

CITY COUNCIL  
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

of the

JOINT COMMITTEES ON FINANCE AND CONTRACTS

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HELD AT: Council Chambers  
City Hall

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CHAIRPERSON WEPRIN: Good morning and welcome to the opening day of the City Council's Hearings on the Mayor's Preliminary Budget for the Fiscal Year 2010.

These hearings mark the beginning of the Council's role in the annual budget adoption process. I wish this year was as fun as it used to be on the first day of school. Of course, this year it feels as if the budget process never ended. At the time of adoption of last year's budget, the size of the gap for Fiscal 2010 was projected to be almost \$2.34 billion.

In September, New York City felt the harsh reality of the national recession, with the nearly total freezing of credit markets, and plummeting wages in the financial sector, which dragged down all areas of consumption, including housing, retail and leisure. The Director of the Mayor's Office of Management and Budget, Mark Page, who is here today, asked agency heads to submit Programs to Eliminate the Gap, also known as PEGs, equal to 5%.

PEGs are Financial Plan actions that reduce the City's budget gap by either

reducing an agency's City Tax-Levy Expense Budget or increasing City revenues. With the fall of major financial institutions, the sub prime crisis, record high foreclosures, and increasing unemployment, the November Plan included PEGs totaling \$461.6 million or 2.2% in Fiscal 2009 and \$1.08 billion, 5.2%, in Fiscal 2010 of City tax-levy funding.

A month later in December, with plummeting revenues, agency heads were asked yet again to submit PEG proposals, this time totaling 7% in Fiscal 2010 and the out years. Last month, we received the Mayor's January Financial Plan. This plan totals \$58.8 billion and attempts to close a \$5.773 billion gap, more than double the amount predicted at the time of adoption in June.

To close this gap, the Mayor has proposed the following measures: 1. Sales tax increases, including the repeal of the clothing exemption, totaling \$894 million; 2. A Citywide PEG package of \$917.8 million for Fiscal 2010, with individual agency PEG packages totaling 7% for many agencies and smaller amounts for others, including the Department of Education and the four

1  
2 uniformed agencies; 3. Use of reserves,  
3 particularly the Retiree Health Trust Fund,  
4 totaling \$82 million; 4. Rescindment of the  
5 property rebate and midyear property increase  
6 totaling \$256 million; and 5. Of course, rolling  
7 over the surplus which totals about \$1.5 billion.

8               So, in all, the January Plan gap  
9 closing programs total \$5.03 billion. Generally,  
10 2 factors weigh heavily on how the Fiscal 2010  
11 budget will ultimately look. The State budget,  
12 and funds from the Federal stimulus package, on  
13 February 17, 2009, President Obama signed Home  
14 Rule number 1, the American Recovery and  
15 Reinvestment Act of 2009, a/k/a ARRA, into law.

16               The passage of ARRA was vital. The  
17 Preliminary Budget assumed that the City would  
18 receive \$1 billion a year in Fiscal Year 2010 and  
19 Fiscal Year 2011 due to an increase in the FMAP, a  
20 program that provides an increased share of  
21 Federal aid for Medicaid expenditures. However,  
22 as we learned just days ago, Albany would only be  
23 providing the City with \$1.9 billion for Medicaid  
24 for 27 months, which would mean at least \$200  
25 million less than Congress intended.



Generally, ARRA provides significant aid that can be used to maintain services and close the budgetary gaps at both the City and State levels. But for the City there are at least three different kinds of funding: 1. Funding that will come directly or indirectly to New York City on known formulas; 2. Funding that will come to New York State that could be passed on to the City subject to decisions of the Governor and the Legislature; and 3. Funding that will come through competitive grants.

As a result of these factors, the exact amount of aid the City will receive is uncertain. What is clear, however, is that while the stimulus will reduce the pain, it will be insufficient by itself to close Fiscal 2010 or 2011 gaps. A preliminary analysis suggests that the City could receive from other sources an additional \$2.5 billion or \$3.1 billion through Fiscal 2011. About \$1 billion of this will be the City's share of stimulus' State Fiscal Stabilization grants and another \$820 million will be education funding. However, as mentioned, these numbers are fluid and will undoubtedly

change.

On the State level, the Governor's Executive Budget for Fiscal Year 2009 and 2010 contained actions that would have cut State funds to the City by \$1.8 billion in Fiscal 2010. The cuts could be partially offset by revenue actions, including the sales tax base broadening mentioned above, and authorization for unlimited additional red light cameras, among others.

The biggest State cut would fall on the Department of Education. The Governor's plan would maintain Foundation Aid, the principal source of State funding for K to 12 education under the Campaign for Fiscal Equity lawsuit, flat, stretching out the planned increase in State aid to education from 4 years to 8 years. In addition, the State would impose a Deficit Reduction Assessment on the Department of Education for 2010 of \$362 million.

As you can see, a lot needs to be done to ensure that New York City will continue to provide core services. An essential function of these hearings will be to understand and get greater clarity of the Stimulus package on New

York City, and how each agency has been affected by recent cuts. We must ensure that agencies will be able to continue to fulfill their core mandates.

These hearings will culminate in the Council's Response to the Mayor's Preliminary Budget, which is due in early April. We hope that our response will significantly influence the Executive Budget, due by the beginning of April. As in the past, we kick off these preliminary budget hearings with OMB, the City's Budget Office responsible for producing the Preliminary Budget.

We will then hear from the Department of Finance, our City's chief revenue collection agency. Department of Finance will be followed by the Department of Design and Construction, created by this Committee in 1997 to more efficiently carry out capital projects, We will then hear from our Comptroller and finally from the Independent Budget Office. I understand that Mark Page has a prepared statement which means we're really in trouble. But let me introduce my colleagues that are here in the interim.

We have Council Member Tish James from Brooklyn, Council Member Lou Fidler from Brooklyn, Council Member Kendall Stewart from Brooklyn, our Minority Leader Jim Oddo from Staten Island and Brooklyn, Council Member Vincent Ignizio from Staten Island and Council Member Helen Sears from Queens. Mr. Page. We're ready. And Council Member Robert Jackson from Manhattan.

Hi.

[Pause]

And my counsel on the right, Tenisha Edwards.

MR. MARK PAGE: Okay so, as the Chairman has said, I have a written statement which I will read and look forward after that to doing my best to answer your questions.

At the end of January the Mayor published the Preliminary Budget and Financial Plan which proposed a balanced plan for the period through Fiscal Year '10, or the period through June 30, 2010. To achieve balance the Plan addressed a forecast gap of \$4 billion in that period, detailing approximately \$1 billion in additional agency PEGs, \$1 billion in additional

taxes, \$1 billion in support from the Federal government, and \$1 billion combining restored State revenue sharing and savings from the City's workforce.

The plan presents a difficult balance of measures which together could enable us to maintain statutorily balanced operations through next year. It is important to note that this is far from the first time we have acted to support balance in Fiscal Year '10. With this Plan our cumulative efforts and repeated spending cuts, revenue increases and retention of resources for the future, despite immediate calls for spending, have accumulated to a value of \$14.4 billion in 2010.

Almost \$8 billion of the \$14 billion is money we did not spend during the boom which is built into the plan for '09 and '10. Approximately \$2 billion is the value of the end of the property tax cut as of January of this year. The rest is the value of PEGs we have put in place since the January Plan a year ago in 2008. Even with the benefit of these actions we are not out of the woods.

In January, assuming our Plan as proposed was fully carried out and our economic forecast accurate, we had balance through Fiscal Year '10 and deficits of \$3 and \$4 billion in '11 and '12. Since we announced our plan a little over a month ago, the economic outlook nationally and locally has continued to deteriorate.

The US economy shrank by its largest rate in decades, with GDP decreasing by 6.2% in the 4<sup>th</sup> quarter of 2008. The US unemployment rate has continued to rise and locally the unemployment rate has increased to 6.9%. Stock markets around the world and in the US have declined. The economic forecast we used for the January Plan expected a maximum national loss of about 5,000,000 in jobs. Recent job loss experience indicates the loss is likely to be worse.

It seems almost certain that the next time we re-forecast the City economy and tax revenues, for the Executive Budget, we will be facing a further decline in tax revenues. The specific elements of our \$4 billion January balance plan also remain to be accomplished. The

January Agency PEGs are the element most nearly under our control. Along with the PEGs already taken in November they are vital to the credibility of our Plan and fiscal management.

With them our Plan already requires significant local revenue increases as well as these cuts, the end of the 7% property tax reduction and about \$1 billion in additional taxes. Our Plan has in it the benefit of the federal stimulus, an extraordinary one-time resource, and still, with these cuts, we are just balanced for next year.

Our proposed \$1 billion tax increase included a possible broadening and increase in rate for the sales tax, which requires authorization by the State legislature. This is always an uncertain process. Our assumed \$2 billion benefit from additional Federal support for the City's Medicaid expense, \$1 billion in '10 and \$1 billion in '11, also remains problematic.

We were fortunate in the inclusion in the Federal stimulus package of a substantial increase in Federal support of Medicaid costs incurred in the City over the next two years.

1  
2 However, the allocation of that benefit between us  
3 and the State is very uncertain. Medicaid costs  
4 in New York State are very high under a payment  
5 system managed by the State.

6 New York State is one of only 11  
7 States which require local counties, including New  
8 York City, to share in Medicaid costs, thereby  
9 enabling the State to shift much of the burden of  
10 its Medicaid system to local governments. The  
11 proportion of these costs paid by local government  
12 is the highest in the country. Recognizing the  
13 difficulty of paying this local burden off local  
14 taxes, since 2005 the State has limited the growth  
15 in much of the local Medicaid payment to no more  
16 than 3% of the 2005 amount per year.

17 This cap has had a major and  
18 increasing impact on the Medicaid funding burden  
19 borne by local governments compared to the State.  
20 Even with this change, the local share of Medicaid  
21 costs in New York remains higher than anywhere  
22 else.

23 When the Federal government enacted  
24 the Medicaid portion of stimulus, known as FMAP,  
25 they included language which we believe was



intended to preserve the benefit of New York State's existing Medicaid cap in how the benefit of additional federal Medicaid support would be allocated between the State and the City and other counties. Under the pressure of its own budget difficulties, a current State proposal for Medicaid funding would effectively nullify the effect of the cap during the period of additional Federal support, potentially costing the City and other counties hundreds of millions of dollars over the next two years.

We do not believe this proposal is consistent with the important State Medicaid policy initiative of the last five years which has shifted Medicaid burden toward the State and its broad tax base and away from the City and counties. We also do not believe it is consistent with the language of the federal enactment of FMAP. The outcome of this issue in Albany could put half a billion dollars of the City's FMAP benefit, as included in the January Plan, at risk.

We believe we are entitled to the same proportion of FMAP savings as the proportion of our spending under the State cap without FMAP.

The 4<sup>th</sup> billion of our January Plan consisting of restored revenue sharing and City workforce contribution also remains to be achieved. Revenue sharing, known as AIM, is a particularly vital source of State aid to the City and other local governments around the State. It is direct budget balancing aid and important for the City given the very large proportion of the State's tax revenues that comes from our local economy.

We are hopeful that revenue sharing for the City will be supported by the Senate and Assembly, especially given that the City was uniquely singled out, among local governments, in the State's Executive budget to have this aid cut to zero. The outcome of this issue remains a part of the State's budget adoption process.

The City workforce contribution which we are counting on also remains very much at risk. With increase in benefits over time and the decline in value of funds held by the City's pension systems, we are moving further into a period when the City and its taxpayers will be paying more for employee benefits than for direct employee salaries. This reflects benefits which

are increasingly much higher than private sector practice and inevitably is going to affect the City's ability to maintain an adequately sized workforce with fair and competitive current wages.

A new Tier Five for pension benefits would recognize the greater longevity of particularly the City's uniformed workforce as compared to the 20-year working lifetime defined in the distant past. Although it would take a number of years for a significant part of the City's workforce to be in this new tier, savings in the City's annual pension contribution could be realized immediately because of a longer assumed working lifetime in the annual actuarial calculation which sets the City's annual pension contribution.

A 10% contribution by each covered City employee and retiree to the cost of his or her health coverage would also bring the City more nearly in line with current employee practice in the private sector. The private sector is, after all, where most of the City's taxpayers are employed, usually contributing to their own health costs while paying taxes to cover these costs for

City employees who themselves do not contribute.

The January Plan asks for approximately \$500 million of contribution from the City's workforce in the context of all of the measures we have taken and propose to take toward Fiscal '10 balance which exceed \$15 billion. \$500 million is equivalent to the cost of approximately 10,000 newly-hired City workers for a year. It is also the value of approximately 10,000 lay-offs of current City workers.

The Federal Medicaid support through FMAP and our pension and health-benefit cost containment proposals address two of the three major elements of our growing fixed costs which hinder our ability to maintain balanced operations now and for the foreseeable future.

The January Plan also addresses the third major element, debt service. We are committed to delivering a Ten-Year Capital Plan this spring which will contain the annual average increase in the City's debt service costs at the level of the annual average increase in our tax revenues over the Ten-Year Capital Plan period.

Since publication of the January

Plan we have seen the enactment of the Federal stimulus package. Our highest hope is that it will actually succeed in its essential purpose of turning the economy back upward. Some beneficial effect of Federal stimulus was already contained in the economic assumptions underlying our January Plan tax revenue forecast. We also included the specific benefit of FMAP in our budget balancing plan and strongly hoped that Federal support for education would be able to compensate for the loss of funding for education in the City, heavily reflecting a substantial cut in State support.

We have been fortunate in receiving, at least at the State level, amounts that can potentially meet these needs in our plan. However, of the \$4.5 billion in stimulus money that we believe will benefit the City over the next couple of years, all but \$500 million was already included in our January Plan. With minor exceptions, the remaining \$500 million, although helpful to us for various capital and off-budget purposes, will have little further benefit in our ongoing effort to deliver balanced operations.

In addition to the deteriorating

economy, we are also facing other proposals potentially reducing State funding for New York City. Total funding for education in the City remains an open issue for Fiscal Year '10. In the January Plan, although the City's payment for education remained constant from '09 to '10, total funds dropped by \$290 million, or 1.6%, primarily because of reduced State aid.

With \$470 million of stimulus funding we would receive directly from the Federal government through Title I and IDEA, the year-to-year increase becomes \$180 million, not enough to cover base-line cost increases. Approximately \$2.6 billion in Federal stimulus money will go to the State designated for education, with an additional amount the State could choose to spend for this purpose.

How much of this money is distributed to New York City is of crucial importance to us as is the flexibility allowed to us to use the dollars where they are most needed. The New York State Executive Budget also takes away \$60 million in EMS funding from New York City, which would result in the elimination of

over 100 ambulance tours and an increase in ambulance response times. HHC, which is already beleaguered with significant revenue problems, would also suffer disproportionately from a technical change proposed in the State Executive Budget.

The proposed State formula for calculating Medicaid reimbursement has assumed that labor costs at HHC facilities are at or below the Statewide Medicaid average. It seems clear that costs in a large urban environment like New York City are greater than in upstate counties. HHC needs adequate funding to ensure that a large safety net hospital system that serves thousands of people with little access to health care will be able to continue its mission.

Other social services which are provided in New York City would also be hurt by the State Executive Budget. The cost to the City of providing child care services would increase under the State Executive Budget in part due to State-mandated increases without ongoing additional State funding. The City will bear the cost of these increases alone.

The State is also planning to eliminate all State general fund reimbursement for administration and shift the cost to localities, resulting in a cost of \$40 million to the City annually, a figure will grow over time. The State is eliminating funding for public health services, reducing funding to the City's Office of the Chief Medical Examiner by \$18.5 million annually. And our costs for special education for pre-K students would increase by almost \$200 million under the proposed State Executive Budget.

The State Executive Budget proposed a \$112 million Statewide cut to the Consolidated Local Street and Highway Improvement Program known as CHIPS with \$15.7 million of the reduction coming out of the City's CHIPS allocation. On the day the Federal stimulus legislation was signed into law, providing the State with \$1.1 billion in additional highway funding, the Governor announced that the cuts to localities in CHIPS funding would all be restored except for the cut to the City of New York. If the budget passes as proposed, the City will incur an almost 21% loss in CHIPS while all other regions will be funded level.



I would like to end by focusing your attention on the out year gaps we are facing. The budget gaps in 2011 and 2012 are estimated now at \$3.2 billion and \$4.0 billion respectively. Our current forecast assumes that the economy begins to recover in the second half of 2010. If the recovery were delayed, then these gaps would widen. While the Federal stimulus is extremely welcome and we will maximize the available funds to provide services that New Yorkers demand and deserve, this funding ends, in some cases as soon as next year.

We must seize the opportunity created by our cautious fiscal management and the unexpected short-term funding provided by the Federal stimulus to work together to maintain core City services while also maintaining budget balance in these difficult times. I would be happy to try to answer your questions.

CHAIRPERSON WEPRIN: Thank you Mr. Page. We've been joined by a number of members since the last round of introductions. We have Council Member Melissa Mark-Viverito from the Bronx and Manhattan. We have Council Member Leroy

Comrie from Queens, Council Member Gail Brewer from Manhattan and Council Member Albert Vann from Brooklyn, and Council Member Peter Vallone, Jr., from Queens. I introduced Helen Sears when she was up here but I'll introduce her again. In the front, Council Member Helen Sears from Queens.

[Pause]

CHAIRPERSON WEPRIN: Mr. Page, what is being done at the executive level to ensure the restoration of FMAP funding to the expected \$2.1 billion level as opposed to the Governor's recently announced \$1.9 billion? I know you just testified to that and we're all very upset about it. I know the Speaker, myself and a number of members signed a letter last week to the Governor, Majority Leader and Speaker raising our objections. And also there's issues with the CHIPS and of course the ongoing dispute with the elimination of the AIM funding. What's the plan and are all these issues being addressed simultaneously or what's happening?

MR. PAGE: Well the Mayor I think has spoken out on a number of these issues and I expect will continue to. And we have been talking

continually with members of the Assembly and their staff, the Senate and their staff, and the Governor's Office, in the hope that the budget actually adopted by the State will treat us fairly on all of these issues.

CHAIRPERSON WEPRIN: Okay. Can you elaborate a little bit more? What specifically other than just talking?

MR. PAGE: Well. I mean, short of going up there with small arms, which you know this Administration is not in favor of--

[Audience laughing]

SERGEANT AT ARM: Quiet please.

MR. PAGE: I don't know what--I mean talking is really what we have.

CHAIRPERSON WEPRIN: Well you could rally forces up in Albany. You could, you know--

MR. PAGE: [Interposing] I think that certainly we seek and have great regard for the support of this body and other interested groups and citizens who seek to be heard on these same issues by our elected representatives in Albany as they try to work out their own budget which is certainly not an easy task either in

fact.

CHAIRPERSON WEPRIN: We're very aware of that. I know I'm doing my part in lobbying my Assemblyman. But I would hope everybody would do the same to lobby their members of the legislature and, you know, maybe we should plan a lobby day up in Albany and, you know, to kind of really highlight the effect that some of these cuts will have on the City.

[Pause]

CHAIRPERSON WEPRIN: Would you support that?

MR. PAGE: I mean it sounds like a constructive idea.

CHAIRPERSON WEPRIN: Okay. What progress has been made in putting together a list of shovel ready projects for the State and Federal government, despite the lack of clarity on funding guidelines and appropriation levels? And what mechanism is in place to receive input from the Council and other players with regard to selecting these particular capital projects?

MR. PAGE: As you're certainly aware New York City has a very extensive capital

1  
2 program. And the shovel ready requirement really  
3 means that you have to find projects which are  
4 already well along the way in terms of planning,  
5 scoping, basically being ready to go. So that the  
6 bulk of the shovel-ready work that we've  
7 identified is actually work that has been selected  
8 in the process between us and yourselves as a part  
9 of the capital program already.

