHAN: Once again, when we talk
24 about this number, we think what we have achieved
25 together is historic and has been reflected in

everyone who looks at the City budget; I don't have...
[crosstalk]

COUNCIL MEMBER JOHNSON: Are you a
lawyer?

DEAN FULEIHAN: No, I'm not, but I don't
have a... once again, every time that we come back to
you we're going to have this conversation about
what's the right balance. Right now we're very
comfortable with what that balance is and the level
that we together have achieved... [interpose]

COUNCIL MEMBER JOHNSON: Well thank you,
Madam Chair. Thank you, Dean; I think we should get
it higher, because if there are rough times on the
horizon, if there's a downturn at all or if we face
significant cuts from an administration, we're going
to need to rely on some of these reserves, on some of
the key priorities this Administration has put
forward and I want to ensure that we have the
reserves to do that.

DEAN FULEIHAN: Okay. I'm again going to
state these are historic levels of reserves for the
City of New York and that... [crosstalk]

COUNCIL MEMBER JOHNSON: You said that.

DEAN FULEIHAN: Well, it's an important fact... [interpose]

CHAIRPERSON FERRERAS-COPELAND: Okay,

DEAN FULEIHAN: and it's a fact that every rating agency recognizes and talks about.

COUNCIL MEMBER JOHNSON: Thank you.

CHAIRPERSON FERRERAS-COPELAND: Thank you. We will have Council Member Gibson, followed by Council Member Rodriguez; followed by Council Member Miller.

COUNCIL MEMBER GIBSON: Thank you, Chair. Good afternoon; it's good to see you guys today. Just three very quick questions. I wanted to find... I know there was a question asked earlier about the NYPD and any changes that we will foresee, but I wanted to ask specifically about the civilian staff. In FY 16, we called for 200 civilianized positions of civilian staff replacing uniformed officers in the local precincts; in FY 17 we agreed to I believe 416 civilian staff and I wanted to find out... I know there's been some delay in hiring civilian staff. Also wanted to inquire within the civilian hiring -- I know it looks like we're about 1,600 below the headcount and the projected budgeted amount --

1
2 uniformed staff, school crossing guards, traffic
3 agents -- TEAs, school crossing guards and the
4 civilianization; I wanted to find out where we are
5 with some of the delays we've had in hiring.

6 DEAN FULEIHAN: Thank you for an easy
7 question. [laugh]

8 COUNCIL MEMBER GIBSON: Sorry; you know
9 how I am.

10 [background comments]

11 DEAN FULEIHAN: Yeah. So... [background
12 comments] So on... [background comments] Right. On the
13 specific... each one of those specific questions... we'll
14 come back on each one of the specific to give you an
15 answer. I can answer, in general, but on each one of
16 the categories I'll have to come back.

17 COUNCIL MEMBER GIBSON: Okay.

18 DEAN FULEIHAN: On the overall answer:
19 yes, there has been a delay at the NYPD in
20 civilianization, in the hiring of civilians; they put
21 their focus on what we had jointly initiative, which
22 was the expansion of the uniform...

23 COUNCIL MEMBER GIBSON: Right.

24 DEAN FULEIHAN: classes and that was
25 their focus and they have achieved that and now they

1
2 are focused and we believe you'll see significant
3 changes in the civilian headcount at the NYPD, but
4 we'll come back and say here's the projection and
5 here in each one -- in traffic enforcement agents;
6 school safety agents -- what we've been able to
7 achieve...

8 COUNCIL MEMBER GIBSON: Okay, great; I
9 appreciate that... [crosstalk]

10 DEAN FULEIHAN: and what we project to
11 achieve.

12 COUNCIL MEMBER GIBSON: Right. And I
13 recognize and I know we've achieved that; we've
14 gotten to the 1297 and we're still looking at
15 recruitment and you know, speeding up the process of
16 the applicants entering the police department, but
17 now I know, you know we have to pick up the slack of
18 the civilian staff, especially the support staff in
19 the local precincts, the ones that are doing a lot of
20 the work, the paperwork, roll call, etc., like that's
21 really important, and school crossing guards, because
22 every year... [crosstalk]

23 DEAN FULEIHAN: Great.

24 COUNCIL MEMBER GIBSON: we open up new
25 schools... [crosstalk]

DEAN FULEIHAN: Agree.