10 [Pause]

11 CHAIRPERSON WEPRIN: Yeah Mr. Page  
12 we had Mr. Kay here last week talking about, you  
13 know, some of these projects and he was committed  
14 to working with the Council on them. But we're  
15 not quite clear on what the actual definition of  
16 shovel ready is and, you know, to what extent has  
17 the Council been involved in actually making some  
18 of these selections 'cause there's been a question  
19 about the extent of our involvement in some of  
20 these projects.

21 First of all, what's your  
22 definition of shovel-ready?

23 MR. PAGE: My understanding of the  
24 definition of shovel-ready is that you're  
25 basically ready to go in a short time period.

CHAIRPERSON WEPRIN: What's your definition of short?

MR. PAGE: It's a question of what's defined by the Feds and I think it's 180 days? 120? [Speaking off mic]. It's--I--it's basically defined by the Feds. And it, as I understand it, it's in some cases 120 days, in others 180, perhaps. And I don't think it's all that clear from them at this moment exactly how this works.

[Pause]

CHAIRPERSON WEPRIN: Okay. And has the Council had input on each one of these projects that are so-called shovel-ready?

[Pause]

MR. PAGE: I, Mr. Kay is probably more familiar with the details but the fact of the matter is I believe that anything that we've identified, or pretty much anything we've identified comes from our existing capital program. So yes the Council has been involved in identifying the capital program. To the extent we take work that we believe was already a priority... it becomes a funding source that enables us to get

our entire program, that contributes to our entire program as a matter of fact.

I mean it--clearly if you have a Federally--if you have project that is funded by Federal stimulus what that means is that you don't have to pay the City funds on it which means that you have City funds available for everything else that are your priorities.

[Pause]

CHAIRPERSON WEPRIN: Okay. I'm going to ask you a couple of questions on the Retiree Heath Care Trust Fund. As you know over the last few years we worked together on setting aside over \$2.5 billion dollars for the Retiree Heath Care Trust Fund. And I know it came up in budget hearings during the November budget mod about the ability for us to tap into that fund and actually I think it was decided that the City would be drawing down on the trust fund by \$82 million in Fiscal Year 2010, \$395 million in 2011, \$395 million in 20--\$672 million rather in 2012, and using it to replace pension fund losses in the financial markets which of course have occurred due to the collapse of the equity market.

Is there any plan or possibility of tapping into more of that money? 'Cause that's, I guess we still have about \$1.5 billion available in that fund and it looks like the equity markets have not improved in the last couple of weeks. As a matter of fact, to the contrary, they've-- they're setting, you know, 13 year lows.

MR. PAGE: Yeah. Those numbers were identified with the cost of the equity losses recognized as of last June 30 in the pension assets. And the losses since then have been very substantial. The January Plan did not increase the amount of money that we would take from that fund. I, you know, since last summer, I think that the seriousness of the economic downturn that we're in has become much clearer and worse.

In terms of our operations, you know, we have our 8,500,000 people and they're here now and they're likely to be here for the future--

CHAIRPERSON WEPRIN: [Interposing]  
And we recognized 8.500,000, I thought it was less.

MR. PAGE: Something in that



neighborhood. Maybe--somewhere between 8,000,000 and 8,500,000. I wouldn't--

CHAIRPERSON WEPRIN: [Interposing]  
Okay.

MR. PAGE: Okay. The, in terms of maintaining services in this Fiscal Year '09, and in our plan for '10, we are actually spending in each year, close to \$4 billion more than we're getting out of current resources in the year because of the benefit of prior funding basically from the boom.

We now also have the benefit of what is in effect a major one-shot from the Federal government which between FMAP and what we hope we'll eventually realize in education funding is another couple of billion dollars in '10, much of which continues into '11. We have these extraordinary resources which we're using right now to maintain current services. The benefit of the boom will basically be done other than that health fund by the end of '10 under our current plan.

And the Federal stimulus package as currently defined basically will continue in part

in '11, but that's about it. And in terms of our long term prospect, we don't believe that taking more funds out of that health fund in the need for balance through '10 makes sense given what '11, '12, so on, looks like.

CHAIRPERSON WEPRIN: So there are no current plans then to--

MR. PAGE: [Interposing] No.

CHAIRPERSON WEPRIN: --take additional funds. Okay. I'm just going to ask one question about the health of our debt issuance in the City and then I'll turn it over to my colleagues who have a lot of questions and I may come back to cover a few questions in the interest of, you know, covering as much as we need to cover.

Access to the credit markets, of course, have changed significantly since the turmoil in the financial markets, you know, starting with the bankruptcy of Lehman Brothers in September 2008 and obviously the collapse of the auction rate market and other turmoil in the financial markets. And large issues are now more difficult to realize.

What has the City in their debt issuance done to change the way they issue debt? And have they decided to do smaller issues on a regular basis as opposed to the larger issues or is it still on a case by case basis?

MR. PAGE: Well. There was a period last fall when we along with, I guess, virtually every other municipal issuer were having serious difficulty borrowing additional funds. In the last couple of months that's improved. We have had our AA credit--AA category credit ratings confirmed by all three agencies which is helpful.

But the willingness of the municipal markets to absorb sales which in the past for New York City have often been up to \$1 billion or more, has really not been there. We have developed a practice of going into the market with a moderate size which we've been reasonably successful in achieving. The market is somewhat unpredictable and from time to time where we've found a willingness to take more of our debt, we've moved up the size of the sale.

We are also seeking additional statutory authority to borrow for City capital

purposes through the TFA which is a credit secured basically by the City's income tax. We think that in the past when we had that capacity it let us divide our market access between City general obligation bonds and TFA bonds. They're two different credits. They're perceived by the market as two different credits. And that that would be a great help in reliably accessing the capital monies we need at a reasonable cost.

That's a question--that's something that we need from the State legislature and have been working on for months and have some hope that this spring may bring.

CHAIRPERSON WEPRIN: Well actually while you're on the subject of the TFA, as you know, the State constitution limits the amount of general obligation debt the City is permitted to issue to 10% of the 5-year average of the market value of taxable real estate. And we all know that the real estate market has fallen in the last year or so. I don't know if it's calculated into the formula in a significant way at this point but is there a plan to ask for an increase of the debt issuance ability for TFA to make up for that

potential loss in the real estate market?

MR. PAGE: As we see the loss in the real estate market and expect that trend to go over the next few years, we don't actually believe we have a problem with the debt limit. But the TFA would be a great help in terms of how we access the credit markets.

CHAIRPERSON WEPRIN: Okay. I know I have a number of my colleagues who want to ask questions. So I won't monopolize the questions. But let me turn to first Council Member Lou Fidler.

COUNCIL MEMBER FIDLER: Thank you Mr. Chairman. Good morning Mr. Page and Mr. Klein. You know I have a great deal of respect for the work that you do. And I recognize that you do a very difficult job particularly in very difficult times that job's even harder. But I want to go back to a disagreement that we've had sitting in these chairs, going back at least to last June when you announced that the Bloomberg Administration was cutting the capital budget by 20%. And I understand the current plan calls for cutting the capital budget another 30%. And when

1  
2 you last came here, you came truthfully not  
3 prepared to discuss the specifics of the economic  
4 impact of those decisions. And so I came to class  
5 prepared today with some of those facts.

6 So let me just run a couple of  
7 things past you. And I'll just get your reaction  
8 to them. Firstly, the Congressional Budget Office  
9 in analyzing the effect of the--the economic  
10 effect of the stimulus package, said that for  
11 every dollar that's going to be spent on  
12 infrastructure, capitally, the GDP will go up as  
13 much as \$2.50.

14 Second, in the City of New York  
15 since last November, we've lost 7,000 construction  
16 related jobs. And that your office has estimated  
17 that over the next 2 years that number will jump  
18 to 23,000. Third that the cost of construction in  
19 the City of New York is actually beginning to  
20 fall. That from October 2008 to January 2009  
21 construction costs started dropping at an annual  
22 rate of 2.8%. And that number is likely to  
23 continue to drop if, as OMB predicts, the number  
24 of construction permits drop 80% through 2011, as  
25 compared to the period of 2005 to 2007.

So first let me ask you Mr. Page, do you disagree with any of the numbers that I just ran at you? Do you think that they're wrong?

[Pause]

MR. PAGE: I don't really think that they're right or wrong. I'm really not in a position to address them. I would certainly agree that spending money is a good thing to do to encourage construction jobs. The problem with that is the other side of the equation which is that you have to derive the money from somewhere. And in a seriously declining economy the problem of how to meet fixed costs in New York City is extremely serious.

And one part of the fixed costs which is considerable is debt service and to continue to spend and borrow without an eye to the consequence of it in our ability to maintain adequate current services and balanced operating budgets on an ongoing basis, I don't believe is a wise or prudent thing to do.

The other thing I would note is we have not put the 30% cut against contracting in this year. And what drives jobs is not signing

contracts which is where we actually control our capital plan, and what we're seeking to reduce, but the actual spending of dollars which is something that follows in many cases by years from when we enter into contracts and is at an extraordinarily high level in terms of New York City's capital program at the moment. And I think can be expected to be at an extraordinarily high level notwithstanding the proposed cut in commitments for a considerable period of time in the future.

COUNCIL MEMBER FIDLER: Well first I would probably quibble with the comment you just made, I don't know if it's technically correct that the spending of the money follows by years, the signing of the contract--

MR. PAGE: [Interposing] In some contracts it does--

COUNCIL MEMBER FIDLER: --well.

MR. PAGE: --large ones particularly--

COUNCIL MEMBER FIDLER: --perhaps. And that's perhaps one of the problems with City construction in general is that when we look at



the Federal stimulus package, it's looking for shovel ready projects that--our inability to move things in a businesslike fashion as--will prejudice us.

But I want to get to the philosophy of this because, you know, it's interesting that the Bloomberg Administration chose not to pay a mindful eye towards debt service when this City was booming. And that when construction permits were going through the roof and you couldn't--you can't pass on a street in downtown Brooklyn or Manhattan without having to get around a construction job in the City of New York. But that didn't seem to be an issue.

But now that things are tight, and, you know, it's somewhat counter intuitively to what the Federal government is doing, the City is now going to look at that as like hey, hold on, let's hold your horses. Now we've got a problem. And I--my problem is with the timing of that decision.

Is that the time to make that decision is when the economy restores itself to health. You know, I read with great interest this

1  
2 article in The Post here where the Mayor's  
3 philosophy about not taxing the wealthy. And  
4 clearly the Mayor of the City of New York believes  
5 in trickle down economics. But I'm just wondering  
6 whether or not we also believe in trickle up  
7 economics Mr. Page.

8                   Whether or not the idea of putting  
9 these construction workers back to work, maybe  
10 they don't eat in high end unionized restaurants  
11 but they certainly will go out into our  
12 neighborhood restaurants and spend money they may  
13 actually go out and buy a car. They--or some  
14 durable goods. They will spend money in our  
15 economy. Now it occurs to me that that's exactly  
16 the economic philosophy behind the stimulus  
17 package.

18                   So why is it that the Bloomberg  
19 Administration seems to be taking the opposite  
20 point of view? Instead of investing in  
21 infrastructure that we know we're going to need,  
22 I'm not talking about make-work. You know?  
23 Things to put people to work just for the heck of  
24 it. I'm talking about building transit  
25 facilities, continuing the 2<sup>nd</sup> Avenue Subway, the 7

Line, building a rail link from the light rail in Staten Island to the subway system in Brooklyn so Staten Islanders might actually be able to pay a single subway fare and get to work in Manhattan.

Dare I say it, building the cross harbor freight tunnel? Building classroom space that we're going to need in the future to reduce classroom size, things that we know--instead of cutting the educational capital plan over the next 5 years by \$1 billion, by spending that money. Is that not consistent with the Federal stimulus package? Why are we doing this now and not a couple of years from now when the City has restored itself to economic health?

MR. PAGE: Well there are a number of topics that you raised in that statement.

COUNCIL MEMBER FIDLER: Yes.

MR. PAGE: I think that the first one is that we're not the Federal government. What does that mean here? It means that unlike the Federal government, we are obliged by law and the limitations of peoples' confidence in our credit to maintain a balanced operating budget, not just to provide services, but also to maintain

our access to credit markets and our ability to borrow the money that we borrow to run the capital program that we have in place.

We certainly aren't paying for the capital work out of the operating budget. We need to be able to borrow it to spread the cost. And one of the things that people are concerned about when we ask them to give us the use of their money for the next year, 2 years, 30 years, in terms of our market access, is that we actually have a sustained outlook in terms of being able to pay the costs that we are faced with.

This question of whether you go up or down when the economy's expanding or contracting in terms of your capital program, if you're the Federal government and you're able to basically deficit finance your operations, never mind just your capital, in a period of contraction, that's fine. But we have a problem which is that there's a sort of baseline of costs that we can't change year by year or certainly not easily or quickly.

When you have an expanding economy as we had through, you know, up until a year or so

1  
2 ago, the fact of the matter is that that baseline  
3 which tends to increase at a moderate level year  
4 after year is kind of nice. If your resources are  
5 expanding faster than those fixed costs, then the  
6 excess of resources is available to spend on your  
7 current services. And the fact that those costs  
8 are fixed and they grow at a moderate rate and  
9 they're pretty steady is really nice.

10 Unfortunately when you get into a  
11 contraction that steady increase which is now  
12 substantially higher than the increase in our  
13 economy and tax revenues, which is in fact a  
14 decrease that we're dealing with at the moment,  
15 means that you have exactly the reverse amplified  
16 effect. It's not just eating its share of the  
17 pie; it's eating the share of the pie that is your  
18 discretionary money to run the place with, year by  
19 year.

20 And when you run the trends forward  
21 on numbers like that it looks awful. Hopefully  
22 the economy is going to turn around, sooner rather  
23 than later. We have actually a considerable  
24 turnaround built into our forecast over the next  
25 few years. But there's also a good deal of

speculation at the moment that, you know, the world in the future is not going to be the world of the past. And we are not going to have double digit increase and growth in our economy in the foreseeable future.

If we're not, and it takes a long time to bring down a trend in debt service cost, we aren't in a position to afford not to act now to bring down this trend as we look at our resources and needs over the next two, three, five, ten years. It doesn't work for us.

COUNCIL MEMBER FIDLER: Mr. Page, I fully understand the difference between the Federal government and the City government in terms of our ability not to deficit spend, thank god we don't have the ability to deficit spend otherwise who knows what trouble we'd be in.

But I do, again, question the philosophy and the timing. And you testified, your testimony was six pages long. It didn't make one single reference to the capital budget and I would dare to say, with all due respect to all of our interests and the various things that are in the expense budget, that the decisions this

Administration is making on the capital budget probably will have more to do with the economic health or lack of health of this City over the next couple of years. And we are not discussing it. And we are not talking about it. And we are not engaging in a meaningful dialog.

And for you to stand here and say well, you know, in your opinion, now's the time to put on the brakes and not last year and not next year, without, you know, hard numbers backing it up, leaves me kind of empty. And it just strikes me that, you know, we are hoping for an economic upturn. But it is--you have to look at what you're doing to create the economic upturn.

And holding down capital spending at this particular time is going to be a deterrent to that. You know, the Federal government believes, the Congress believes, President Obama believes, I believe, that spending money on infrastructure puts people to work and will in fact get us the economic recovery that you're seeking, that we're all seeking.

But I would also say to you just metaphorically that if one oar of the boat is

1  
2 pulling in one direction and the other oar is  
3 pulling in the other direction, then the boat  
4 tends to travel in concentric circles. And I  
5 don't think that's where we need to be going.

6 I think the Bloomberg  
7 Administration needs to get on the same page with  
8 the President and Congress and not be cutting  
9 capital spending at this particular time. That we  
10 look to find other ways and other choices so that  
11 we can put people back to work and we can generate  
12 the kind of economic stimulus that the President  
13 and Congress intend to with the stimulus package.

14 And I would ask you to go back,  
15 discuss that with the Mayor, and see whether or  
16 not he can get on the same page with us  
17 philosophically and get this economy moving back  
18 in the right direction.

19 MR. PAGE: I don't believe that New  
20 York City's government and budget has the  
21 independent strength to, on its own, turn around  
22 New York City's economy and particularly not with  
23 the scale of public construction that we're  
24 capable of.

25 You have cited a number of



1  
2 employment numbers. I deal in another aspect of  
3 numbers which has to do with the resources we can  
4 expect to have and the expenses we are obliged to  
5 cover and also a world that looks at us with some  
6 care as to whether they expect to be paid back.  
7 Because as I've mentioned, and obviously you're  
8 aware, we don't pay for capital out of current  
9 finds. We pay it out of the confidence of our  
10 lenders as a practical matter. And that's a very  
11 genuine and important factor in this business.

12               Unfortunately, I mean it would be  
13 nice of somebody would come and dump money on us  
14 from the outside, Federal stimulus for instance,  
15 in a way that would really feed our construction  
16 industry. But I think if you look at the  
17 proportions of that industry that enabled us, a  
18 lot of our prosperity in the last number of years,  
19 it's been the strength of the private sector that  
20 gave us that wealth and not the size of public  
21 investment.

22               And that strength of the private  
23 sector is something that is a whole lot broader  
24 than New York City and we need an economic  
25 recovery to support us along with the country and

where--perhaps the world, I don't know, to give us that strength. It's not something we can pull off on our own.

COUNCIL MEMBER FIDLER: Mr. Page, just a final remark. I mean with all due respect to my colleagues Jimmy Oddo and Vinnie Ignizio, that's an extraordinarily Republican philosophy and I think I understand why the Mayor's seeking the Republican line now.

I mean quite frankly with thousands of construction workers out of work, with the cost of construction declining in the City of New York, with your estimate of 80% drop in construction permits over the next couple of years, I think it is the role of government to stand in and to make those investments. This is the time. This is the time--

MR. PAGE: [Interposing] I--

COUNCIL MEMBER FIDLER: --and that's my philosophy, that's the President's philosophy, that's the Congressional philosophy, that's what's the philosophy behind the stimulus act. And while I--

MR. PAGE: [Interposing] I would--

COUNCIL MEMBER FIDLER: --recognize that we don't--we're not the sole masters of our destiny in terms of our economic stimulus, we certainly should be pulling the oar in the same direction as the Congress and the President are.

[Pause]

MR. PAGE: I would be happy to share the numbers on City capital cash flow this year and next with you which I think should give you some comfort that we're not exactly withdrawing from the local construction market.

You mentioned the various MTA projects, those are not supported by us, but I think we are certainly supporting the efforts in Albany to enable the MTA to in fact continue with its capital program.

And your comments about who gets taxed in this town, I think that the problem that the Mayor has publicly addressed with an income tax which deliberately and publicly skews further the funding burden against the very top layer in New York City is that that layer is already paying close to half the income tax that we receive. And the layer that's paying that much is something

like 15,000 taxpayers.

You don't have to lose many taxpayers to lose your tax increase in terms of the money that you collect. I think it's not a rich versus poor philosophical difference that we've been talking about. It has to do with bottom line how you obtain the revenues you require to run New York City on a sustained basis.

COUNCIL MEMBER FIDLER: Oh in respect to my other colleagues who I know have other questions, I'm not going to go into the philosophical differences we have about the "billionaire's tax" but, you know, I'm referring to the portion of the Mayor's comments in which he said these are the people who are spending monies in our high end restaurants and what not. And that is in fact the very essence of trickle down economics.

So, you know, I'll pass at this point and go back. But I don't want to lose the point that I was making which is we are in fact pulling in the opposite direction on economic policy when it comes to the capital budget of the City and that we ought not be doing that.

MR. PAGE: You see I think that one way of looking at this is that in order to support the economy, you along with everyone else in this room, should rush out and buy a new car this afternoon.