COUNCIL MEMBER GIBSON: we have to make
sure we're prepared for every school year..
[crosstalk]

DEAN FULEIHAN: You know the Mayor agrees
with you completely on that and that is one of the
primary focuses that the NYPD is focused on.

COUNCIL MEMBER GIBSON: Absolutely. So
my final question -- I just wanted to ask, with the
new administration coming in January, what
conversations are we having; specifically the Housing
Authority, the incredible amount of federal subsidies
that we get for NYCHA, [background comment] very,
very concerned about how that impacts us moving
forward and then CUNY and you know, what we're going
through now with the CUNY system and also the funding
as well. Are we having conversations about that,
'cause I know public safety is important, but I think
there are so many other areas where we get an
incredible amount of federal support where we have to
have those conversations... [interpose]

DEAN FULEIHAN: Yes.

COUNCIL MEMBER GIBSON: now as well.

DEAN FULEIHAN: In my opening comments I talked about affordable housing; obviously this is a key area for all of us to be concerned about; we are concerned, we're going to be working we believe together; we're going to be working on this to make sure that we defend both what NYCHA receives and what we receive in the affordable housing program, both through -- so HPD and NYCHA, both affected by what changes, direct subsidies, as well as what could happen in the tax law changes. So we are very concerned; we're monitoring the situation; we're working with our congressional delegation; we're going to be working together with you on this.

COUNCIL MEMBER GIBSON: And that means you'll be in Albany as well, right?

DEAN FULEIHAN: Absolutely. And as for CUNY, you know that together we have made a commitment, once again, at a very high level; we contribute to the community colleges; we're approaching a 40% contribution; we're far above any other local government in the state and what they contribute to the community college; we paid for the entire increase of the collective bargaining for the

community colleges, so our commitment is clearly there.

COUNCIL MEMBER GIBSON: Thank you. Thank you, Madam Chair.

CHAIRPERSON FERRERAS-COPELAND: Thank you, Council Member. Council Member Rodriguez, followed by Council Member Miller.

COUNCIL MEMBER RODRIGUEZ: Thank you, Chair and good afternoon. I share with Mayor de Blasio, when he said in a press conference together at One Police Plaza two weeks ago that when it comes to Vision Zero, this is only the beginning of Vision Zero; how does the November Plan, translated into dollars, reflect the vision on this is only the beginning of Vision Zero...? [crosstalk]

DEAN FULEIHAN: So the November Plan, as I indicated in the beginning, is largely on City dollars, is largely on City dollars, even on federal, largely a technical adjustment. We understand that -- you've raised this with me -- the concerns and encouragement, actually, for more in Vision Zero; it's obviously one of the factors we're going to be discussing with you as we approach the Preliminary Budget.

COUNCIL MEMBER RODRIGUEZ: But I'm not into -- I'm putting behind you know our conversation about the \$5 million for education [sic] awareness; I know that finally the money is there... [interpose]

DEAN FULEIHAN: Correct.

COUNCIL MEMBER RODRIGUEZ: I hope that we can double the money, so I'm not there [sic]... [crosstalk]

DEAN FULEIHAN: Before the... the...

COUNCIL MEMBER RODRIGUEZ: Yeah.

DEAN FULEIHAN: November Plan.

COUNCIL MEMBER RODRIGUEZ: My question is, as we... [crosstalk]

DEAN FULEIHAN: We did that... We did that in the Adopted Budget.

COUNCIL MEMBER RODRIGUEZ: Yeah. But my question is, as we look at the November Plan, has the City identified additional needs to invest the necessary dollars to invest in technology, to improve dangerous intersections in our city?

DEAN FULEIHAN: So that's a conversation that we should be having with you, with the Preliminary and Executive Budgets.

COUNCIL MEMBER RODRIGUEZ: But so far by November, that... we have not see any change... [crosstalk]

DEAN FULEIHAN: We have... once again, the November Plan is largely and historically a technical plan except for the significant change that we did a major savings plan [sic]... [crosstalk]

COUNCIL MEMBER RODRIGUEZ: I understand that part; my... and I get it; I'm not planning to have this conversation, as we will be in the budget discussion before the budget. But the November Plan, can you share with us where are we on money that was supposed to be projected to invest so far by November... [crosstalk]

DEAN FULEIHAN: I see.

COUNCIL MEMBER RODRIGUEZ: on Vision Zero by November Plan... [crosstalk]

DEAN FULEIHAN: Okay, sure. We will give you... Absolutely, we will give you an update of exactly where we are on Vision Zero spending... [crosstalk]

COUNCIL MEMBER RODRIGUEZ: Okay.

DEAN FULEIHAN: that we're happy to do.

COUNCIL MEMBER RODRIGUEZ: And we're aware that there is a... in the private sector that number is there to do better on technology to address dangerous intersections, right?

DEAN FULEIHAN: So let us show you where we are and then let's continue the conversation.

COUNCIL MEMBER RODRIGUEZ: Okay. Thanks. Chair. [background comment]

COUNCIL MEMBER MILLER: Thank you, Madam Chair. Good afternoon. So I want to go back to the health care savings in the MLC Committee; that number that we achieved, that \$1 billion, is that a finite number after its savings is shared with those bargaining units involved in that negotiation...? [crosstalk]

DEAN FULEIHAN: So it... the \$1 million is the current fiscal year, is the... last year we achieved \$700 million...

COUNCIL MEMBER MILLER: Right.

DEAN FULEIHAN: this year we're achieving a billion; next year, which is actually, technically, the last year of the agreement; we will be at \$1.3 billion; we believe we are well on our way to achieve the \$1.3 billion. That \$1.3 billion, when it's

1
2 achieved... because remember, as I stated in our
3 opening remarks, this is a joint effort with the
4 Municipal Labor Committee; they're completely
5 supportive, we believe not only are we getting
6 savings but that we are delivering better health care
7 to our employees... [interpose]

8 COUNCIL MEMBER MILLER: So...

9 DEAN FULEIHAN: and that number; that 1.3
10 savings continues beyond the agreement.

11 COUNCIL MEMBER MILLER: But part of the
12 agreement is that that is kind of a gains-sharing,
13 right; that at same point those bargaining units are
14 sharing into savings, correct...? [crosstalk]

15 DEAN FULEIHAN: So I...

16 COUNCIL MEMBER MILLER: So is the \$1
17 billion... is the total amount of savings going to be
18 achievable; are we going to see that... [interpose]

19 DEAN FULEIHAN: So...

20 COUNCIL MEMBER MILLER: or is it going to
21 go back to... some going to back to workers [sic]...?
22 [crosstalk]

23 DEAN FULEIHAN: No, the \$1 billion and
24 the \$1.3 billion are all savings to the City. There
25 are provisions that allow for increased savings above

the targets to be then shared, but at this point what we are achieving is exactly the target that we outlined.

COUNCIL MEMBER MILLER: Okay, good. And in this program savings, which partially or somehow is also attributed to the retiree benefit, right? Is... [crosstalk]

DEAN FULEIHAN: Yes, that's correct.

COUNCIL MEMBER MILLER: Is this initiative put forth by this committee targeting such savings, 'cause there's a lot of talk about what the cost of the retiree benefits are? So...

DEAN FULEIHAN: So once again, the savings that are happening and the health care benefits that are happening, the benefits are with the employees, the savings; the savings at those numbers are coming to the City.

COUNCIL MEMBER MILLER: So but there's also savings in the benefits that retirees are receiving -- I'm not talking about the pensions, I'm talking about obviously the health care benefits that retirees are receiving; there is a savings that is being achieved through this initiative between the City and the MLC; correct?

DEAN FULEIHAN: So it is included in those numbers.

COUNCIL MEMBER MILLER: Okay. So my point is, 'cause there's been a lot of belabeling [sic] of labor here and it seems that wherever cost savings is achieved it has been, at least according to this, mostly at the expense of labor, even if it was through... [interpose]

DEAN FULEIHAN: So...