COUNCIL MEMBER FIDLER: I bought one last week. How's that, all right?

MR. PAGE: Congratulations--

COUNCIL MEMBER FIDLER:  
[Interposing] And it was an American car I might add.

CHAIRPERSON WEPRIN: Thank you. On that note Council Member James. Letitia James.

CHAIRPERSON JAMES: Continuing with that line of questioning, you know, I believe all of us have to share the pain at this--in this particular time and I do believe that the City, we need to adopt a more progressive and equitable tax structure which is why I'm amazed that the Mayor would state that we should--that the rich should be spared. There are two basic problems with the New York City's PIT, Personal Income Tax. First it taxes low income households that do not pay Federal or State income tax. And there are

224,200 low and moderate income households with taxable incomes under \$40,000.

Second, New York City's top tax bracket begins at \$90,000 for a married couple filing jointly. This means that a family with a teacher and a police officer or an accountant is in the same 3.648% bracket as top executives of Fortune 500 firms. My question, Mr. Page, is why is the Mayor not supporting a more tax, a more equitable and fair tax system particularly for those who earn more than \$250,000 which has been supported by the Speaker and members of the State legislature?

MR. PAGE: To restate what I'd said before your statement, the basic concern is how do you collect revenue from New York City's tax base if you have a relatively small group of individuals who are paying a very large proportion of your income tax revenue and you demonstrate a policy of--that appears to be going after that sector particularly. You don't need to lose many of them to end up with less money than you had before you increased the tax.

CHAIRPERSON JAMES: I don't believe

that we are going to lose any of them. Let me just say--

MR. PAGE: [Interposing] I hope you're right.

CHAIRPERSON JAMES: --I--okay. I hope that I'm right, joined with an army of others who are outside of City Hall who believe that I'm right. The City by creating 3 new tax brackets, taxable incomes of \$250,000, we end at \$500,000, and at \$1 million it is estimated that we could raise approximately \$1 billion in Fiscal Year 2010 and \$850 million in Fiscal 2011. If in fact I am wrong, why not propose it as a pilot to see what-- how many million--those making \$250,000 and/or above would flee the City?

MR. PAGE: If somebody chooses to leave I think it's highly unlikely that they're going to come back after your pilot is over.

CHAIRPERSON JAMES: I doubt that most people--there's been no study that individuals leave New York City because of the high PIT.

MR. PAGE: I think that there have been a number of studies that demonstrate a very

valid concern in terms of the tax burden imposed in New York City and what that does to us in our competitive position to attract residents, businesses, jobs. And it's something that I think can't be ignored in terms of how we propose to govern ourselves and pay for our government in the future.

CHAIRPERSON JAMES: It's a philosophical difference and--

MP": [Interposing] It's not just a philosophical difference. It's a very practical difference.

CHAIRPERSON JAMES: The studies that I have read indicate that most people leave because of the high cost of housing as opposed to PIT. But we can disagree. Let me move onto another issue.

Again, your--the Administration's support for another regressive tax and that is the sales tax. The Mayor has proposed two policies for generative additional tax revenue. One would repeal the tax--the sales tax exemption on apparel and footwear priced below \$110 and replace it with a 2 1-week sales tax exemption for apparel and



footwear priced below \$500.

Raising the sales tax as you know it's my position is regressive because people with lower incomes generally spend a greater share of their income than do people with higher incomes. Obviously, you know, I represent a low and moderate and working class constituency and most of my constituents cannot afford Prada, cannot afford Minola Blannicks [phonetic], cannot afford Kenneth Cole's and/or Prada. So my concern right now is for those who in fact do purchase items below \$110 and are subject to this regressive tax. Why not again support a more progressive PIT and therefore leave in place this sales tax exemption?

[Pause]

MR. PAGE: We've had the kind of sales tax that we're talking about in the past. It... I guess that there's no tax that anybody likes very much or a tax increase the people like. But... notwithstanding your concerns, I think it's possible that the general public in New York City would find the Mayor's proposal... at least as acceptable as what you're proposing, maybe more so.

CHAIRPERSON JAMES: Well I don't know, have you done a poll on that? I believe that most of the working class and low income people who represent the large majority of residents in the City of New York support a sales tax exemption and also support a more regressive and progressive tax and believe that the wealthy should suffer some of this pain that my constituents and the vast majority of Brooklynites unfortunately are feeling during these times. And--

MR. PAGE: [Interposing] I think if you spoke to the wealthy in this town, they probably would not say that they were doing tremendously well under the current economic circumstances as a crowd.

CHAIRPERSON JAMES: Well again I'm not in a position to protect the wealthy. I'll leave that to the Mayor of the City of New York. During the last past eight years we have seen the greatest transfer of wealth in this nation and so now what we are seeing unfortunately is again--

MR. PAGE: [Interposing] Are you asking me questions?

CHAIRPERSON JAMES: [Interposing]

Yes I am.

MR. PAGE: [Interposing] Because I'm not hearing them as questions particularly--

CHAIRPERSON JAMES: [Interposing]

Okay. Let me ask you this. The Mayor again has proposed spending \$49 million to retrain Wall Street workers. Where is--where is he paying--how is he paying for this--I believe it was \$49 million dollars as was reported in the media. Where are these revenues coming from?

MR. PAGE: \$43 million of that \$49 million came from private sources; \$6 million of it came from City funds.

CHAIRPERSON JAMES: And it--okay. Is the Mayor looking to private sources to retrain any municipal employees and/or are there any public funds to retrain municipal employees who are losing their jobs? As opposed to Wall Street workers, the vast majority of them who do not live in the City--

MR. PAGE: [Interposing] In the--

CHAIRPERSON JAMES: --of New York.

MR. PAGE: --financial plan as

currently proposed, if we are able to achieve our equitable share of Federal stimulus education money, the number of current City employees who will lose their jobs is actually quite small. The primary means of reducing the City's workforce that we are relying on in this financial plan is not hiring additional workers as opposed to laying off the current workforce.

CHAIRPERSON JAMES: Last three questions Mr. Chair, what mechanism, going back to the shovel ready projects as part of the stimulus package thanks to President Obama, what mechanism is in place to receive input from the City Council or will the City Council play any role in identifying capital projects?

MR. PAGE: Was that a question to me or your Chairman?

CHAIRPERSON JAMES: To you.

MR. PAGE: As I said earlier, the shovel ready projects that exist in New York City are in general projects that have already been started as a practical matter in the City's capital program which is something that has been developed through the budget proposal and approval

process that we are engaged in right now and have certainly been engaged in over time. So that, that program does in fact reflect the Council's voice as well as others.

CHAIRPERSON JAMES: So that list will be developed as we continue to negotiate over the budget?

MR. PAGE: That list is, to the extent it's part of the existing capital budget, it simply becomes a funding source to get the work that we would like to get done in New York City done.

CHAIRPERSON JAMES: And where--is there a list that you could share with the City Council?

[Off mic]: Yeah but then they - - .

[Pause]

MR. PAGE: I think that that's something that, that's something that Jeff Kay has been before you on and he is more able to respond on the immediate specifics of that list than I am.

CHAIRPERSON JAMES: In all due respect, I've also asked questions to Mr. Kay and

1  
2 he, he--this is unfortunately a volley ball. He  
3 referred back to you. And I--we still cannot get  
4 a list and/or lists and/or projects that are being  
5 under consideration.

6 And we've got to stop these games  
7 and I would urge the Administration to share a  
8 list that they are considering funding with the  
9 City Council. I don't understand why it's so  
10 difficult to get a copy of a list that you're  
11 considering.

12 MR. PAGE: Well one factor that  
13 might make it a little bit difficult is that it's  
14 not, at this moment, clear as I said earlier, what  
15 a shovel ready project exactly is in terms of the  
16 Federal standards and what they're going to be  
17 willing to fund.

18 CHAIRPERSON JAMES: Moving onto  
19 another area. NYCHA, NYCHA pays the Police  
20 Department, and I don't know why, approximately  
21 \$73 million for special policing services even  
22 though the vast majority of the NYCHA residents in  
23 my District do not receive--believe that they do  
24 not receive any, any special treatment by NYPD  
25 other than getting arrested. Given NYCHA's

1 structural budget deficit would the Administration  
2 reconsider its agreement with NYCHA and relieve  
3 them of having to pay this money given that no  
4 other landlord in the City pays for "special  
5 policing services", money that NYCHA could  
6 obviously use for community--

8 MR. PAGE: [Interposing] You're--  
9 the residents of NYCHA also don't pay any property  
10 taxes to New York City. But probably  
11 appropriately in terms of the choices the City has  
12 made to support that public housing. NYCHA has  
13 had in the past its own police force as a matter  
14 of fact.

15 And the pay--that--which has been  
16 incorporated into New York City's Police Force,  
17 New York City's Police Force continues to maintain  
18 the services which were formerly provided by  
19 NYCHA's own police. And that payment is a  
20 fraction of what the New York City Police  
21 Department actually pays to police NYCHA  
22 facilities.

23 CHAIRPERSON JAMES: Given their  
24 deficit, their structural deficit, are you  
25 considering renegotiating that agreement?

[Pause]

MR. PAGE: We have had a number of discussions with NYCHA as to how they will manage their operations in the future. I don't--well. The level of the City's subsidy to them for their policing I suppose is an element of that discussion but I'm not aware of a current expectation that their current partial reimbursement of that cost is likely to do down.

CHAIRPERSON JAMES: Last question Mr. Chair, is on Thursday March 5<sup>th</sup>, Chair Fidler lost his cool, his temper--

COUNCIL MEMBER FIDLER:  
[Interposing] Yeah.

CHAIRPERSON JAMES: --at a General Welfare and Education Joint Hearing--

COUNCIL MEMBER FIDLER:  
[Interposing] I'm shocked.

CHAIRPERSON JAMES: --yeah, so was I. It was a Joint Hearing to review ACS's plan to end its long standing practice of paying for full time daycare for low income 5-year old children. And in fact there is a proposal to transfer I believe it's 3,100 5-year old children to, to



public schools.

ACS has told parents of 4-year olds enrolled at ACS contracted daycare centers that these children will not be eligible for full time daycare next year and that parents should apply for public school Kindergarten placement instead. This plan could boost public school Kindergarten enrollment by 3,000 or more students next year.

Let me just add, parenthetically, that most of our schools are already facing overcrowdedness and seats have not been made available and in fact some of my constituents have been told that Kindergarten is not mandatory for low income--not mandatory, thus creating a two tier system particularly for low income children. So ACS and DOE testified at the hearing but neither agency would discuss the budgetary impact of the plan.

What are the budgetary impacts of the plan to close ACS Kindergarten daycare programs on ACS, Department of Education and DYCD, and could you please itemize the new costs and savings on each agency if at all possible.

MR. PAGE: I'm not sure I'm capable

1  
2 of itemizing it in detail. My understanding is  
3 that there's a savings of about \$15 million to  
4 ACS. And notwithstanding your statements about  
5 Kindergarten seats, it's also my understanding  
6 that given the kindergarten population going  
7 forward, the Department of Ed does in fact have  
8 the capacity to absorb these additional children  
9 in Kindergarten.

10 When you talk about a two-tier  
11 system, it would seem to me that the education  
12 that New York City provides at considerable  
13 expense and with a lot of effort to achieve  
14 quality and learning, to not have a substantial  
15 portion of our population... with the benefit of  
16 Kindergarten education doesn't seem a great  
17 service to that population.

18 CHAIRPERSON JAMES: Now for a \$15  
19 million savings that you stated, that comes to  
20 about \$5,000 per child. And Kindergarten from  
21 what I understand is about \$8,000 per child.

22 MR. PAGE: I don't believe that  
23 given the space availability the Department sees  
24 in the Kindergarten that this population shift  
25 would actually cause that kind of incremental cost

to them.

CHAIRPERSON JAMES: And there is also a question with regards to providing a safe passage for children at 3:00 o'clock to these OST sites. What is the cost of that? Is that included in that \$15 million?

MR. PAGE: I don't know how that works exactly but the fact of the matter is that for many people, I mean, there is a difficulty which OST is trying to address in terms of how to maintain child care between the end of the normal Kindergarten day and the end of the work day for their families--

CHAIRPERSON JAMES: [Interposing]  
Right.

MR. PAGE: --that's not a problem that is unique to this group of people.

CHAIRPERSON JAMES: Well according to, again my conversation with some principals, it is estimated that again the cost of Kindergarten per child is about \$8,000. In addition to that there's a cost for the after school programs, it's called OST, Out of School Time, and so it will clearly cost more than the \$15 million you

estimate in savings. And so my question to you is, I mean, the--why are we doing this transfer? How did it come about? Was it a--was it, I mean, was it--is it philosophical? And...

MR. PAGE: [Interposing] I think that the--

CHAIRPERSON JAMES: [Interposing] And--and--

MR. PAGE: --savings is in fact a savings as I described. And I think that it's hard to see why having 5-year olds supported in a care environment, paid for by taxpayers outside of the school system, which is also paid for by taxpayers and is trying to provide the best experience possible for children of that age, shouldn't be used.

CHAIRPERSON JAMES: That suggests that they're not being provided for--their educational needs are not being provided for at the daycare centers.

MR. PAGE: Which I think there--the level of supervision as I understand it and standards required of daycare centers for 5-year olds is, I think, not the same as--

CHAIRPERSON JAMES: [Interposing]

Well I would disagree--

MR. PAGE: --what is required  
through the public school system.

CHAIRPERSON JAMES: I would  
disagree with you. Let me just tell you--give you  
my experience in my District. I have gone to some  
of these OSTs and I have talked to Council Member  
Fidler. And I've been critical of the OSTs, the  
Out of School Time. A significant number of them,  
as you know, are non-unionized.

Most of the caretakers at the OSTs  
are nothing more than teenagers. They do not  
provide any educational instruction to these  
children. And I believe that the setting at a  
daycare center particularly for 5-year olds is a  
much more well suited, particularly since...  
particularly since--

MR. PAGE: [Interposing] I'm sorry.

CHAIRPERSON JAMES: --particularly  
since they, again, the--this age is absolutely  
critical in terms of their development. And I do  
not believe that by transferring these children to  
Kindergartens and not providing the after school

1  
2 programs that they so desperately need  
3 particularly for the single females who take care  
4 of most of these children, who constitute the  
5 large majority of these--this group. I believe  
6 that these children are best suited for these  
7 after school programs. And you really--the  
8 Administration needs to reconsider--

9 MR. PAGE: [Interposing] I think--

10 CHAIRPERSON JAMES: --this policy  
11 is wrong here.

12 MR. PAGE: --I'm not disagreeing  
13 with you on after school programs which I believe  
14 that if you're entitled to the full day daycare  
15 which you're comparing to the Kindergarten  
16 experience, I believe that you are similarly  
17 entitled to after school coverage. But all of the  
18 things that you describe, I mean, I guess, I mean,  
19 are you saying that really Kindergarten is  
20 something that should be abolished in our--

21 CHAIRPERSON JAMES: [Interposing]  
22 No.

23 MR. PAGE: --public school system?  
24 Because it certainly sort of follows from your  
25 position that that would be your conclusion. And-

-

CHAIRPERSON JAMES: [Interposing]  
Mr. Page, some of my constituents have gone into  
the schools to register their 5-year olds. They  
were told by some of these principals that  
Kindergarten is not mandatory. That's not--

MR. PAGE: [Interposing] That's  
true by the way--

CHAIRPERSON JAMES: --my policy.

MR. PAGE: --by law.

CHAIRPERSON JAMES: [Interposing] I  
know but that's not my--

MR. PAGE: [Interposing] But we  
provide for the service.

CHAIRPERSON JAMES: --position.  
That's the Mayor's position--

MR. PAGE: [Interposing] No it's  
not the Mayor's position--

CHAIRPERSON JAMES: --which--which  
would suggest that the--

MR. PAGE: [Interposing] It's not  
the Mayor's position, it's actually a matter of  
New York State law--

CHAIRPERSON JAMES: --which would suggest--

MR. PAGE: --as to what's required-

-

CHAIRPERSON JAMES: [Interposing]  
So it would suggest that the Mayor--

MR. PAGE: --of children of a particular age.

CHAIRPERSON JAMES: --of the City of New York would believe that Kindergarten is not suited particularly for low income children.

MR. PAGE: That's entirely not true.

CHAIRPERSON JAMES: So then don't put it on me Mr. Page. I clearly want these children to go to Kindergarten. I don't believe in this low expectation for children--for low income children. And most of these children are, again, come from families that are headed by females. And they work until 6:00 o'clock. And they should not be at work worried about what's happening at--for--they should not be worked about their child after 3:00 o'clock--

MR. PAGE: [Interposing] You know



most of us--

CHAIRPERSON JAMES: --and that's  
what you are creating.

MR. PAGE: Most of us were born  
from females. Most of us have had female parents--  
-

CHAIRPERSON JAMES: [Interposing]  
Sire.

MR. PAGE: --we share that honor  
and the fact--

[Gavel banging]

CHAIRPERSON JAMES: [Interposing]  
Mr. Page.

MR. PAGE: --and the fact that you--  
-

[Gavel banging]

CHAIRPERSON JAMES: Mr. Page. I  
come from a female headed household, do you?

CHAIRPERSON WEPRIN: Tone down the  
rhetoric on both sides--

CHAIRPERSON JAMES: [Interposing]  
You ask my wife.

CHAIRPERSON WEPRIN: --and just

answer the questions.

[Audience laughing]

CHAIRPERSON JAMES: No. I'd have to ask your mother.

[Audience groans]

MR. PAGE: Okay.

CHAIRPERSON JAMES: The question is whether or not you came from--whether or not it's a female headed household and whether or not there was a husband or a significant other in the household.

CHAIRPERSON WEPRIN: I don't think--  
-Council Member I don't think that's an appropriate question--

CHAIRPERSON JAMES: [Interposing]  
Well the question is Mr. Page--

MR. PAGE: [Interposing] No it's not. I'm sorry. I think we should move on.

CHAIRPERSON JAMES: I--I--we should--

MR. PAGE: [Interposing] Otherwise I'm very likely to leave. I'm sorry. I don't--

CHAIRPERSON JAMES: [Interposing]  
No I--

MR. PAGE: --feel that you--you--

CHAIRPERSON WEPRIN: [Interposing]

Council Member you can't--Mr. Page--

MR. PAGE: --you are making your statement and you are not asking me questions that have anything to do with the subject in front of us that I am responsible for.

CHAIRPERSON WEPRIN: [Interposing]

Mr. Page, Mr. Page, Mr. Page, Mr. Page, please.

Council Member you made your point. Let's move on--

CHAIRPERSON JAMES: [Interposing]

The last question is--

CHAIRPERSON WEPRIN: --continue.

CHAIRPERSON JAMES: --is there any savings as a result of this wrong-headed policy to transfer low income children who do not have after school programs into the Kindergarten.

MR. PAGE: I've answered that question several times.

CHAIRPERSON WEPRIN: Okay Council Member Oddo. Let's calm things down by going to Jimmy Oddo. We always hear that here in the City Council.

[Audience laughing]

COUNCIL MEMBER ODDO: Let's take it down a notch and go to Jimmy.

CHAIRPERSON WEPRIN: A man who's never lost his temper in this hearing.

COUNCIL MEMBER ODDO: That's right. David, don't start with me. I just want the record to reflect that it was officially 11:25 A.M. before we heard the first anti-republican sentiment--

[Audience laughing]

COUNCIL MEMBER ODDO: --that's not a record but it's pretty good for my colleagues. I think it has to do with the fact that we are now once again a mighty delegation of three.

[Audience laughing]

COUNCIL MEMBER ODDO: Council Member Fidler, there's an old Yiddish expression that says if we all pull in the same direction the world will keel over. That has absolutely nothing to do with what you said but I've always wanted to say it here on the floor of the Council.