COUNCIL MEMBER MILLER: even if it was through negotiations, right? I would... first off... [crosstalk]

DEAN FULEIHAN: with re... Well respectfully, sir, I [sic]...

COUNCIL MEMBER MILLER: Hold on, first off, I would hope that we go somewhere else other than the backs of workers, but I also want to highlight that workers are doing their shared sacrifice and not just contributing to the City now, but as we move forward with the course of pension benefits.

DEAN FULEIHAN: So definitely... [crosstalk]

COUNCIL MEMBER MILLER: Correct?

DEAN FULEIHAN: Let's... Look, we walked in together, right; when this Administration took over there were no labor contracts and there had not been labor contracts with unions going back two, three, four; in some cases six years; we are now at over 90% agreement with collective bargaining; clearly it was one of the major risks this Administration faced and it's one of the major successes of this Administration. The only thing we asked at that time; we were going to treat our employees differently, we were going to treat them with respect and that's exactly how we got to those agreements and then we did say though we needed to work together on health care savings and improving the delivery of health care to our employees and that's what we're achieving.

COUNCIL MEMBER MILLER: Okay. And again, I just wanted to highlight that not that just we're achieving savings now, but as we move forward... [interpose]

DEAN FULEIHAN: Correct.

COUNCIL MEMBER MILLER: that the City and those workers will... [crosstalk]

DEAN FULEIHAN: That's correct.

COUNCIL MEMBER MILLER: continue to benefit from those savings. And then I'll jump over to the school bus subsidy program; that is based on what we did back in 2014-2015, the \$42 million that was assigned to that program. I know initially the majority of the money was not spent; I also know that because of lack of movement by colleagues in Albany, or at least that legislation [bell] not being signed off on, is still a problem, but we have not exceeded that initial \$42 million allocated; correct...?

[crosstalk]

DEAN FULEIHAN: We have not exceeded the \$42 million; I believe the last year amount was under 30... [background comment] oh I'm sorry; it was \$32 million, and yes, the bill was vetoed.

COUNCIL MEMBER MILLER: So what does that actually mean, 'cause I see it here; should it still...

[crosstalk]

DEAN FULEIHAN: We... We're... We're... We're...

COUNCIL MEMBER MILLER: is it carrying over every year?

DEAN FULEIHAN: now assessing what the next steps are necessary.

COUNCIL MEMBER MILLER: Okay. And finally, what I don't see captured here is the revenue from all of the new cameras throughout the city.

DEAN FULEIHAN: It should be; we'll make sure that you... [crosstalk]

COUNCIL MEMBER MILLER: Finance has a new system; we should be in real-time knowing how much money is being made.

DEAN FULEIHAN: I'm happy to give you that; we will tell you how much is coming on miscellaneous receipts, on the speed cameras; we're happy... [crosstalk]

COUNCIL MEMBER MILLER: Speed cameras, correct.

DEAN FULEIHAN: Yeah. No, we're happy to give you that.

COUNCIL MEMBER MILLER: Okay. Thank you very much. Thank you, Madam Chair... [crosstalk]

CHAIRPERSON FERRERAS-COPELAND: Thank... Thank you, Council Member. So we are going to start a... we've been joined by Council Member Levine and I wanted to ask some additional questions, particularly with the business tax. Can you tell us, in the

Administration's view, what do you think is going on with the business tax revenue, especially revenues from the general corporation tax? I know that we discussed that this would be revenue neutral, but we haven't seen the uptick that would allow it to be revenue neutral, so what do you think is going on; are there certain behaviors, or did the package of legislations or the reforms that were implemented, is it turning out to not be revenue neutral?

DEAN FULEIHAN: No, we don't believe that; we still believe it's a revenue neutral action; together we instituted major improvements and modernized the City's business tax and financial service taxes, we combined them and we were able to also provide significant small business relief. Honestly, our assessment of this at this point is that this is an implementation issue and as this year -- we'll know this year, as we move through year in the Preliminary and Executive Budgets, we'll have a much better sense of whether really this is just a timing issue and businesses moving into a new tax system or whether there was something else, but that is our belief, that this is simply a timing issue.

CHAIRPERSON FERRERAS-COPELAND: So you don't think that there is economic factors that might be impacting... [interpose]

DEAN FULEIHAN: Well there... once again, there was a slowdown in the first -- as you and I both started this conversation, there's a slowdown in the first six months; of course that could be a piece of it, but the thrust of your question was also -- did the structural changes, which were very positive; were those structural changes and our assessment that they were revenue neutral -- we still believe that.

CHAIRPERSON FERRERAS-COPELAND: Okay. I wanted to talk about DOC. Since Fiscal 2016's Executive Budget, the Administration has consistently increased funding over multiple financial plans for the Department of Corrections; the contract with McKinsey's group to accelerate and sustain the Department's antiviolenence reform agenda. Since Fiscal 2016's Executive Budget, the Administration has added \$24.2 million for consulting fees; most recently, adding \$9.9 million in the November Plan. However, the Administration of the Department of Corrections has shared little information with the Council on the details of the contract and what the

McKinsey's group role is in the Department's reform agenda. Can you provide more detail on why the Administration is increasing funding for DOC consulting fees in each fiscal year and when do you expect the McKinsey group to finish its consulting for the Department on its reform agenda and do you expect the final -- what do you expect the final cost to be?

DEAN FULEIHAN: So we expect them to finish in April... [pause] [background comments] Yeah, the additional 9.9 we do believe covers that. And in terms of their not giving you information, it's obviously about the transformation of the facilities and the 14-point plan; we're happy to talk to Corrections to make sure you get the information you're looking for.

CHAIRPERSON FERRERAS-COPELAND: Yeah, we would like an updated... [crosstalk]

DEAN FULEIHAN: Of course.

CHAIRPERSON FERRERAS-COPELAND: briefing on what... [crosstalk]

DEAN FULEIHAN: Sure.

CHAIRPERSON FERRERAS-COPELAND: the, you know... what should we be expecting for this additional dollars?

DEAN FULEIHAN: Understood.

CHAIRPERSON FERRERAS-COPELAND: So the \$9.9 million should be the last monies that are being asked for this contract...? [crosstalk]

DEAN FULEIHAN: Yes, that... that should be... correct.

CHAIRPERSON FERRERAS-COPELAND: And it will cover everything until April?

DEAN FULEIHAN: Yes.

CHAIRPERSON FERRERAS-COPELAND: Okay. And is there a report that's going to be produced or do you know what we should be expecting?

[background comment]

DEAN FULEIHAN: I don't believe it's a report; once again, it's helping them.. [interpose]

CHAIRPERSON FERRERAS-COPELAND: Through the transition.

DEAN FULEIHAN: Correct.

CHAIRPERSON FERRERAS-COPELAND: Okay. Wanted to follow up on DFTA homecare funding, the November Plan added a one-time funding of \$2.25

million for homecare services, bringing the level of funding for Fiscal 2016 to Fiscal 2016 levels.

DEAN FULEIHAN: Correct.

CHAIRPERSON FERRERAS-COPELAND: The additional money for homecare that was added at adoption and in the November Plan, through the leadership of Council Member Chin -- I know this is very important to her -- totaling \$4.25 million was not baselined for future years. Is OMB looking to baseline this funding in Fiscal 2018 and if not, why?

DEAN FULEIHAN: So once again, it was... For the November Plan we were looking what we needed right now to take -- I want to make sure I say this right -- to take care of the... [background comments] to take care of the homecare, so we did that. As we approach -- and we met with the Council member only a few days ago, and we certainly had an expression of her interest and how she would like to proceed and we said we're happy to continue that conversation. What we wanted to make sure was that what we have in the budget for the current year meets the need that we committed to at the Adopted Budget; that was always our intent.

CHAIRPERSON FERRERAS-COPELAND: So just for clarity, 'cause my understanding is that there is a wait list, so if we're meeting the need, are we meeting the need to satisfy the wait list throughout the entire system or is this just a need that you have that...

DEAN FULEIHAN: Yeah, we're meeting the need we agreed to at adoption... [interpose]

CHAIRPERSON FERRERAS-COPELAND: But...