[Audience laughing]

COUNCIL MEMBER ODDO: Mr. Page  
you've been hit from the left so that means it's  
time for you to get hit from the right.

[Audience laughing]

COUNCIL MEMBER ODDO: But before I  
do that, I just want to understand the FMAP  
situation clearly. There's a cap that says if the  
costs of Medicaid are greater than 3%, the State  
will absorb those costs. And my understanding is  
the State is now taking the Federal stimulus  
money, paying the excess above 3% and whatever the  
remaining money is, they're sending to New York  
City. Is that a correct assessment of the  
situation?

MR. PAGE: There are any number of  
ways of explaining this picture. And I think that  
the one that I find easiest is that the split in  
Federal support, before you put FMAP on it, and  
you look at the effect of the cap going forward,  
is about 66% State and about 34% City.

And we believe that given the  
intent and language on the FMAP increase at the  
Federal level, that proportion in support should  
be continued. The State proposal basically...

[pause] causes the support to, if you have Medicaid growth over 3% a year which is highly likely, the proportion of the FMAP benefit, instead of holding onto that 66%, 34% benefit, becomes more and more a benefit to the State and less and less a benefit to the City.

COUNCIL MEMBER ODDO: Okay. I'm not sure if I understand that. But I may not be able to understand if we stayed here all day. So you said, you testified that you believe it's-- that--you do not believe that it's consistent with the language in the bill.

So I guess my question is what is the latest conversation that the Administration has had with our Federal representatives and where are they on this issue?

[Pause]

MR. PAGE: Our, well if you look at the--if you look at the numbers put out by Schumer's office, his original value to New York City was \$2.8 billion. We're carrying the \$2 billion. And the, I think that we've not gotten any very clear, concrete guidance on this issue at the Federal level. In the City Law Department,

looking at the words and the context in which they exist, believes that our interpretation is right.

I mean lawyers being lawyers, if you worked for State budget, you'd probably say the same thing about their lawyers. That they believe the State's right. I think that this is a matter that hopefully can be resolved in the ongoing State budget negotiation process.

COUNCIL MEMBER ODDO: Okay. Let me, having heard that, let me ask you a more fundamental question. Isn't the problem not so much how we're dividing the Federal stimulus money, isn't the problem that the--the basic problem, the underlying problem is that Medicaid growth will in fact be in excess of the cap?

And my question is when the Federal stimulus money goes, yet two years from now Medicaid is still growing at an excessive rate, what do we do then? And I use that as a shift to ask a more general question.

I found it interesting, sort of curious, that the first--two of the first three paragraphs of your testimony go to some lengths to say what the Administration has done in preparing

for 2010. And I won't say it's defensive but it strikes me and I think, you know, we heard a lot about alleged Republican philosophy earlier.

Well I'll give you a genuine Republican philosophy. Between 2000 and 2007 the tax receipts in this town grew by 41% after inflation. That--we've never come close to that is my understanding. From 2002 to today, City spending rose nearly 29% after inflation. So I guess my question is, you know, we've--on both sides of City Hall, like to take these victory laps and pat ourselves on the back about just how fiscally responsible we've been.

My question is have we? We still have a spending problem. And I guess to get to a specific question, how do you react to those criticisms, and when you have people like Nicole Gelinas from the Manhattan Institute saying that this is not a blip, this is not cyclical, the Wall Street that we knew and loved is not coming back. What do you do going forward to continue to fuel the out of control spending that we've seen in the last, let's call it a decade?

[Pause]



MR. PAGE: Well. Maybe she's not right. Maybe she is. The--I think that the degree to which we've managed to constrain spending in a period of booming resources is reflective of a political process and I actually think that we've done pretty well. I think that the amount of money that we have been able to include in our spending for this year and next year because we restrained ourselves considerably in the past, is testimony to the care we've taken.

When, as a matter of reality, when people feel that resources are growing, it's--and they have generally very legitimate desires for more movement service and government spending for important purposes, it's very hard to hold that spending down. Again I think we did reasonably well under the circumstances.

Looking forward, I, one of the things that you said that, at least I think you were saying, was that a problem in the Medicaid outlook is growth that's very likely to be over 3%. And what happens when FMAP goes away, never mind the division between the City and State, and I agree with you, that that's likely to be a huge

problem for us.

And one of the difficulties besides being a funding problem immediately for us in our budget of having more of the Federal FMAP cushion go to the State is that the State is in fact in charge of determining how Medicaid reimbursement will go in New York City, New York State. And if they're carrying less of the weight, they have less of an incentive to be careful about how this cost increases.

COUNCIL MEMBER ODDO: I'm not sure I would agree with you that a 30% growth since 2002 is restrained in any way, even for the City Council. But--so you questioned whether Ms. Gelinas is right about Wall Street and future revenues. What is your best estimate or best guess on Wall Street and the possibility of it coming back to the tune of the 80's and 90's and early 2000's?

MR. PAGE: Well I agree with you that the amount of growth in the economy and tax revenues that we had in the last, I mean, four or five years was extraordinary. And we do have in our forecast that economic activity and growth

1  
2 will begin to come back in '10. Not at the rates  
3 we experienced in the recent boom.

4           You ask me personally about Wall  
5 Street and so forth? I think it basically exists  
6 because people need a system that gives them  
7 access to money and ways of collecting money to  
8 pay for things. And I think that Wall Street, you  
9 begin to think it's only existed to pay people  
10 inordinate amounts of money, individually, but it  
11 actually exists because it's a--that financial  
12 system is necessary to us in terms of how people  
13 cooperate with each other and get things done.

14           And I don't think that necessity is  
15 going to go away so I would assume that eventually  
16 the financial system will pull itself together and  
17 provide for that need. And I don't really see why  
18 having been in New York and having a lot of  
19 motivated, smart people who've--are able to do  
20 that kind of work in New York, it should  
21 necessarily go somewhere else.

22           COUNCIL MEMBER ODDO: I would just  
23 close with this Mr. Chairman. You know, with the  
24 Federal stimulus money going to the GMs and the  
25 banks, and they were told that they were going to

1  
2 have to change the way they operate. There are  
3 going to have to be reforms.

4 And I just hope this Administration  
5 in getting this manna from heaven, this mother of  
6 all one-shots, holds true to that same philosophy  
7 and reforms the way we operated. Because, you  
8 know, tax increases, you know, regardless of the  
9 variety, without having the underlying reforms  
10 only punts the problem down a year, a year and a  
11 half, two years down the road.

12 And as bad as this situation is, as  
13 I said to you the last time you appeared before  
14 us, you have to look at it as an opportunity to  
15 get the City on the right track for the next  
16 decade. And if there ever was a Mayor, at least  
17 so the advertising goes, if there ever was a Mayor  
18 who was positioned to do that, it would seem it  
19 would be this Mayor and this Administration. And  
20 I hope you folks live up to that philosophy  
21 regardless of where you--how you want to call it.

22 CHAIRPERSON WEPRIN: Thank you.  
23 Council Member Jackson, we've been joined by  
24 Council Member Diana Reyna from Brooklyn and  
25 Queens.

COUNCIL MEMBER JACKSON: Good afternoon Mr. Page.

MR. PAGE: Good afternoon.

COUNCIL MEMBER JACKSON: You were a little upset earlier. I hope I don't get you as upset. I do understand the financial situation of our City, our State, our country and the world. And so I think that we collectively have to work together to try to make sure that we all survive this economic downturn.

So I'd say that in all honesty and sincerity but obviously I'm very concerned overall as a legislator, as a resident of this City and more specifically as a Council Member who represents the 7<sup>th</sup> Councilmatic [phonetic] District in Northern Manhattan. And as a Chair of the Education Committee I'd like to focus on some questions on education with respects to the overall budget if you don't mind.

The Mayor proposed a 30% reduction of the City's capital plan. I'm asking you what are the plans for the education capital budget with respect to overall the Mayor's proposed 30% reduction of the City's capital plan.

{Pause}

MR. PAGE: We are currently working very hard and would hope to work with the Council in fact on trying to figure out how to minimize the reduction to the next education 5-year plan which starts in Fiscal Year '10. We recognize that under our current funding structure which hopefully will again be put in place by the legislature, not present in the executive budget at the State level, for each dollar we spend on education capital in New York City we get \$.50 from the State, roughly.

So that dollars we could put back in against the City fund's 30% cut in that program which is 15% in the program if you look at it that way, give you 2 for 1 in terms of how it works with the State. And between that and the importance of education investment to all of us it's, you know, we have asked agencies to detail what a 30% cut would look like.

That's kind of the beginning of the story in terms of how we put this plan together as opposed to the end. And we're trying to figure out how to fix education.

COUNCIL MEMBER JACKSON: In your response were you alluding to the agreement, of the capital agreement that was reached \$5.5 billion with \$3.3 billion from the State and \$2.2 billion from the City in order to fulfill the commitment that Spitzer signed into law, the legislation with the legislature over 5 years of \$5.5 billion?

MR. PAGE: We had a commitment from the State on the current 5-year plan which was \$13 billion that they were supposed to support half of it. And depending how you count, it gets--the scoring gets very complicated as to whether they really did that.

But an additional part of that commitment was that incremental building aid paid to New York City by the State would not be included in our proportion of State operating aid for education. Building aid for New York City education projects pays for roughly half the cost of education projects in the City.

If we can hold onto that formulation with the building aid, that's basically the ongoing State capital commitment

that I'm concerned about preserving and getting the benefit of going forward.

COUNCIL MEMBER JACKSON: Would--in your opinion would you think that considering that we have a current 5-year capital plan which ends June 30<sup>th</sup> but there are projects in line ready to go over the next year or 2 in order to fulfill that and projected plans under the proposed 5-year capital plan, would those be considered shovel ready projects that could possibly use some Federal money or in that respect?

MR. PAGE: I mean it's--I mean it's possible. The, a lot of the work in the current 5-year plan that's likely to roll over into the next one is capacity projects. And many of them have not happened yet because of problems with siting in particular. And which means that a very close timeframe on getting them done may not be realistic for those projects. I mean it hasn't proven to be realistic thus far.

But I would--there are actually stimulus programs available for education projects. And that is one place that we're looking to try to fill in the need for a reduction



in City funds here.

COUNCIL MEMBER JACKSON: In your response earlier there's an assumption or an expectation or hope that the State will continue the same funding.

MR. PAGE: Yes.

COUNCIL MEMBER JACKSON: If not, then would that throw a whirl spin to the proposed 5-year capital plan in your opinion--

MR. PAGE: [Interposing] Yeah it'd be another major problem here.

COUNCIL MEMBER JACKSON: Let me just move to special education pre-K if you don't mind.

MR. PAGE: Um-hum.

COUNCIL MEMBER JACKSON: One of the State budget cuts is a reduction in the reimbursement rate paid by the State to the City for special education's pre--

MR. PAGE: [Interposing] Um-hum.

COUNCIL MEMBER JACKSON: --pre-K, preschool tuition. And this is a current year stake cut my understanding included in the Governor's budget that amounts to about \$97

million dollars for Fiscal Year '09.

This potential State budget cut, my understanding, is not reflected in the January Plan. So the City could potentially have another \$97 million dollar hole to fill this year.

[Pause]

COUNCIL MEMBER JACKSON: And I guess my question is that if the Governor's proposed cut for the special education pre-K funding is adopted for the current year, how do you propose making, the City will make up the loss of funding for this year? And will you require the Department of Education to fill the gap since the financial plan carries a Fiscal 2010 cut to special ed pre-K and school budgets?

And would you similarly cut school budgets this year to make up for the loss of special education pre-K funding? Now I--if you have an answer that's fine. But if you really don't have an answer, you don't know, I can accept that as an answer also. But I would like to hear as many specifics response as you can.

MR. PAGE: The difficulty with the State cuts and the January Plan is that among

other things we're obviously in an advocacy position with the State in trying to get the money back from them. I would share your concern that realizing a cut of that size against the Department of Ed this late in the school year would be an extremely difficult thing to do.

[Pause]

COUNCIL MEMBER JACKSON: Let me move on to then, because if you're saying that it would be extremely difficult to do and obviously if it has to be done, it has to be done. We are hoping that the funding continues from the State so we don't have to get to that critical choice.

MR. PAGE: Yes but I think there are things that are difficult and there are things that are extremely difficult in terms of managing New York City's budget.

COUNCIL MEMBER JACKSON: Right. And that would be extremely difficult--

MR. PAGE: [Interposing] Extremely difficult.

COUNCIL MEMBER JACKSON: Okay. Under the Federal stimulus package includes several funding streams that could be used to

support our public schools. These include the Title I funding, IDEA funding, competitive grants for innovative educational programs and State Fiscal Stabilization Grants. Can you or someone, one of your Deputies, for each of these four discreet revenue sources, what are your best and worst current estimates on how the Department of Education will receive, during each of the next two years?

[Pause]

COUNCIL MEMBER JACKSON: As you know when it comes to the stimulus stuff, they say, you know, you have to ask OMB. So I'm here asking OMB.

[Pause]

MR. PAGE: Okay. We think the Title I and IDEA money comes directly from the Feds to New York City. It's formula based. And our current estimate is the Title I funding is worth about \$356 million to us, that is the stimulus Title I funding annually. And the IDEA money is worth about \$114 million.

COUNCIL MEMBER JACKSON: \$114 million or billion--

MR. PAGE: [Interposing] \$114 million.

COUNCIL MEMBER JACKSON: Okay.

MR. PAGE: The State received in stimulus money from the Feds about or will receive we think about \$2.6 billion that's designated for educational purposes. And then there's another--

COUNCIL MEMBER JACKSON:  
[Interposing] That's one--each year or over two years?

MR. PAGE: Two years.

COUNCIL MEMBER JACKSON:  
[Interposing] Over two years. I see.

MR. PAGE: And there's another piece beyond that that's roughly 20% of that, a little more than 20% of that, that they could use for education or they could use it for other stuff. On that \$2.6 billion, we have had an estimate that if we got our 40% share it would be \$530 million a year, roughly.

There's been a lot of discussion with the State about the fact that they're not planning to hand out the whole \$2.6 billion as local education aid. They're concerned about the

1 State university system. And I think that it's  
2 one of the issues--what that number will be coming  
3 to the City is one of the issues that we are  
4 extremely concerned about in the State budget  
5 negotiation process, as we are also concerned  
6 about the earmarking of money.  
7

8 Title I is obviously driven  
9 structurally by Federal standards. And the  
10 question of State Contract for Excellence  
11 standards and how the whole thing stacks up in  
12 terms of money actually available to individual  
13 City schools becomes a flexibility problem which  
14 I'm sure you'll remember from last year that looms  
15 again. And again I expect it's going to be a  
16 major concern in the budget process with the  
17 State.

18 COUNCIL MEMBER JACKSON: Now I make  
19 an assumption that the current Administration  
20 under Mayor Bloomberg has made, has, or is making  
21 recommendations to Albany on how the Federal aid  
22 should be used to support pre-K through 12 in our  
23 City. And have you all done that so that they  
24 know what our needs are and what our wishes are?  
25 Has that been done? And I'm begging the question-

-

MR. PAGE: [Interposing] This is--  
this is talking--you're--what we're talking about  
now is basically the Federal money that comes  
through the State.

COUNCIL MEMBER JACKSON: Right.

MR. PAGE: Yes. We've been talking  
about that with them.

COUNCIL MEMBER JACKSON: And the  
reason why I'm asking that, I ask you to please  
share that with us, the City Council because we  
are the legislative body, the Mayor's the  
executive branch, and if in fact we're working for  
the same constituents, we need to be on the same  
page. So in essence, oh that's your last name,  
Page, right? Okay.

MR. PAGE: And you're all sitting  
on me, right?

[Laughing]

COUNCIL MEMBER JACKSON: But I'm  
serious that we need to be on the same page with  
respects to advocating. Now we may not  
necessarily agree on everything--

MR. PAGE: [Interposing] Um-hum.

COUNCIL MEMBER JACKSON: --as far  
as position and--

MR. PAGE: [Interposing] I--I  
totally hear your point.

COUNCIL MEMBER JACKSON: You hear  
me?

MR. PAGE: Yeah.

COUNCIL MEMBER JACKSON: But as  
part of that I make the assumption that you're  
asking Albany for flexibility in spending--

MR. PAGE: [Interposing] Yes.

COUNCIL MEMBER JACKSON: --is that  
correct?

MR. PAGE: Yeah.

COUNCIL MEMBER JACKSON: Okay.  
Have you also asked for an alteration in the way  
the Contract for Excellence Regulations are dealt  
with or?

MR. PAGE: Well I mean that is a  
lot of the flexibility that the Department of Ed  
thinks it needs. And it [Pause] I, I had hoped  
that maybe with the additional Title I money which  
under its distribution criteria tends to go to  
schools in more disadvantaged neighborhoods in New



1  
2 York City which the CFE criteria tend to require  
3 as well, and is something that the Department of  
4 Ed at least tried to address several years ago  
5 with City funds as, I'm sure you were aware last  
6 year, you can end up in a situation where some  
7 schools have major increases year over year in  
8 funding which would be, you know, maybe a very  
9 good thing. In fact, except that given  
10 constrained resources you end up with other  
11 schools that have major cuts. And that is, you  
12 know, a balancing act that we're very concerned  
13 about.

14 COUNCIL MEMBER JACKSON: Um-hum.  
15 Yeah. I--those schools that you, basically say  
16 that are disadvantaged, I call them schools with  
17 higher needs.

18 MR. PAGE: Okay. Sorry.

19 COUNCIL MEMBER JACKSON: [Laughing]

20 MR. PAGE: I would agree. I would  
21 agree.

22 COUNCIL MEMBER JACKSON: Yeah. I'm  
23 sure you would. I just wanted to clarify. That's  
24 my opinion on it. But with respects to is the  
25 Department of Education or the City of New York

1 asking, you know, for an alteration of Title I  
2 funds in order to capture the greatest number of  
3 Title I eligible students and, you know, in  
4 essence, to support for free and reduced lunch  
5 prices instead of just free lunch students thereby  
6 increasing the number of schools that receive  
7 Title I? Are you asking for flexibility in that  
8 area also?  
9

10 [Pause]

11 MR. PAGE: I think that that is  
12 something that we've been asking for in the  
13 context of Title I money for a while, not just  
14 with this bump up in Title I money. And I think  
15 that that discussion continues although I think  
16 it's my understanding that it's mostly a question  
17 of Federal discretion as opposed to State  
18 discretion on the Title I money.

19 COUNCIL MEMBER JACKSON: I have to  
20 move on and I have many more--

21 MR. PAGE: [Interposing] Um-hum.

22 COUNCIL MEMBER JACKSON: --  
23 questions but I'll come back later. I want to ask  
24 this last question if you don't mind. What is  
25 your estimate on how much of the Federal stimulus

1 funding can be used for hole filling or  
2 supplanting City and State funds, if at all? And  
3 will the new Federal aid for education be used to  
4 restore any of the PEGs in the DOE's budget?  
5

6 [Pause]

7 MR. PAGE: Well. Depending on how  
8 much money actually flows to us from the State,  
9 when you add up the Title I increase, the IDEA  
10 money and, you know, if we actually got something  
11 in the neighborhood of our \$500 million through  
12 the State, you can get to a point where you are  
13 funded at sort of better than or more or less at  
14 where we would be without the PEGs in City funds  
15 that we've been obliged to do and the reduction in  
16 State education aid.

17 And then the difficulty becomes  
18 how, how you're allowed to spend it as to whether  
19 you're actually able to fix what you are obliged  
20 to squeeze to achieve the prior cuts or whether  
21 you have to spend it on something else. And  
22 that's something that I know the Department of Ed  
23 is grappling with and is very concerned about.

24 And that goes to this question of  
25 flexibility because if any component of the

funding were in fact flexible, whether City, State, Federal, we think of as kind of given in the programs it comes in, I shouldn't say--well. City money, State money, the Federal money that flows through the State--

COUNCIL MEMBER JACKSON:

[Interposing] Hum. Um-hum.

MR. PAGE: --if any of those components were actually reasonably flexible you could make up for the imbalances in--that you get from the others. And, you know, it would seem that that should be achievable somehow.

COUNCIL MEMBER JACKSON: And I had asked that question because of the fact that when the Federal stimulus package was agreed upon there was a big hurray in the City of New York that the proposed approximately 15,000--proposed reductions would be, you know, washed away. And I just wanted to seek clarity on that.

MR. PAGE: I think that the teacher layoffs which we had been extremely concerned about, we believe should be avoidable in this ongoing picture. But there's a big sort of open space in here which is how the Federal money flows

through the State.

CHAIRPERSON WEPRIN: Okay--

COUNCIL MEMBER JACKSON:

[Interposing] Thank you. Thank you.

CHAIRPERSON WEPRIN: --I'm actually going to just follow up on Council Member Jackson's question because in your testimony, you actually refer to the January Plan, asking for \$500 million of contributions from the City's workforce and you also happen to say that \$500 million happens to be by coincidence the equivalent of the cost of approximately 10,000 newly hired City workers for a year.

So it would seem to me that that's kind of like a threat that, you know, if you don't get the \$500,000 in concessions from the workforce that you'll have to lay off 10,000 people. Which 10,000 people are you referring to? Which areas of the workforce? And couldn't--by the same definition as you gave to the response to Council Member Jackson's question, the money from the Federal stimulus package being, you know, fungible, to avoid some of those potential layoffs. In the event that you did not get the

full concessions from the workforce that you're asking for.

MR. PAGE: Well. I mean the problem is that the way we've built this budget, we've basically spent the stimulus money at this point. And the--that number of employees shouldn't be a big surprise because the \$700 million hole that we had in education is where the 14,000 teachers came from. I mean it's actually oddly fairly consistent along the--across the different kinds of City employees in terms of what one year of a new or newly hired now laid off employee means in money.

CHAIRPERSON WEPRIN: So are the teachers included in that 10,000 figure? The 10,000 that you referred to in your testimony on page--

MR. PAGE: [Interposing] It's--all it's saying is that that's what \$500 million is worth. If you find \$500 million somewhere else, you don't have to provide layoffs. But just if we're talking labor and we're talking \$500 million, in terms of labor it's worth that many people.

CHAIRPERSON WEPRIN: But it's also worth other things as well. I mean it's just--

MR. PAGE: [Interposing] Sure.

CHAIRPERSON WEPRIN: --that was just an example. That wasn't any kind of a tying the two.

MR. PAGE: No. But--

CHAIRPERSON WEPRIN: [Interposing] Well--

MR. PAGE: --if you look at the rest of this plan, it's, I mean, people, I mean there's the standard equation which won't be a surprise coming out of my mouth is that people would like you to spend more and they would like to pay less for it. They want more government service and they want lower taxes.

And in boom times it's kind of nice because you can actually deliver on both sides of that equation. When you're being squeezed as we definitely are at the moment, we have tried to try and balance the two sides. That when you lose money, you try to cut back on spending and to mitigate the impact of spending cuts you try to find ways of increasing tax revenue.

I mean if we don't get that \$500 million, I mean how are we going to find it? We've got to find it somewhere.

CHAIRPERSON WEPRIN: Okay. I got it. We've been joined by Council Member Oliver Koppell from the Bronx and Council Member Bill deBlasio from Brooklyn. The next questioner is Council Member Leroy Comrie.

COUNCIL MEMBER COMRIE: Thank you Mr. Chair. Good afternoon Mr. Page. I have a few questions. I'll start with the statement in your--that you talked about this morning about the EMS funding that the State is threatening to take away. As you know in Queens we just lost two major municipal hospitals. We need to have more EMS runs to make up for the loss of those hospitals.

Who's in charge of the conversations with the State government regarding the decision to remove \$60 million in EMS funding? And who at the State level is making that decision? Is that from the Governor's Office or the legislative branch or what exact area is that coming from?



MR. PAGE: I suppose it's a mixture of the legislative branch and the Governor's Office in terms of what they negotiate in the budget they adopt. I think we've been making the argument as usual with the City's legislative staff, but also with the voice of the City's Fire Department, in which the EMS runs are managed in the City structure and in the voice of HHC who, because this consequence is actually a proposed change to how Medicaid reimbursement to HHC is measured.

COUNCIL MEMBER COMRIE: Well as you know, one of the reasons why the two hospitals closed was because of the paucity and the slowness of Medicaid reimbursements and Medicare reimbursements and their inability to have other income because they were forced to take in whoever came in the door. So I wanted to know who's making the argument to try to get this money restored.

Is there any money in the stimulus package that deals with the EMS reimbursement or improving those Medicaid/Medicare, has there been any real discussion on changing those formulas so

that we can get a better reimbursement? And also even a quicker turnaround time? 'Cause HHC is also imploding from the slowness of those reimbursements also.

MR. PAGE: I'm not aware of any specific initiatives of that kind in the stimulus package.

COUNCIL MEMBER COMRIE: Is there anything that the City is doing to try to force that conversation to improve the reimbursements or to try to at least increase the time lapse in obtaining the reimbursements for money that's being spent on a regular basis, taking care of the indigent and the people that have no insurance? Has there been any discussion on the State level to try and increase that speed of the reimbursement time at least?

MR. PAGE: I know that there have been general discussions in terms of Medicaid reimbursement and particularly the circumstances of HHC. And there's obviously a large Medicaid population that's served by hospitals in New York City.

On the EMS runs the City Fire

Department and in company with the Mayor's Office spent a fair amount of time in Albany last week meeting with the legislature and their staff trying to make the point that this is a major problem for us. This question of the timing of Medicaid payments I'm less aware of. I'll inquire although I expect it's part of these conversations.

COUNCIL MEMBER COMRIE: Right.

Well I'm told by the people that were looking at the closing of both hospitals, Mary Immaculate and St. Johns, that that was one of their problems, especially Mary Immaculate, that did a lot of long term care for people that were indigent and could not get the reimbursements.

And the issue of even at the speed of the reimbursements that were accrued was one of the reasons that are leading to the downfall of all our hospitals, municipal and private hospitals. I think that's something that we need to work on as a City together.

Just to appeal that we cannot lose the EMS funding because we need, and I hope that the City is planning to do more EMS runs in those

1  
2 areas that are served in the catchments areas for  
3 the two hospitals are not less. And I hope that  
4 is factored in regardless of what funding is  
5 coming through to make sure that we can have more  
6 EMS runs there because people have to have a  
7 longer travel time to either the other hospitals  
8 that are available that are already overcrowded.  
9 So I hope that's factored in. And I hope that we  
10 can continue to focus on that discussion.

11 Just to change to another topic, is  
12 New York City the only municipality that's trying  
13 to fight to restore the AIM funding? Or since you  
14 said in your statement we're the only municipality  
15 that's being zeroed out?

16 MR. PAGE: Yeah. We're the ones--  
17 we're the ones who were taken to zero. They  
18 didn't do it to anybody else in the State.

19 COUNCIL MEMBER COMRIE: But we  
20 don't have any support for that--

21 MR. PAGE: [Interposing] Hum. I  
22 wouldn't--I, I, you know, that has been the  
23 position of the Governor's budget for--

24 COUNCIL MEMBER COMRIE:  
25 [Interposing] The last few years.

MR. PAGE: --several years.

COUNCIL MEMBER COMRIE: Yeah.

MR. PAGE: And we've done better in the final budget and, thanks to the legislature in fact, and we would hope that we would do better on this round as well. You know, it remains to be seen how that works out.

COUNCIL MEMBER COMRIE: And do you expect that the--have you gotten any indications on if they're going to try and do an on time budget or are they still in the middle of trying to figure out what exactly the stimulus package means to them as far as, 'cause you spoke earlier about some regs that are going to be changed that would fundamentally change New York State policy. Do you have any idea if they're going to be on time or way beyond time as far as our--

MR. PAGE: [Interposing] Well I--

COUNCIL MEMBER COMRIE: --ability to.

MR. PAGE: -I imagine that they, like ourselves, are doing their best to figure out exactly how the stimulus package works. But that said, I think that they are, at least my--I'm told

that they are genuinely trying to get done soon.  
That they would like very much to get wrapped this  
month. And I think that they are working hard at  
that.

COUNCIL MEMBER COMRIE: Are they  
giving you--do you feel that you're getting full  
entrée to make, or your team, to make all of the  
arguments necessary to defend the City's  
opportunity to get their fair share of the State  
dollars this year? Or are you getting that  
assessment?

[Pause]

COUNCIL MEMBER COMRIE: Because it  
was--

MR. PAGE: [Interposing] You know,  
it's, it's--we're obviously a large and important  
part of the State of New York, at least we think  
so. And I think that we do have a voice in Albany  
as a result. Is it, are we listened to as much as  
we think we should be? I mean probably the answer  
to that is always going to be no but I don't think  
that that means that they're not in fact listening  
to us. And we have a pretty intense continuous  
effort to be heard.

COUNCIL MEMBER COMRIE: Do you think, is there anything that, else that you think we can do? It was mentioned that maybe we do a joint lobby day or some other things or--

MR. PAGE: [Interposing] Yeah.

COUNCIL MEMBER COMRIE: --is there any other ideas that you may have regarding that?

MR. PAGE: I mean I think that the basic idea of Council support for the City's position in Albany is very important and the sort of specific measures to be taken. I'm not the world's greatest expert on these tactics but it's something that we should certainly think about and see what we can do.

COUNCIL MEMBER COMRIE: Okay. Thank you. Just to change topics. You've talked about a lot of possibilities with workforce shrinkage but I didn't hear anything in your testimony about workforce retraining other than your answer to Council Member James about Wall Street retraining.

Is there anything in this plan by OMB for workforce retraining if in fact we have the workforce losses that you're talking about on

the totally negative side? Or is there anything in your plan to do workforce retraining?

[Pause]

MR. PAGE: I'm told that we have some money coming from the Feds available for workforce retraining and that that's something that we're trying to put together now. We have been spending a good deal of time recently on how New York City's work force and the State Civil Service requirements work together, which I think is gradually addressing the question of provisionals and civil service status.

And there is, well depending on the scale of layoffs that may ultimately be required of us, you always hope that if you have to lay somebody off that you'll be able to pick them up again soon. And that is one of the qualities of the Civil Service System that you are in fact obliged to rehire, in general, people that you've lost.

COUNCIL MEMBER COMRIE: Right. With the--as, we're talking about possibly dealing with major layoffs as a--

MR. PAGE: [Interposing] Yeah.



COUNCIL MEMBER COMRIE: --I would hope that there's some contingency plan and we've already gotten some negative feedback about people that were laid off already that have not gotten an opportunity for any real workforce retraining. I would hope that that's a major part of the Mayor's final budget when it's adopted at executive. And I'm sure that someone on your team or some people-

MR. PAGE: [Interposing] Um-hum.

COUNCIL MEMBER COMRIE: --on your team would have something to prepare by the time the Mayor does his executive budget summary for us. If not we'll be talking about that a lot more.

I want to make an appeal to you, and I don't want you to get upset again, about the ACS funding. But as you know I represent Southeast Queens which has one of the longest commute times in the City, probably the second longest for any Borough.

I think that the plan for the ACS reorganization of Kindergarten is going to cost the City more money 'cause you're going to put

parents out of work. You're already putting ACS workers out of work. The whole issue of not even filling those available rooms with ACS slots makes no sense to me. But beyond that I don't want to lose the Kindergarten slots at ACS for three reasons. The, not even the female head of households issue, I'm just--

CHAIRPERSON JAMES: [Interposing]  
Don't go there.

COUNCIL MEMBER COMRIE: --I'm not going there. I'm going to talk about commute times and the ability of parents in one of the longest commute areas of the City when they're already worried about their kids, when we've already had too many examples of school busses leaving kids in different places just because the school bus drivers are incompetent or tired or irresponsible.

I would go to the whole OST program, but I think that point's been made. But I would appeal to you and your team, Mr. Page, to change this. It doesn't make sense. It's going to wind up costing us more money in unemployment. It's going to wind up ruining peoples' quality of

1  
2 life. It's going to wind up ruining the comfort  
3 level that parents have now putting their young  
4 children in smaller environments that are already  
5 meeting DOE standards, that are already keeping  
6 their children in one place from 9:00 A.M. to  
7 6:00 P.M.

8 And it just doesn't make sense. It  
9 just--this plan just doesn't make sense to me to  
10 put them into a lot of our schools are over  
11 crowded at the Kindergarten level. Kindergarten  
12 is not mandatory. You're going to frustrate a lot  
13 of people unnecessarily because they're going to  
14 be worried about what happens in the transition  
15 for children that are four and five years old. It  
16 doesn't make sense.

17 Every education advocate says that  
18 early childhood education is critical to the  
19 fundamental development of children. And I'm  
20 going to appeal to you and your team to find a way  
21 to save that money some other way by not taking  
22 those programs out from ACS, the Kindergarten  
23 programs. It's critical especially in my community  
24 with long commute times and then in communities  
25 all over this City that we have a safe place for

our early childhood children.

[Off mic]

COUNCIL MEMBER COMRIE: Will you stop back there. I'm trying to appeal to the Mayor's Office, to you, to all of your team, that that's the wrong way to get this done. In most of my schools, the Kindergartens are overcrowded anyway. So there's no room for them. So it's just--it doesn't make sense on a lot of levels.

It doesn't change the--all it does is create more hardship and more heartache for parents all over this City. And I have parents that are--both parents work because they're trying to afford their mortgage. They don't have the opportunity to--their parents are not around. But I also have a lot of parents that are only by themselves and can't do it. I'm not going to ask for an oral response to that. I'm just giving you more food for thought. And I appreciate that.

What I do want to ask you about is the Mayor's plan for charter schools and the embracing of charter schools. I've been approached by other private schools, a Lutheran actually school, would like to be thought of as an

opportunity for inclusion in the Catholic Charter School inclusion. And do we have an update on that? Is there progress being made on that one way or the other or is that caught in some bureaucratic technical maze as usual?

MR. PAGE: I'm not a good person, as a source, on the progress of that program. I think that you really need to talk to the Department of Ed when you have them.

COUNCIL MEMBER COMRIE: Okay. Well when they came before us, and they'll come before us again, they didn't have any answers. I would suggest that we not lose any property when we need to expand the opportunities for schools. And if there is an opportunity we should embrace them as well.

We need to reduce class size as much as possible and do everything we can to make sure that we have as much classroom space as possible and especially in my area where they're building, you know, on every available piece of property in my area even though we're having a problem with the highest rate of mortgage foreclosures. All my available property is still

being built on. It's a strange formula but it's something that we need to deal with.

I would also just ask you two other questions. The issue of DOE, with its--the flexibility in spending its own student formula allocations. Is there anything that we can do to look at how DOE is spending its student formula allocations? And is there a possibility that we could look at reallocating or reinvesting that money?

MR. PAGE: Student formula allocations, I think by that you mean this problem that we've been talking about of the restrictions put on funding for schools that require that it be directed to some schools and not others and whether as they all accumulate on top of each other you end up with a sensible outcome.

And that's certainly something that the Department of Ed is concerned about. They've been talking to Albany about, Assembly, Senate, Governor's Office, SCD, and I mean it's a major concern in how to best run the place.

COUNCIL MEMBER COMRIE: Well is there a possibility that we can try to defer some

of that as opposed to putting that all up front in the budget so that the allocations are spread out over time as you do with the capital projects as opposed to budgeting it all in the budget now and having to cost it out and wind up, a lot of money sits in DOE and not spent.

MR. PAGE: I don't know, I mean that's certainly a thought. I don't know if it works. I think you get into maintenance of effort requirements of other money that dictate what we do with ours. And I... huh.

COUNCIL MEMBER COMRIE: Well I hope that's something we can--

MR. PAGE: [Interposing] It's a--as you listen to people who feel strongly about this topic and are very concerned I think about the education consequences it becomes intensely frustrating because I think that sort of all parties around are looking to achieve the best educational product that we can but they certainly get tangled up in each others' standards.

COUNCIL MEMBER COMRIE: Right. Well I, I understand that. And I'm not saying to cut the quality of education but I think that we

can increase the quality of education, increase the quality of transparency, but also try to save money because there seems to always be an issue of a large pot of money sitting in DOE and we could look at that and think about that type of formula where we roll it over, would be helpful, to at least save money on the front end. And as we do with the overtime for police and fire, the money gets spent anyway as soon as they--

MR. PAGE: [Interposing] Yes.

COUNCIL MEMBER COMRIE: --establish a need. But that's another question. And as usual the Chairman is telling me to hurry up. He didn't tell anybody else to hurry up but I'm going to just finalize one other questions--

CHAIRPERSON WEPRIN: [Interposing]  
Well it got a lot later when it got to you  
[laughing]--

COUNCIL MEMBER COMRIE:  
[Interposing] I know. I know but that's not my fault. The, I wanted to ask one other question. Is there any direct stimulus money that comes to the City that's not allocated through the State government? I did--well I wanted to get into a



whole CBGD conversation, the Community Block Grant Development Fund. Queens has been typically short changed in the allocation of Community Block Grant Development Funds. And I would hope that this year, now that you're getting some direct money and that we would get our reallocated at the proper levels.

HPD frankly has been banking that money to do projects that never come to Queens and it's not necessary for them to have all of that money. I'm sorry, I'll just put that out there since I'm under a short time and you can't answer a lot at this point. It's unfair what happens with that money with Queens. We're not getting our fair share of that Block Grant Development money. It's important that that money is reallocated fairly. And I would like to be able to have a much further discussion about the Block Grant Development money.

And also the issue of making sure that we have our capital projects that can go through the pipeline a lot quicker because as Council Member Fidler and other people said, we're going to lose out on that maintenance and

infrastructure money if we can't make our system more fluid. We have projects that have been sitting for four and five years that they can't get through the pipeline of bureaucracy and if we don't improve that system, we're going to lose out on our fair share of that money. With that Mr. Chair I'm going to say thank you, and thank you for my time.

MR. PAGE: Thank you.

CHAIRPERSON WEPRIN: Thank you Council Member, we've all--

COUNCIL MEMBER COMRIE:

[Interposing] It wasn't equal to everybody else's but I'll just--

CHAIRPERSON WEPRIN: [Interposing] Yeah. I just want remind my colleagues that we've actually allocated only until about 12:45 for this portion of the questioning. And it's now about 12:50, almost 12:50. So we do have one, two, three, four, six more people want to ask questions. So I don't want to be unfair to those that haven't come yet but if you could try to just limit your questions to questions and try to avoid additional statements just in light of the time.

I'm willing to stay. I just know Mr. Page is not prepared to be here all day. And a number of my colleagues I don't think are prepared to be here all day either. Council Member Peter Vallone, Jr.

COUNCIL MEMBER VALLONE: Thank you Mr. Chairman. Might I suggest you limit the amount of questions from the beginning of the hearing to 10 to 15 minutes so that everyone gets an equal chance. Huh. Yeah, revolutionary.

CHAIRPERSON WEPRIN: Limit it to questions--

COUNCIL MEMBER VALLONE:  
[Interposing] Yeah, I--I was going to limit it anyway and in deference to my colleagues and in deference to Mr. Page and everyone else in the room, but to give people 45 minutes to start out with, it's just ridiculous. Mr. Page. Mr. Comrie said that we should have a joint lobby day to get our money back from Albany which I agree with. But I think we should bring our pitchforks and our torches too because words do not work when it comes to Albany. We have to take some actions and I think everybody knows what action I would like

to take.