DEAN FULEIHAN: and that was the concern that we weren't doing that.

CHAIRPERSON FERRERAS-COPELAND: So but... So the need... I don't... you know, we can kind of walk around and in circles; I just want to... [crosstalk]

DEAN FULEIHAN: I'd be happy to go back and come back and... [crosstalk]

CHAIRPERSON FERRERAS-COPELAND: So just so that you know what I need you to answer...

DEAN FULEIHAN: Fine.

CHAIRPERSON FERRERAS-COPELAND: meeting the need at adoption is not meeting the need, right, because the program is insufficiently funded. Meeting the need at adoption means that there is a wait list.

DEAN FULEIHAN: So let's continue this conversation; we'll get some additional information and have this conversation. Once again, this Administration, working with you and being encouraged, has added significantly; I believe over a 20% increase in DFTA's budget from the prior administration; we will continue to work with you.

CHAIRPERSON FERRERAS-COPELAND: Okay, so I just... we're going to follow up particularly... you're listening; we're all... [crosstalk]

DEAN FULEIHAN: Yes, I apologize.

CHAIRPERSON FERRERAS-COPELAND: So we just need to be very clear on meeting the need, right... [crosstalk]

DEAN FULEIHAN: I... I understand what you're asking.

CHAIRPERSON FERRERAS-COPELAND: So when we say meeting the need, we want to include the wait list in the need, so the wait list shouldn't be independent of... or the need shouldn't be independent of the wait list... [crosstalk]

DEAN FULEIHAN: So I understand that question; we'll come back so you have the exact numbers... [interpose]

CHAIRPERSON FERRERAS-COPELAND: Okay.

DEAN FULEIHAN: but I did want to clarify that we felt we needed to put additional funds in to actually implement the agreement that we had made at adoption... [interpose]

CHAIRPERSON FERRERAS-COPELAND: Right.

DEAN FULEIHAN: so that had to happen and that's what we did.

CHAIRPERSON FERRERAS-COPELAND: So I guess as you begin... [crosstalk]

DEAN FULEIHAN: You're asking me to go **[inaudible]**... [crosstalk]

CHAIRPERSON FERRERAS-COPELAND: No, no. And as we begin to... as you begin -- and I'm sure you're not beginning now; you've probably been working on this for some time -- for the Preliminary Budget, what we will not be satisfied with is if we fund DFTA at Fiscal 2016's Adopted Budget number, because it's insufficient. So when you go through this exercise we want you to properly identify the need plus the wait list and that is the number that we will be satisfied with and hope... [interpose]

DEAN FULEIHAN: I have a feeling we'll continue those conversations.

CHAIRPERSON FERRERAS-COPELAND: I'm sure we will, and I'm sure Margaret will be right here with me.

DEAN FULEIHAN: Yes.

CHAIRPERSON FERRERAS-COPELAND: Okay. We will hear from Council Member Levine.

COUNCIL MEMBER LEVINE: Thank you, Madam Chair and Director Fuleihan; it's great to see you.

DEAN FULEIHAN: Thank you.

COUNCIL MEMBER LEVINE: In previous hearings we have chatted about a topic that I'm very passionate about, as are many of my colleagues, which is our city's wonderful, ongoing effort to expand access to legal counsel for tenants facing eviction and the Mayor deserves enormous credit for having put so much additional resources into this important work, the Council as well as dramatically increased our contribution and the net impact of this is a tenfold increase from when all of us came into office about three years till today, and I believe the figure today is \$62 million, at least that's what I'm operating on; is it... [crosstalk]

DEAN FULEIHAN: Right. Correct...

COUNCIL MEMBER LEVINE: is that correct?

DEAN FULEIHAN: \$62 million and when we started this it was \$6 million.

COUNCIL MEMBER LEVINE: Alright; I like that. To spend that much money at such a rapid increase actually may be challenging; there may be delays in getting contracts out and delays in hiring up, so does that mean that mid year we can say well we didn't quite spend the whole \$62 million and maybe we have more to do?