Now, assume I understand the specifics of FMAP which I don't but what I do understand is we're not getting what you put in the budget, that you thought we were going to get.

Why was that allowed to happen? Why is there ambiguity in the Federal writing of this law which would allow the State to take more money? Because if they have that option, they're going to take it every time. Why wasn't it written up clearly where we would get this money so that you put it in your budget, we could expect it?

MR. PAGE: It would be nice if it had been more clearly worded in retrospect. We thought that we had achieved what we were looking for in the words. The State interprets it differently.

COUNCIL MEMBER VALLONE: I'm going to turn to you also, you can write these things up where there aren't two different interpretations. Why was that allowed to happen? Did somebody at the Federal level screw up?

MR. PAGE: It has not worked out to

be as clear as we had hoped it would be.

COUNCIL MEMBER VALLONE: Okay. I'm Public Safety Chair so let me ask one questions about the COPS program. We're--there's been different reports about the amount of police officers we can expect out of this. So what is the amount, number one?

And number two is, is this program similar to past programs where we have to prove what's called a maintenance of effort when it comes to the police? The COPS program was there to--the program was there to enhance our police force not to let us use that money to replace the money that we should be putting in. so is this similar to that?

MR. PAGE: I believe and I'll get corrected quickly if I'm wrong, that we are okay in terms of the personnel levels that we funded in the January Plan. And I think that in the usual proportion of this kind of money, we think we've got about 266 positions of additional police. It does bring with it a maintenance of effort at the, I guess, the level of the January Plan, as a practical matter. And I think it pays the cost of

these officers for three years but we're obliged to pay on the fourth.

COUNCIL MEMBER VALLONE: Well. I'd like to actually know about the maintenance of effort specifically so you can get back to me with that--

MR. PAGE: [Interposing] Fine.

COUNCIL MEMBER VALLONE: --because in 2010, you don't have one police officer going into the Academy. And I'm not sure what definition of maintenance of effort that could, that would comply with--

MR. PAGE: [Interposing] The 2010 answer I don't think we have as a practical matter. The Academy class size is generally driven by what our attrition experience is as you come up to it. And I know the Commissioner made a statement the other day but I think that it--I don't think we know the answer to that.

COUNCIL MEMBER VALLONE: I'll get specifics from you with that at a later date. And 266 I think you said is just really a drop in the budget, a gazillion dollar Federal funding program results in less than one quarter of a police

class. That's not sufficient. So please get back--

MR. PAGE: [Interposing] We would be happy to take you through the logic on that one too. I mean I'm not saying that--

COUNCIL MEMBER VALLONE:  
[Interposing] [Laughing] There's logic--

MR. PAGE: --maybe it can be improved but as to where we're coming from. I mean--

COUNCIL MEMBER VALLONE:  
[Interposing] I will do--

MR. PAGE: --that--

COUNCIL MEMBER VALLONE: --I will do that you when--

MR. PAGE: [Interposing] Fine.

COUNCIL MEMBER VALLONE: --there aren't ten other Council Members waiting to ask questions--

MR. PAGE: [Interposing] Okay.

COUNCIL MEMBER VALLONE: --thank you for your time.

MR. PAGE: Thank you.

CHAIRPERSON WEPRIN: Thank you for

those pointed, brief questions. Council Member Mark-Viverito.

COUNCIL MEMBER MARK-VIVERITO:

Thank you Mr. Chair. Good afternoon Mr. Page--

MR. PAGE: [Interposing] Afternoon.

COUNCIL MEMBER MARK-VIVERITO: I

have a few quick questions. One is, it's my understanding that it's still in place, it was reported a while ago and I know that we don't-- we're not in agreement on that but I know that the Administration has made it clear that they're not in agreement that the State is planning to take \$250 million from the Battery Park City Authority towards the general fund. Is that still in place?

MR. PAGE: I don't know exactly what a plan means in this context--

COUNCIL MEMBER MARK-VIVERITO:

[Interposing] Well there's an interest--

MR. PAGE: --the fact of the matter--

COUNCIL MEMBER MARK-VIVERITO: --in getting that--

MR. PAGE: --yeah--

COUNCIL MEMBER MARK-VIVERITO: --



money. Towards--

MR. PAGE: [Interposing] The  
problem--

COUNCIL MEMBER MARK-VIVERITO: --  
general funds.

MR. PAGE: --the problem with that  
particular piece of what is in fact Battery Park  
City's payment in lieu of property taxes--

COUNCIL MEMBER MARK-VIVERITO:  
[Interposing] Um-hum.

MR. PAGE: --to New York City is  
that use of those funds requires the unanimous  
consent of the Mayor, the City Comptroller and  
Battery Park City which tends to be controlled by  
the Governor's Office. We had earmarked \$400  
million from that source as 421(a)--

COUNCIL MEMBER MARK-VIVERITO:  
[Interposing] Um-hum.

MR. PAGE: --or 421(a) related  
funding for housing. But we never achieved the  
Governor's consent to that use of the money  
officially. There's been a proposal floated  
originally--I guess in the State's executive  
budget that they would like to use a portion of

the money to balance the State's operating budget.

The difficulty here is that you have to work out a package which is going to be acceptable to the three parties I described or nothing happens.

COUNCIL MEMBER MARK-VIVERITO:

Right I understood, so it stays at a standstill.

MR. PAGE: Yeah.

COUNCIL MEMBER MARK-VIVERITO:

Okay, so has understanding where we are at with that, and some ideas that have been thrown out there, has any of those projections, as any of that been presented in the plan? You know, what would be the impact of a decision like that on affordable housing plans, etcetera? Has that fact been factored into your projections in any way?

MR. PAGE: Well I mean we've been carrying the \$400 million 42(a) money, and we haven't changed that although we also haven't achieved it because we haven't gotten the signoff on the State level for that. And what happens going forward, I will, I imagine may be a topic in terms of the negotiation of the State's budget.

COUNCIL MEMBER MARK-VIVERITO: All

right. Thank you. I just wanted to get an update on that. Now related to what my colleague Fidler brought up earlier and this idea of capital project and spending on smaller projects. And obviously the importance we feel very strongly that that plays in our communities but also as a way of stimulating the economy which is the whole intent.

There is this current restriction if I'm not mistaken by OMB about capital projects in non-City owned properties having to be above \$500,000. I was talking with some advocates this morning, particularly that represent and work with senior centers, there's a lot of upgrades and a lot of capital work that sometimes needs to happen in non-City owned facilities which fall far less than the \$500,000 threshold.

Taking into account this philosophical misalignment, I guess, between what we're saying and maybe potentially what you guys look at, more interested sometimes in these bigger projects, is there any rethinking during this time of a standstill and slower economy of trying to change those guidelines as a way of encouraging

more local spending which would help our communities which would help smaller contractors which I think in the end would help the City's economy? Is that something that we can talk about with the Administration?

MR. PAGE: Well I mean we can certainly talk about anything. I, my concern on that one is that the record of actually achieving the spending for non-City agencies is bad. We've made a lot of effort in the last, I guess, couple of years to try to make that, make those allocations of capital actually happen.

But there are, I'm sorry, technical requirements that are fairly elaborate and exacting that are required of us in order to be able to sell bonds to finance those projects. And the technical requirements are basically the same whether the project is for \$100 million or the project--

COUNCIL MEMBER MARK-VIVERITO:

[Interposing] Yes.

MR. PAGE: --is for \$1,000. And the burden of negotiating those terms with individual private agencies is a lot. And it

tends to be because the whole topic of, you know, liens on the property and guarantees for future public purpose and one thing and another isn't the stuff that the management of small, private, social service entities find easy to deal with. And it's just--

COUNCIL MEMBER MARK-VIVERITO:

[Interposing] I understand--

MR. PAGE: --it gets extremely

tangled and as a way of spending money quickly, I mean, we're just--we're not good at that.

COUNCIL MEMBER MARK-VIVERITO:

Right. But considering again, I think what we're asking here in terms of what was presented earlier, what we're raising, is that during these difficult and challenging times we really have to kind of look outside of the box and maybe do things that in the past maybe there's other ways of approaching this and we get the same result.

You know, so there's got to be away again of factoring and taking into account the smaller economies of this City which are our local communities and that has to be a priority as well. And I do align myself more with the line of

thinking of my colleague Tish James in terms of who do we have to look out for here and where our interests and our efforts need to be.

It has to be very equal. And it just can't be seen that we're really leaning in one direction over another--

MR. PAGE: [Interposing] Um-hum.

COUNCIL MEMBER MARK-VIVERITO: -- that' snot the way to run a City I think--

MR. PAGE: [Interposing] I--I'm not--

COUNCIL MEMBER MARK-VIVERITO: -- so.

MR. PAGE: I'm not--

COUNCIL MEMBER MARK-VIVERITO: [Interposing] I would like us to look at that again and revisit that idea.

MR. PAGE: [Interposing] I'm not suggesting in terms of the leaning one way or another. My con--I'm not against what you're trying to do in terms of the leaning. It's the--

COUNCIL MEMBER MARK-VIVERITO: [Interposing] How do we get there.

MR. PAGE: --the specific

1  
2 difficulty of making those individual transactions  
3 come off--

4 MAR: [Interposing] Okay. I  
5 understand that. So I just, I think that we're  
6 willing to kind of extend our hand and see how we  
7 can do that jointly and look at ways of achieving  
8 that.

9 The last issue which I need to  
10 mention is this issue of the City Council  
11 allocation last year of \$18 million towards the  
12 City for NYCHA, the NYCHA community-run centers.  
13 And this was done with our understanding that we  
14 would have an ability at the table to really  
15 leverage--well it was understood that this was  
16 going to also help the City leverage some  
17 additional potential State and Federal aid.

18 So we'd like to get an update as to  
19 whether or not that is going to happen. But also  
20 we were under the understanding that we would have  
21 an ability to be consulted and to direct in which  
22 ways these monies would be spend. And we've been  
23 very disappointed. It's been very frustrating  
24 actually in terms of the direction that this  
25 Administration has taken with that money, with

really absolutely no consideration of our concerns when that is money, again, that we made a priority and that was not made a priority by this Administration.

So if you could give us an update as to the leveraging of the aid and whether we can get some sort of a commitment to have a more meaningful dialog on how this money is going to be spent.

MR. PAGE: Well I think a lot of effort has actually been put in on the part of the Administration in order to achieve the leveraging that you're talking about. And--

COUNCIL MEMBER MARK-VIVERITO:  
[Interposing] Do we have a projection as to how much additional State and Federal aid we can leverage from the \$18 million--?

MR. PAGE: [Interposing] Yes.  
Yeah. But I don't have it in my head at this moment. And maybe we could get that to you.

COUNCIL MEMBER MARK-VIVERITO:  
Okay. Please. We would like to see that.

MR. PAGE: And I... in terms of the details of how services are being provided, again,



that's something that I can't do at this moment  
but I--we should be able to do with you.

COUNCIL MEMBER MARK-VIVERITO:

Okay. So thank you Mr. Chair. I know that I'm  
actually running to a meeting with the  
Commissioner of TIF but just in terms of what--  
some of the things that have been raised about ACS  
and when we talked earlier about the  
reorganization of senior centers, talked about the  
case management.

What I believe we're noticing in  
terms of hearings and talking with advocates is  
that in pushing forward some of these proposals  
the Administration has had to backtrack in some  
cases and may actually be costing us more money in  
terms of what our original projections were. When  
we're talking about reorganization of services,  
not only is it the human impact, but clearly we  
also have to look at the fiscal impact.

And, you know, I guess we're  
encouraging that there be more dialog from the  
grassroots up in terms of deciding how these  
reorganizations are going to happen so that they  
have the least minimal impact on both the human

services front but also financially. Because we're noticing, all we have to do is look at with the case management has happened, with ACS, you know, can't really give us clear figures in terms of their projections on what the savings are going to be, etcetera.

There has to be some sort of real, more thoughtful process here that encourages dialog with us and also from the grassroots up so that we make decisions that are financially sound but also that really have the least minimal impact on the most vulnerable in this City. So I'll leave it there. Thank you very much.

CHAIRPERSON WEPRIN: Thank you Council Member. Council Member Brewer.

COUNCIL MEMBER BREWER: Thank you very much. My first question is just on transparency. With Council Member de Blasio, we've been trying to think of sunlight, sunshine, some kind of database that, I guess, the President is talking about, nationally. And we need to do that locally.

And I'm just wondering if you're thinking about it or who in the Administration

would be doing this because we'd like to think that we are transparent but it's really hard for the public not to mention us to follow that. What are your thoughts on that?

MR. PAGE: Are you talking about the stimulus--

COUNCIL MEMBER BREWER:  
[Interposing] Yes.

MR. PAGE: --money?

COUNCIL MEMBER BREWER: Stimulus money. Yes.

MR. PAGE: Yeah. I think that the Office of Operations under Jeff Kay has been looking at that a lot. There are fairly intense reporting requirements. And we've also spent a good deal of time working with them to try to put together a budget structure so that our basic reporting systems will be able to report this stuff and we won't suddenly get to a report date and imagine that we have to create it.

And we're actually working pretty intensively with Operations to hopefully have a system that can deliver on a routine basis the kinds of information that people are looking for

on the stimulus money.

COUNCIL MEMBER BREWER: Okay. I mean an example, I mean I know the technology front, it's \$250 million for "sustainable services" which would be supposedly in communities that were low income, it might mean home education--there's a whole bunch of categories that come after that. And ditto for--there's another \$200 million for public access centers, high schools, colleges and so on, you need to match.

So that kind of thing would be good to report on it but it would be good to get it up early. You may not know exactly what we're going to do with it but the public I think feels strongly that this is something that is sort of--that's theirs and that god knows they want to know in this economy what's happening. So I'm just urging you to do it sooner rather than later with Mr. Kay or whatever. And we'd like to work with you on the Council side also. Okay.

Second issue is the--I know there's--even something like S-CHIP, which was that Federal health program for children, Bush

vetoed it twice, Obama passed it. How--that goes to the State and then it comes down to us. But something like that which is not stimulus but happened to, I guess, pass at a similar time.

What would--how would that be part of this budget? Does it help things like oral health clinics? Does it do anything that could add to the budget possibilities? Or is that something that is already figured into your plan and it doesn't add anything? S-CHIP.

MR. PAGE: Yeah. I--we're going to have to get back to you on that because I don't have it. I don't know the answer.

COUNCIL MEMBER BREWER: Okay. I would like to know. MTA, I know that that's a project that is primarily Federal--err, the State. But I'm just wondering what if anything is in the budget or how are we playing a role in the discussions on the budget side?

MR. PAGE: Hum. Well as you know, the MTA sort of with a major lift by Ravvich [phonetic] has been trying to get a combination of payroll tax in the MTA region and bridge tolls as a sort of appropriately spread out among different

1  
2 payers, basis of support for their mass transit  
3 system and the mass transit system capital.

4 [Pause]

5 MR. PAGE: If their current  
6 proposal is successful I believe that there's a  
7 cost for the City as an employer because we're  
8 subject to the payroll taxes as proposed at the  
9 moment. There may be benefit to the City in terms  
10 of what it costs us to maintain the bridges right  
11 now which is something that we've budgeted for.  
12 It's obviously an important maintenance and  
13 capital need that we've been carrying.

14 And as part of this proposal that  
15 would shift to the MTA and its toll revenues as  
16 opposed to riding on us and there is discussion  
17 about how a consolidated bus company for the MTA  
18 would be funded and what degree or, of support  
19 from local counties would be needed. That would  
20 pick up among other things what--the formerly  
21 private bus service--

22 COUNCIL MEMBER BREWER:

23 [Interposing] Right.

24 MR. PAGE: --that the MTA's been  
25 running for us but also the bus service in Nassau,

Westchester, I don't know to what extent other counties.

COUNCIL MEMBER BREWER: Okay. So there's more to be discussed with that. In the paper over the weekend or maybe it was today, I know in Washington there's a discussion about Arch Diocese Schools and Charter Schools. And I know some Brooklyn pilots are taking place. How is that all being funded? How is this--there was never any discussion about that in the paper.

MR. PAGE: Well the--as I understand it, this idea of taking over former parochial school buildings to house New York City charter schools would be funded through the Department of Ed as a part of their charter school initiative.

COUNCIL MEMBER BREWER: Yeah so--

MR. PAGE: [Interposing] It's a question of [pause] I'm at a very simple level on it I'm afraid. But to me it's a question of identifying available appropriate buildings to put charter schools in. And, you know, at that level it seems to make sense. As soon as you get into the details of doctrine, philosophy and different

peoples' points of view, it gets more complicated-  
-

COUNCIL MEMBER BREWER:

[Interposing] Okay. And then final question  
'cause of the time. What comes directly to us?  
Obviously CDBG has always come directly to us.

MR. PAGE: CDBG, IDEA and Title I.

COUNCIL MEMBER BREWER: That's it.  
How about this green money that's all going  
through the State? I was under the impression,  
and I could be wrong, that some of the--and that  
we could, you know, talk about it. I thought that  
was a stimulus package that comes directly to  
cities.

MR. PAGE: I--I'll--let me get back  
to you on that.

COUNCIL MEMBER BREWER: Okay so  
you've got two things to get back to me on.

MR. PAGE: Yes.

COUNCIL MEMBER BREWER: Thank you  
very much.

CHAIRPERSON WEPRIN: Okay.

MR. PAGE: Thank you.

CHAIRPERSON WEPRIN: And the last



questioner, unless other people return, we hope not, Council Member Kendall Stewart.

COUNCIL MEMBER STEWART: Thank you Mr. Chair. Mr. Page I just want some clarity. The first one is on, let me see... ACS no longer wants to have full-time daycare for the 4-year olds. That means parents will have to seek Kindergarten placement in schools.

But we have been stating all year long and in previous years that space is limited. We have overcrowding. And also I haven't seen anywhere in this, where you speak about the budgetary impact that it will create. Could you explain that for me please?

MR. PAGE: I've said in my testimony that I think we have savings of a little over \$15 million as--

COUNCIL MEMBER STEWART:  
[Interposing] But how do you get the savings if, if we don't have the space?

MR. PAGE: Because I don't--I--my understanding is that we do have the space. And that there are obviously issues, school by school and neighborhood by neighborhood. I'm sure that

there are a lot of logistical details to work out. But the information that I've been given on this proposal is that given our expectation of 5-year old population next year, we will in fact have adequate spaces in school Kindergarten to pick up this additional group of 5-year olds.

I certainly hear the concern with how you deal with the period between 3:00 o'clock and when you get home from work. And that's a, an obvious problem in life. It's something that OST has been trying to address and it's certainly not a problem that's fully solved at this moment. And it's a problem that exists in this picture. I'm also told that if you're a family who is entitled to full-time day care paid for by the City then you would be entitled to payment to cover child care from 3:00 to the end of the day--

COUNCIL MEMBER STEWART:

[Interposing] You--you--

MR. PAGE: --however that should best be run.

COUNCIL MEMBER STEWART: You've been, in your answers, you're saying 5-year old. And I understand that. But what happened to the

4-year old that now have to be in the public schools?

MR. PAGE: I think the 4-year olds are pre-K or day care. And I don't think that this proposal--

COUNCIL MEMBER STEWART:

[Interposing] No the ACS is, as--well basically, my understanding is that 4-year olds are now--have to apply to be in public schools in the Kindergarten.

MR. PAGE: No. I don't think so.

[Off mic]

MR. PAGE: I think they're pre-K but not Kindergarten. I think it's a different program. And I don't think the pre-K is not actually in the schools is it?

[Pause]

MR. PAGE: I think that there's been an ongoing effort to get 4-year olds into pre-K because of a belief that that program, and some of it's in schools and some of it is in community day care places, that that defined program has an educational component in it that people seem to think is a good idea--

COUNCIL MEMBER STEWART:

(Interposing) Are--

MR. PAGE: --but that's apart from the current proposal to try to shift 5-year olds from all day, day care into Kindergarten for the Kindergarten day.

COUNCIL MEMBER STEWART: All right.

I have another question Mr. Chair. The State has placed a 3% cap on the 2005 Medicaid reimbursement. We all know that in these times, economic times that we have right now, there are going to be a lot more folks who will be needing Medicaid. In other words, there's going to be an influx of folks, more than what we see today in terms of Medicaid, seeking to get help in hospitals and agencies and those places.

If there's a cap, can you tell me how we're going to try to make up for the difference now that there's going to be a great increase in terms of folks who will be using the service and we would have to deal with that? Can you tell me how we're going to deal with that please?

MR. PAGE: The Medicaid cap that

people talk about is an increase of 3%, an increase each year, equal to 3% of the Medicaid payment in 2005. So it actually steps up year after year. But it's a cap on the amount New York City or the local county pays for Medicaid. It's not a cap on the amount that the State pays for Medicaid.

So that if there's a Medicaid increase that exceeds that cap, the structure is that the State picks up the excess instead of the City or the local county. This is not a cap on what the doctor or the healthcare provider gets under Medicaid. It's a cap on the local government's contribution to that cost.

If you look around the country in most states the cap doesn't exist because the Feds pay part of Medicaid and the State pays the rest. New York State is 1 of 11 states where the state makes the local county, in our case the City government, contribute to that Medicaid cost. And the cap is on that contribution. It's not on the amount actually paid for medical care under Medicaid.

COUNCIL MEMBER STEWART: Well would

that be a reason why our health institutions are failing in terms of surviving in New York City?

[Pause]

MR. PAGE: Well. I mean one of the elements of funding healthcare in New York City is the level of reimbursement for healthcare provided under Medicaid. And that level is defined by the State. It's not defined by us.

COUNCIL MEMBER STEWART: Thank you. Hum.

CHAIRPERSON WEPRIN: Thank you. We're now going to be joint with the Contracts Committee. That portion of Mr. Page's testimony as it relates to contracts with the City. And I'm going to turn it over to my co-chair Letitia James, Chair of the Contracts Committee.

[Pause]

CHAIRPERSON WEPRIN: Oh wait. Just one follow-up question before we call on Chair James. Thank you. Staff points out to me that you referred in your testimony that the Governor's executive budget seemed to leave out incremental building aid that funds the capital budget. But they were under the impression that that was

included in the Governor's executive budget.

Could you clarify that?

MR. PAGE: I know. Just... the building aid is in there. But they're counting it in our proportion of State operating aid for education. The issue here is that they've made a commitment to support half our capital program.

If they take away dollar for dollar what the capital support costs from what they give us for operating purposes, they haven't given us anything. And that's the problem with the executive budget proposal on building aid. It's not a question that the building aid's not there. It's a question of how you score it.

CHAIRPERSON WEPRIN: Okay. That clarifies that. Not satisfactorily but that clarifies it. Not to the City's satisfaction. Chair James.

CHAIRPERSON JAMES: Thank you. So Mr. Page I went to get some tea, did you get some?

MR. PAGE: No.

CHAIRPERSON JAMES: Okay. Would you like some?

MR. PAGE: No, thank you--

CHAIRPERSON JAMES: [Interposing]  
Would you like an aspirin?

MR. PAGE: Well [chuckles].

CHAIRPERSON JAMES: You recognize  
the feminization of poverty in this City? No,  
huh.

MR. PAGE: I... maybe but I don't  
think that's what we're discussing. [chuckles]

[Pause]

CHAIRPERSON JAMES: The Contracts  
Committee as you know as an oversight role over  
the City's contracting process and how these  
contracts affect not only the operation of City  
government but also services in our community.  
Since I have been Chair we have studied the City's  
procurement policies and how to make them more  
efficient.

The Committee has also explored the  
use of different services and products that would  
be both environmentally friendly and cost  
effective. And I am proud that this Committee has  
taken the lead in implementing and overseeing the  
City's MWBE/EBE and LBE programs. For those of you  
who are not familiar with those acronyms they



stand for the Minority and Women Business Enterprises, Emerging Business Enterprises and Local Business Enterprising programs in the City of New York.

My goal today is to explore several of the issues the City faces in regards to contracts, especially in light of these austere economic times. I hope that some of the questions that will be asked will lead to more in depth study by this Committee and other Council Committees to not only make municipal contracting more cost effective and accessible to our City's businesses but to also ensure that contracting does not adversely affect our City's workforce and the services provided to our constituents.

Mr. Page my first question is the stimulus package, does it increase opportunities for MWBEs in the City of New York? And if so, how so? Is there any language with regards to a WMBE procurement opportunities and if so do we know what the goals and time tables or how it increases opportunities in our--in contracts?

MR. PAGE: I don't know the answer to that question. And I, and I'm sorry, I will

get back to you.

CHAIRPERSON JAMES: It's--oh okay.

A number of WMBEs have consulted, have contacted my office to find out whether or not there was any language specifically in the stimulus package which would increase opportunities for them. Both WMBEs, Minority and Women Business Enterprises as well as Local Business Enterprises and a number of Small Business Enterprises.

And if we could, if you could provide for me information with regards to how we can increase business opportunities for small businesses which as you know are the engine of the City of New York, that would be greatly appreciated. Can we agree upon that?

MR. PAGE: Yeah.

CHAIRPERSON JAMES: Thank you.

Next question, a series of questions is Mr. Mayor--I mean Mr. Mayor, Mr. Page, you know, the administration has budgeted \$6 billion for contractual services covering 18,639 contracts and that was in 2003. And it has been demonstrated repeatedly that contracting out essential services adds overhead, adds and undermines consistent

quality. It opens up the door to corruption and political deal making.

What have we done within the last year to reduce the amount of contracting out essential services in the City of New York? Have we reduced it to any degree? And if so in what contracts of what departments, what agencies?

MR. PAGE: I don't know overall to what extent we may have reduced contracting out. We have I think continued to hire professional expertise in areas like data processing, construction supervision, areas where in the past we've had difficulty competing with non-City salary structures. But one side benefit of the current economic circumstances is that people of that kind, hum, more likely to recognize the benefits of working for us. And that's helpful.

CHAIRPERSON JAMES: What about temporary service contracts such as--apparently we contract out for temporary service contracts. They include secretarial, receptionist, stenographical, clerical, key punch, handy persons, things like that. It's my understanding that in the last couple of years we appropriated

hundreds of millions in temporary service contracts.

What are we doing to tamp down on temporary service contracts? Contracts--services that can best be performed by municipal workers.

MR. PAGE: Well. There--I guess that there are from time to time temporary staffing needs which we would think could appropriately and perhaps most cost effectively be met with contract services. However as part of our ongoing personnel management effort to comply with Civil Service requirements, I think that DCAS has spent considerable effort identifying nominally temporary positions that have in fact been occupied more or less permanently by supposedly temporary employees and that that is something that we have been trying to remedy in terms--as an employment practice by the City.

CHAIRPERSON JAMES: Practice according to my information has gone on for some time and specifically during my tenure here at the City Council. And we've just--it appears that we've not done much to rein in those costs.

MR. PAGE: I don't, I'm sure you're

right if you've looked at it. I'm not aware of the overall totals.

CHAIRPERSON JAMES: Are you aware of the City time contract. I believe we had a hearing about City time which is a contract--

MR. PAGE: [Interposing] I am.

CHAIRPERSON JAMES: --okay. And apparently that contract has spiraled out of control and the costs have just exceeded its original scope and original costs, the costs associated with that contract. What are we doing? What have we--and it's my understanding that we are continuing to expand City Time, and this contract right now exceeds \$500 million.

So what have we done to change that, to tamp down on City Time, to review it, to do an analysis, cost benefit analysis of City Time? Have we done anything to address this, these spiraling costs?

MR. PAGE: We've reviewed that project repeatedly. It has been in place in one form or another since the late 1990's. It was, it is a very elaborate computer programming and data processing system which was put aside when we

were, huh, it seems, you know, forever ago, but put aside when we were trying to deal with the transition from the 20<sup>th</sup> to the 21<sup>st</sup> Century in the City systems.

It continues. It has I think something approaching 30,000 City employees who are now, have their work time tracked through it. I think that in, you know, 2009 with a workforce the size of ours, we really have no choice but to develop a consistent, accurate time keeping system for City employees.

We are currently exposed, for instance, on issues of Fair Labor Standards Act and Federal requirements on overtime compensation which are different from the overtime compensation provided for in City collective bargaining agreements. And we are in many instances actually without the information to address the Federal standards. City Time will let us do this.

It is expensive, complicated and time consuming to put together as a system in large part because the City has hundreds of collective bargaining agreements which define time and sort of working requirements differently.

And a Citywide automated time keeping system, which is what this is trying to be, has to be formulated to reflect every one of those separate collectively bargained agreements which is something of a nightmare. You end up with a system which when it's operating will have many more transactions in it than the City's budget and accounting system.

CHAIRPERSON JAMES: So does it-- will there--are we ever going to cap that contract? Does that justify--

MR. PAGE: [Interposing] Yeah. It's going to get done some day. And I hope--

CHAIRPERSON JAMES: [Interposing] Within your time? OR?

MR. PAGE: [chuckling] I don't know how long my time is--

CHAIRPERSON JAMES: [Interposing] [chuckling]

MR. PAGE: --but I would hope that it's really--it is in the process of being implemented. We are getting some benefit from it. And I would hope that in the next year or so we would really be sort of over the hump and running

down hill on getting it implemented in City agencies. We are in or about to be in a pilot in the Police Department in a Precinct in Staten Island.

It has promise for enabling us to do a much--well less expensive, more accurate, fewer clerks and so forth keeping sort of hand written records of time, time record, but also a better job of deploying labor. I mean one of the problems that we read about all the time is people who are coming up on retirement and rack up enormous amounts of overtime which then costs us a fortune for as long as they live because it pushes their pension benefits up.

City Time would actually give you as a supervisor that kind of information about your workforce. And it would also tell you when you needed to cover an overtime position who was available, who had the credentials to do that and statistics on overtime and things of that time. It potentially is, I think, enormously useful to us. And it's costs and time has been, huh, extremely painful and--

CHAIRPERSON JAMES: [Interposing]



No it's...

MR. PAGE: --we've spent a lot of time trying to rethink and reconsider whether there's a better way of doing it. And we haven't found one--

CHAIRPERSON JAMES: [Interposing]  
Have you--

MR. PAGE: --we do think we're making progress.

CHAIRPERSON JAMES: You--making progress, does that translate into realizing savings?

MR. PAGE: Well. Realizing--

CHAIRPERSON JAMES: [Interposing] I mean how are you making progress?

MR. PAGE: --savings--getting people on it. Because at the end of the day I mean one of the things that I'm trying to do in containing costs and reducing the number of people required to get the job done in New York City is to reduce the number of time keeping clerks in agencies as they go on City Time. The normal culture is that you go on a new system and you run the old system at the same time. You still keep

your file cards. It has to go--

CHAIRPERSON JAMES: [Interposing]  
Getting back--I'm sorry. Getting back to  
contracting out. The preliminary contracts budget  
reflects an 8.3% reduction in contractual  
spending. How were those cuts determined and in  
what areas, what agencies?

[Pause]

MR. PAGE: I think that that's more  
a function of the effort to programmatically  
reduce spending as opposed to a specific focus on  
contracting out although the fact that that number  
is a little high maybe suggests that we were able  
to identify places where bringing work in would  
actually contain costs.

I mean that is obviously, this  
contract of contracting in and out is one of the  
questions that we ask, particularly in  
circumstances of constrained spending, of whether  
there isn't a cheaper way to get there from here.

CHAIRPERSON JAMES: The--I'm going  
to defer the questions regards to the Board of  
Education to the Chair of Education, Council  
Member Jackson, but my last question before I get

back to you is the Department of Design and Construction oversees a \$1.5 billion budget in capital construct. And most of the design, inspection and construction management is all provided, we've outsourced it. And we could save \$76 million I believe if in fact we do it in-house. Have you considered perhaps reviewing contracting out services within Design and Construction?

MR. PAGE: Are you thinking that we would actually do the physical construction of facilities with City employees or that we would do more of the design and supervision with City employees?

CHAIRPERSON JAMES: Well virtually all of the design work at the Structures Unit within DDC is contracted out. Can any of that work be contracted in?

MR. PAGE: I mean it's... worth considering. I think that... my current effort with DDC is to actually get their expertise into the costing of contracts, of capital projects when we first include them in the budget. But, you know, I think that your point is worth pursuing.

CHAIRPERSON JAMES: Council Member Jackson.

COUNCIL MEMBER JACKSON: Thank you. Thank you Madam Chair. Mr. Page just to follow up on her last point. I, clearly we have heard, I mean I say we, Tish James is the current Chair, myself as a former Chair of Contracts Committee, myself as the Chair of the Education Committee, we have heard from the DC 37 Local that deals with that is that they can do almost all of that work and there's no need for DDC or anyone else to contract out the work when City employees can do it. And quite frankly in these tough times I totally agree with them.

And I think that that's where, in my opinion, communicating, the Mayor or who, or the Deputy Mayor or whoever's responsible over DDC needs to tell them. That the contract would not include--that the contract that you're going to contract out does not include for design and that our internal people, our internal people should be able to do. I think those are the tough decisions that have to be made by the Administration.

Because as you know, overall, you

1 know, even though you're not--you're talking about  
2 that that is part of the contract, every little  
3 bit helps when your family is in need. Every  
4 little bit helps. And I'm not going to go into a  
5 whole philosophical thing about, you know, those  
6 that are making more than \$250,000 but you need to  
7 know that I--and then I'll get to my question, I  
8 promise you.

10 I was on the Executive Budget Panel  
11 up at, about a month ago, at the Black, Puerto  
12 Rican, Latino and Asian Caucus Weekend, where I  
13 said that myself and my family, and we're earning  
14 a little bit more, in order to keep the entire  
15 family together, that we're willing to pay a  
16 little bit more.

17 And I think from a holistic point  
18 of view, from the family point of view, I think  
19 that's how we have to look at it. That's just my  
20 personal view and you need to know that as a  
21 Council Member that's where I'm coming from--

22 MR. PAGE: [Interposing] Um-hum.

23 COUNCIL MEMBER JACKSON: --overall.  
24 Let me get to my question with respects to, and I  
25 know that every year I ask you about the Financial

Management System of the City of New York and the Department of Education. And I didn't ask that question earlier. So I'm going to stick it in now. Are we aligned yet or not yet? I know we did one part. I think that was the--I mean Larry, I think PS we did? OTPS. Where are we at--

MR. PAGE: [Interposing] Yes on the OTPS--

COUNCIL MEMBER JACKSON:  
[Interposing] [chuckling]

MR. PAGE: --December on PS.  
There's still problems in this. You'll be surprised to hear.

COUNCIL MEMBER JACKSON: [Laughing]

MR. PAGE: And I mean part of it comes from the Department of Ed's policy of trying to give principals flexibility about how they spend money because that means that you give them the money. And because of the way we normally, among other things, divide between OTPS and PS in budget codes.

That part of the flexibility the Department of Ed gives principals is to choose whether you hire another teacher or whether you

pay for an after school program or augment services somehow. And it doesn't necessarily divide by U of A. That's an ongoing problem.

COUNCIL MEMBER JACKSON: Well.

MR. PAGE: I have hopes that, never mind. And now I think we have, I think we have made progress on understanding the sort of fiscal status of the Department of Ed as you go through the year. It's, well, period.

COUNCIL MEMBER JACKSON: Well I do know that the Department of Education is spending about \$1 billion a year on special education contracts. And given the fact that in our documents it's indicated that even with respects to the programs to eliminate the gap in your, I think in your January Plan, you expected a savings regarding that.

So I'm curious to know what are you doing, meaning you the OMB, in order to have DOE rein in the costs. Considering the fact that overall tuitions in all schools go up and really don't go down and that you're expecting a savings.

And so I just need to know with respects to is DOE negotiating a better price

1 considering that we're a billion dollar game in  
2 town as far as New York City is concerned? Or is  
3 that something that the Office of Management and  
4 Budget is doing? Or the Mayor's Office of  
5 Contracts? Or no one is doing it and we're just  
6 going to pay whatever we're being billed. And I  
7 know that's a huge issue overall--

8 MR. PAGE: [Interposing] Yeah.

9 COUNCIL MEMBER JACKSON: --but  
10 somewhere Mr. Page we have to rein that in.

11 MR. PAGE: I agree with you  
12 strongly. And the success, yuck, the--we have one  
13 pilot program which is actually to compensate  
14 parents of special ed kids to provide their own  
15 transportation for the kid back and forth to  
16 school. And that, although we would provide  
17 compensation, it would be considerably less  
18 expensive than the bus contracts that currently do  
19 that. We have at least a pilot program on that  
20 which is small but at least it's something.

21 On the tuition costs that you talk  
22 about, we're in a [pause] I think long term  
23 untenable position of having the services  
24 determined to be appropriate for an individual  
25



child in special education basically determined by a hearing process where among other things, the presumption of rightness is with the child and his or her family in terms of the--

COUNCIL MEMBER JACKSON:

[Interposing] IEP.

MR. PAGE: Yeah.

COUNCIL MEMBER JACKSON: Yeah.

That I, that I--

MR. PAGE: [Interposing] And

there's a bunch of--what seems to be known as I think the Carter cases--

COUNCIL MEMBER JACKSON:

[Interposing] Um-hum.

MR. PAGE: --where we've basically been losing on families who have sent their child to a private school and even where demonstrably the family had the capacity to do that on their own, we are ultimately required to reimburse them for those costs--

COUNCIL MEMBER JACKSON:

[Interposing] Right. Under the law.

MR. PAGE: --so that on that front we've been going backwards I would say as opposed

to forwards.

COUNCIL MEMBER JACKSON: Yeah. But I, considering the fact that we spend as a City of New York, so much as a result of the children with special needs and their IEPs and we're basically dealing with a menu of contractors overall--

MR. PAGE: [Interposing] Um-hum.

COUNCIL MEMBER JACKSON: --it would seem as though, especially now, that we should be able to negotiate a better contract for services overall. Now obviously there are always going to be little special situations but considering the fact that when you're talking about special needs children, you know, it's not like there is 10,000 different aspects of special needs overall--

MR. PAGE: [Interposing] Yeah. I totally get your point. And the only thing that I have found encouraging recently in talking to the Department of Ed about their spending is that it's very evident when you look at the trends in the Department of Ed like the City that you have a certain level of fixed costs that's just growing.

And if you watch the trend going out, you can't function. And in the Department of

Ed, a big chunk of that is special education. And what happens is that the regular education just gets squeezed. And if you carry the current trend forward you can't function.

And hopefully that realization will translate into some moderation of this sort of absolute mandate on paying the costs of whatever level of service can be imagined for a child in need which is clearly a problem. You know?

COUNCIL MEMBER JACKSON: With respects to the pilot project that you referred to earlier with respects--

MR. PAGE: [Interposing] Um-hum.

COUNCIL MEMBER JACKSON: --to parents and rather than taking the public busses providing their own transportation, which costs the City a little less, was that a pilot project that was put forward by OMB to DOE or did DOE come forward with that? And how long is that, can you just explain that a little bit for me if you don't mind--

MR. PAGE: [Interposing] I think it's been a joint effort between us. And is it in place or is it supposed to be in place next year?

It's to be in place next year.

COUNCIL MEMBER JACKSON: Next year.

So--

MR. PAGE: [Interposing] Yeah.

COUNCIL MEMBER JACKSON: --it's not  
in place now.

MR. PAGE: No.

COUNCIL MEMBER JACKSON: So the  
projected costs are in when? 2010 or 2011?

MR. PAGE: I think we get some  
benefit in 2010. A ringing \$4 million, but it's  
\$4 million.