[pause]

DEAN FULEIHAN: Okay, we will... That's one thing, we'll come back; I think we're doing a very good job and I think HRA is achieving fairly good success in the implementation, but as we get to the Preliminary Budget we're happy to come back and say here is exactly what we believe we'll achieve this year.

COUNCIL MEMBER LEVINE: Well you are right about the success; in fact, this is... now we've got hard data on this; the eviction rate in New York City has dropped 24%... [crosstalk]

DEAN FULEIHAN: Correct.

COUNCIL MEMBER LEVINE: incredibly, incredible in the last two years, which is

12 DEAN FULEIHAN: So it's hard to do that;
13 we do know the change in the eviction rate, I mean
14 that's -- what you've cited is accurate and we're
15 citing that and the Mayor's, along with you and
16 others is claiming credit for that and it's
17 appropriate; how much of that actually helps on the
18 shelter side, we know there's some help, but it's
19 hard to actually quantify, but we're looking at that
20 as well.

21 COUNCIL MEMBER LEVINE: It's such an
22 important question because you know the Council's
23 considering legislation that would establish a right
24 to counsel for low-income tenants and the key
25 question here is the financial impact and I think

1
2 everyone can see you save a lot of money on the back
3 end if you avoid stays in homeless shelters and other
4 costs associated with homelessness, but turned out to
5 be hard to get an exact fix on that and I think to
6 have the brainpower of your office focused on that
7 question, understanding that you'll never have a
8 perfect ten, but... [crosstalk]

9 DEAN FULEIHAN: We are looking at that.
10 As you know, there is a commitment to continuing to
11 increase in the rezoning areas and we are looking at
12 those same data and information you're looking at.

13 COUNCIL MEMBER LEVINE: Yes and that
14 commitment is something that we're very excited
15 about. Do you have a sense of it once we're fully
16 funded up in all the newly designated upzoned areas?

17 DEAN FULEIHAN: I'll have to come back to
18 you with that exact number.

19 COUNCIL MEMBER LEVINE: Okay. I think
20 that the convention [sic] has been about \$5 million
21 per upzoned neighborhood; does that sound like it's
22 in the ballpark...? [crosstalk]

23 DEAN FULEIHAN: I want to be careful;
24 we'll come back to you with a [sic]... [crosstalk]

COUNCIL MEMBER LEVINE: Okay. Well if I'm doing my math right, then I think we have another eight or nine upzoned neighborhoods to designate; that could be another \$40 million; it could take the City's funding up to \$100 million, which would be wonderful. Even at the current level of robust funding relative to two years ago, still about three-quarters of tenants don't have attorneys, so we have a lot of work to do, but what's exciting for me about the notion of us being at \$100 million is the gap between that and what a universal representation would cost is smaller and smaller by the day.

DEAN FULEIHAN: So once again, we've made a tenfold increase, it's a significant commitment; it's had a significant benefit, we agree with you on that; the exact amount of those increases in the rezoning area I think we should continue to have the conversation and we are working on the exact same thing you're talking about, which are what are savings we can attribute.

COUNCIL MEMBER LEVINE: Great. Can I follow up with someone in your office, maybe meet with someone... [crosstalk]

DEAN FULEIHAN: Of course. Of course.

COUNCIL MEMBER LEVINE: to talk about this in detail? Wonderful. Thank you, Mr. Director; really appreciate it. Thank you, Madam Chair.

CHAIRPERSON FERRERAS-COPELAND: Thank you, Council Member. I also wanted to take this opportunity; we haven't had Council Member Miller join us since the passing of his father, so you know our condolences again; we expressed it in our committee, but we are all with you in this solemn moment as you've lost your dad, but I know he was a champion and you had a wonderful going home [background comment] ceremony, so... [background comment] you're very welcome.

Thank you very much, Director; we have several additional questions that I'd like to follow up with you on, if you can get them back to us as soon as possible we would greatly appreciate it... [crosstalk]

DEAN FULEIHAN: Absolutely.

CHAIRPERSON FERRERAS-COPELAND: from the Committee. Thank you for coming to testify on the November Plan. We will now call this hearing adjourned.

DEAN FULEIHAN: Thank you.

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COMMITTEE ON FINANCE
[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 January 4, 2017