COUNCIL MEMBER JACKSON: \$4 million  
is--

MR. PAGE: [Interposing] Yes.

COUNCIL MEMBER JACKSON: --\$4  
million.

MR. PAGE: Right.

COUNCIL MEMBER JACKSON: And do you  
have any idea or should I follow up with DOE, for  
example, this pilot project which is going forward  
in the future, is that for like 500 families or  
1,000 families?

MR. PAGE: I think we can [pause]

either we or DOE can talk to you further--

COUNCIL MEMBER JACKSON:

[Interposing] Okay.

MR. PAGE: --I don't have those numbers.

COUNCIL MEMBER JACKSON: All right.

And just... now have we made any additional progress with school bus contracts? That's another \$1 billion, you know, these are huge, huge--and I understand the magnitude of them. Obviously I've been on Education chairing for the past, going on my fourth year, and as I said with Contracts, these are billion dollar programs.

And I've heard from the bus companies that if we open it up it's going to cost a lot, a lot more than this. And I'm--even though I listen to what everyone has to say on this particular matter--

MR. PAGE: [Interposing] Yeah.

COUNCIL MEMBER JACKSON: --you know, quite frankly, considering the fact that we're--the City is in this budget deficit situation, we're not open competitively bidding those bus contracts--

MR. PAGE: [Interposing] Yeah.

COUNCIL MEMBER JACKSON: --and as a result of that, I really don't know what's out there and what the cost factor will be. And I know--and finally, I'm sorry, before you respond Mr. Page, that when, under the, I think it was the pre-K bussing, under DOT, they had competitively bid and saved some money, then that program moved over to DOE. You know what I'm saying.

MR. PAGE: Which was financially a major mistake that some of us thought it was at the time and it certainly has turned out that way.

COUNCIL MEMBER JACKSON: Right.

MR. PAGE: Yeah. I don't know. It's--I have always, you know, heard the argument of the private bus companies as well. I spent a lot of time negotiating the MTA takeover of the private bus companies that still provided public bus service in the City. And you would think that they're private, well except that we were picking up the deficit so that we were paying for them.

Competition, there are huge problems in that industry in getting genuine competition because it's so difficult to site

garage and repair facilities as well as, you know, how many people are going to have a fleet of busses that can really serve our need.

I guess that, you know, the question of your Committee of contracting in and contracting out the private--the formerly private bus companies are now run by the MTA. I mean is that contracting in? In a way. It depends on what you think of the MTA's management of public transportation.

When you get to a point where you have something like school bussing which is so... the private provider and our need are so intertwined--

COUNCIL MEMBER JACKSON:

[Interposing] Um-hum.

MR. PAGE: --that you begin to wonder what the private piece of it really gets you and whether realistically you can get competition. To me that sort of raises the question of whether it makes sense to have the private element there. I mean you could look at it and see whether it helps or it doesn't help.

I mean if you look at the way we

contract for services in social services, yeah, we have private agencies that provide a lot of social services in New York City. Do we actually have competition among them? I would suggest generally no. We have a long term relationship where we can't survive without them and they can't survive without us.

I think you get there in the busses as well. And I don't know how best to contain the costs but I'm not sure that competition genuinely works in that circumstance.

COUNCIL MEMBER JACKSON: Well. Clearly by being on this subject for so long, I guess if I was in your situation I could understand what you're dealing with. I clearly understand your response. But I think clearly in these tough economic times, you know--

MR. PAGE: [Interposing] Um-hum.

COUNCIL MEMBER JACKSON: --when you're dealing with a billion dollar contract--

MR. PAGE: [Interposing] Yeah.

COUNCIL MEMBER JACKSON: --and even if you could shave--

MR. PAGE: [Interposing] It would



be nice to cut something off it.

COUNCIL MEMBER JACKSON: Yeah, even saving \$50 million--

MR. PAGE: [Interposing] Sure.

COUNCIL MEMBER JACKSON: --huh--

MR. PAGE: [Interposing] Yeah.

COUNCIL MEMBER JACKSON: --which is what, \$50 million is, what is that 5%? Help me out here.

MR. PAGE: Yeah.

COUNCIL MEMBER JACKSON: I mean that's 5%. That \$50 million--

MR. PAGE: [Interposing] That would be nice.

COUNCIL MEMBER JACKSON: --goes along ways.

MR. PAGE: Yes.

COUNCIL MEMBER JACKSON: I know I think you said, you know, you said that \$500 million is worth 10,000 jobs--

MR. PAGE: [Interposing] Yes.

COUNCIL MEMBER JACKSON: --is that correct?

MR. PAGE: Yeah.

COUNCIL MEMBER JACKSON: So \$5 million would be worth how many jobs David, you're the Finance Chair.

[Crosstalk]

COUNCIL MEMBER JACKSON: Whatever. It'd be jobs. It's jobs. So all I'm saying is that we must look at every approach in order to save money.

MR. PAGE: Yep.

COUNCIL MEMBER JACKSON: So I appreciate your honest response with respects to that these are very difficult situations in dealing with such huge situations like that as far as the special education contract worth about a billion and the bussing contract worth about another billion. So between the 2, like \$2.5 billion just in one agency.

MR. PAGE: It's a lot of money.

COUNCIL MEMBER JACKSON: Just dealing with two contracts.

MR. PAGE: Yep.

COUNCIL MEMBER JACKSON: Thank you Madam Chair.

CHAIRPERSON JAMES: And some of

those savings could be used to keep the children in daycare centers until 6:00 o'clock. Only 3,500 children. Most of them low income. Female head of households.

MR. PAGE: [chuckling]

CHAIRPERSON JAMES: And just to give you some examples of some contracts that, you know, the increasing use of consultants and temporary service contracts by the Board of Education, Corrections Department, Department of Health and other Mayoral agencies continue to cause concern for this Chair as well as other members of the City Council. But I want to point out to you some specific contracts which have raised my eyebrows.

The Parent Location, the contracting in Absent Parent Locations and Administration for Children's Service and the Office of Child Support Enforcement, apparently you contract a portion of the Absent Parent Investigations to Equifax. And though that is a worthy cause, the results unfortunately have not yielded much savings. So that's one contract that I would urge you to look at.

Another contract that I would urge you to look at within the Board of Education, you continue to replace private delivery vendors with in house--well you should replace private delivery vendors with in house personnel to deliver commodities to New York City public schools and nonpublic schools. That would result in a savings of at least \$25 million according to some estimates.

And then eliminate the United Way contract for the Attendance Improvement and Dropout Prevention Program in Project Achieve Transition Services to serve as a managing agency to subcontract to CBOs to provide support services, outreach and parent involvement.

If we, just in those three contracts alone, we would save at least \$50 million. And that would go along way in keeping my babies in a day care school, in day care because I believe in early childhood education until 6:00 o'clock.

And of course if you would put a cap on City Time, that--another savings and of course DDC as I mentioned earlier, more savings.

So Mr. Page, we have outlined and recommended to you some savings and I would urge that you would look at those.

In addition to that, I'm looking at the preliminary Contracts budget by object code. And it appears that community consultants, we have reduced that from \$26 million to \$18 million. Is there any further reduction that we could make in terms of reducing the number of community consultants? And what is a community consultant?

MR. PAGE: I was going to ask you.

CHAIRPERSON JAMES: Yeah, I don't know.

MR. PAGE: [chuckling]

CHAIRPERSON JAMES: Anyone know? What agency? Okay. What--Social Services, one contract, just one, and I don't know what that contract is--

MR. PAGE: [Interposing] We'll get back to you.

CHAIRPERSON JAMES: --\$1.8 million.

MR. PAGE: I don't know.

CHAIRPERSON JAMES: I don't know what that is, it's here, object code. And lastly

economic development which is 45 contracts. You reduced it from \$21 million to \$6.8 million, resulting in a 68% reduction. What types of contracts within the Department of Economic Development have we cut to yield those?

MR. PAGE: I, I will get back to you. I don't know the answer to that.

CHAIRPERSON JAMES: Okay. And lastly again, if this Administration, again, would take serious enforcing Local Law 14 on increasing WMBE opportunities. The last hearing that we held, across the board, every City agency, the numbers were abysmally low. They were shamefully low. They were less than 5% in a number of agencies.

And we've got to do better, particularly since we know that the driving force in the City of New York is small business. We really need to increase opportunities for the people of color and women in this City of New York. And I would hope that the Administration feels and has the same commitment and passion as I do towards that goal. You had enough?

MR. PAGE: Yeah.

CHAIRPERSON JAMES: Yeah. Break.

I think we're going to take a five minute break  
Mr. Page.

MR. PAGE: Are we done with this  
Committee?

[Pause]

MR. PAGE: Thank you.

[Pause]

CHAIRPERSON WEPRIN: Finance is  
going to take a five minute break and then we're  
going to hear from Commissioner Martha Stark and  
the Department of Finance.

[Pause]

[Gavel banging]

CHAIRPERSON WEPRIN: Finance is  
back in session. We're joined by our Majority  
Leader, Council Member Joel Rivera. And we're  
going to hear form Commissioner Martha Stark of  
the Department of Finance and I know she  
rearranged her schedule to be here. So we very  
much appreciate it and as a reward, we made sure  
that we put you on in the afternoon when a lot of  
the members are gone so they won't give you too  
hard a time. Mrs. Stark do you have a prepared

statement?

COMMISSIONER MARTHA E. STARK: I do. And good afternoon and thank you. I actually enjoy when more members are here. So I'm, you know, I'm actually a little bit disappointed that just you and Council Member Rivera are here. But--

CHAIRPERSON WEPRIN: [Interposing] Well I think that Mark Page would differ with you on that one.

[Audience laughter]

MS. STARK: It won't be the first time. [Chuckling] Good afternoon, Chairman Weprin and members of the Finance Committee and hello to you.

I am Finance Commissioner Martha E. Stark, and I am pleased to be here for this hearing on the Mayor's preliminary budget for Fiscal Year 2010. This is my eighth appearance at a preliminary budget hearing--

CHAIRPERSON WEPRIN: [Interposing] Mine too.

MS. STARK: --yes, indeed, and I am once again extremely grateful for the opportunity.



Today, before taking your questions, I thought I would do four things.

First, I will outline several measures that Finance will do to help close the City's growing budget gap. Second, I will describe this year's assessment roll, which showed a decline in overall market value. Third, I will update you on the lien sale. Last, I will provide a quick overview and urge your support of two pieces of legislation that will soon come before you. Finally, as always, I will be happy to take your questions.

Let me describe what Finance has done to meet the Mayor's call for 5% in cuts to close the City's budget gap. I will highlight three PEGs that Finance will implement. So audit-related changes that we will make will lead to an increase in revenue of \$5 million annually. Most notably, our new Office of Tax Audit, Enforcement and Policy, headed up by Deputy Commissioner Michael Hyman, who I think you all know, who is sitting here on my right, he's going to institute an electronic data matching program for cigarette wholesalers to foster more tax compliance at both

the wholesale and retail level.

Another PEG that we will implement is an innovative idea that Robert Lee, Finance's Deputy Commissioner for Treasury identified. Bobby is here as well, sitting in the back, off to my right. Finance is responsible for finding secure, safe investments that yield the best return for the City's money.

In one case, Bobby discovered that some of the \$355 million in Court and Trust funds that we are responsible for safeguarding were invested in low interest-bearing accounts. We were able to reinvest the money, keeping it secure and available when needed and generating an additional \$300,000 each year.

Finally, on the expense side, we are hiring qualified technicians as City employees rather than relying on outside consultants. We will save \$2.3 million by replacing consultants who have maintained our Automated City Register Information System and NYCServ, our computer application that makes it possible for customers to pay their charges on-line.

In addition to saving money,

bringing these jobs in-house will help us build our capacity to improve these technology projects in the future. We are fortunate that under the leadership of Jane Landon, our Chief Information Officer, we are now well positioned to bring this expertise inside the agency and use these resources efficiently. Jane is here as well, sitting in the back and has lots of great energy and we're really thrilled to have her.

Also, we plan on meeting the current headcount reduction requirements without layoffs by not backfilling vacancies. In the next year, we expect 17 positions will go unfilled, saving \$1.2 million in Fiscal Year 2010.

As you know, Finance is responsible for valuing 1,000,000 properties every year. On January 15<sup>th</sup>, Finance released its annual tentative assessment roll for Fiscal Year 2010. For the first time since the mid-90's, overall market values declined from the previous year, though this was not unexpected given the current economic crisis.

In fact, despite a severe downturn in the economy, it was a decidedly mixed year for

New York City's real estate market. The overall market value declined, from \$811 billion to \$801 billion. Home values dropped, but the value of commercial properties grew. We hope that the real estate market will weather this storm as a result of the City's competitive advantages as a cultural, financial, and intellectual hub.

It is also important to note that while the market value of small homes has declined, the assessed value, which is what taxes are based on, increased. For small homes since market value can only grow 6% per year and 20% over 5 years; when market values were growing 10% to 20% per year, Finance's assessments only grew 6%.

As we do each year, we conducted joint outreach sessions with the Tax Commission in all five Boroughs to help homeowners understand their values, learn about exemption programs, and challenge their assessments where appropriate.

Here are some other quick numbers from the assessment roll. As I said values for small homes fell almost 5%; values for apartment buildings, cooperatives, and condominiums fell

more than 1%; values for utility property were up 1.4%; and values for commercial property were up 7.12% though commercial property values typically show more of a time lag, in part because the income and expense data we use to value most commercial property is from 2007.

I want to quickly update you on the lien sale. I know that many of you had staff attend the official briefing we held for Council Members a month ago. And I wanted to give you a quick update on the numbers. As of March 4<sup>th</sup>, Finance had collected just over \$17 million in pre-sale payments on more than 1,600 properties that had been listed as at-risk for having a lien sold due to unpaid property taxes.

Last week, we sent a 2<sup>nd</sup> 60-day notice to owners of at-risk properties. We have also scheduled more than 20 outreach events with elected officials and community boards in an effort to help property owners resolve their debt before the May 1<sup>st</sup> deadline. Again, we thank members who have worked so hard to help us get the word out within their communities.

As we have told you in the past,

most people resolve their debt during the 90-day period that we are now in. Last year, for example, we collected \$93.6 million during the noticing period and \$57.2 million by actually selling liens. We would love to resolve all of the debt before May 1<sup>st</sup>. So we really do appreciate all the help that the Council can give us to encourage owners of at-risk properties to contact us.

Finally, I want to end by discussing two important bills that will be before your Committee in the weeks ahead. The first is Intro 852-A, which will be heard by the Finance Committee this Wednesday. First of all, let me thank you, Mr. Chairman and Council Member Fidler for your sponsorship. Intro 852-A is a bill that the Department of Housing Preservation and Development, HPD, and Finance have crafted together. I am gratified to hear that Acting HPD Commissioner Marc Jahr will also be urging your passage of this bill before a separate budget committee at the Council today.

The bill would do two very good things. First of all, the legislation codifies

Finance's Statement of Account. The Statement of Account, which some people know as their property tax bill, is actually Finance's way of keeping property owners informed of all City-imposed charges on their property, including those for sidewalk repairs or signage. Under Mayor Bloomberg's leadership, we have worked very hard to bring agency charges onto this one simple consolidated statement, which property owners receive on a quarterly basis.

However, one agency charge is still billed separately by Finance and does not appear on our statement, that's HPD's emergency repair program, or ERP, charges. The second part of Intro 852-A fixes that by making these charges among the agency charges included on the Statement of Account. We believe the bill will resolve longstanding administrative headaches at both HPD and Finance. And as an added bonus, the bill will eliminate about \$25,000 in annual postage costs.

The next bill that should be before you in the weeks ahead is one I have discussed here before: our clean-up of the Administrative Code to reflect the changes that have occurred in

Finance's mission and operations since the laws were first written. If you believe that the law is a living document, as I do, then you probably also think it should reflect current practice.

For example, laws referring to owner's registration cards or assessed valuation books should not govern an agency that has computerized most of its information systems. So our lawyers have combed through the Administrative Code and found outdated references and updated them. We look forward to your consideration of the bill. With that, I thank you and I will be happy to take any of your questions.

[Pause]

CHAIRPERSON WEPRIN: Thank you Commissioner. On your recently released Fiscal 2010 Tentative Assessment Roll, the market value for Class One homes decreased for the second year in a row, as you referred to the falloff in your testimony, yet assessments are still increasing by more than 4%.

I understand that even though market values are declining, assessments can increase until the target assessment ratio of 6%



1  
2 is reached. I believe the average ratio is now  
3 about 4%. Sales prices and market value of Class  
4 One homes are anticipated to continue to decline,  
5 unfortunately. Have you made projections about  
6 when we can expect to see a decrease in Class One  
7 assessments?

8 MS. STARK: Actually we haven't run  
9 the numbers as of yet to figure out exactly when  
10 all properties will hit the 6% assessment roll  
11 target. I think that if you were to hit the roll-  
12 -I mean we can actually do those projections for  
13 you and get back to you like what sort of level of  
14 decline would be necessary in the market in order  
15 for all properties to be at 6%.

16 But as you well note, since the  
17 real average ratio is 4%, if you just think about  
18 it as if you're going to get from 4% to 6% and you  
19 have a 6% cap it's going to take quite a few years  
20 to get there. But we can give you some exact  
21 projections on what would have to happen in the  
22 market for assessments to actually decline. But I  
23 don't have those numbers at my fingertips.

24 CHAIRPERSON WEPRIN: We've been  
25 joined by Council Member Leroy Comrie of Queens.

And I know he has a number of foreclosure related questions since he has one of the largest number of foreclosures in his District. So I'll leave some of those questions for him. Let me just touch on a couple of others.

State law requires that the market value of coops and condos be based on the market value of comparable rental properties. This often means that new luxury condos built in neighborhoods with predominantly rate rentals are valued much more highly than older luxury coops or condos located in neighborhoods with a high proportion of rental stabilized apartments, rent stabilized apartments.

In the past your department has proposed changing the State law that mandates you value coops and condos based on comparable rentals to permit you to use either market rate or rent stabilized rentals as comparables where appropriate. This may reduce some of the inequities in assessments between more recently built condos in neighborhoods with market rate rentals and coops and condos located in neighborhoods with rent stabilized buildings. Do

you plan to seek out this legislation in the current session?

MS. STARK: Hi Council Member, that's an excellent question. As you know, this is an area about which I am very passionate. I think that we do not have a current bill proposed to rectify the situation in large part because as you know the system is so complicated and inextricably linked that one fix for dealing with coops and condos is going to create some other issues and inequities that would also need to be addressed.

So the current plan is we really are going to--we're going to publish for you a report that takes a look at these issues and describes some suggestions for how you can fix them. And as you note, there are two possible options. One is rather than being required to use rent regulated rentals for older coops, again, the theory being that the older coops were rental buildings at one time, rather than using rent regulated buildings that we would be allowed to use market rents for those. That would certainly be helpful and would get at some of the inequities

that you have described.

And another possibility is to actually use sales prices which is much more transparent than using any kind of rent to estimate the value of a property that essentially if you own a coop, as I do, what you think about is what's my sales price. So those two options have different ramifications. And I think what we'd love to do is share with you those choices and get some of your help and feedback about what would be the best way to approach it. So we don't have a current bill before the State legislature.

CHAIRPERSON WEPRIN: I'm sure we'd be happy to provide you with that feedback. We had some private discussions but just for purposes of this Committee, and for the record, in 2004 your Department conducted a very successful tax amnesty program for several business taxes. The amnesty raised more than \$84 million in tax revenue. And I know you had some reservations about extending it and could you just go into the whole tax amnesty issue and where you feel there might be benefit or might not be benefit in this climate.

MS. STARK: Just on amnesty, I think the key factors that we think about in considering whether or not to do an amnesty, I-- probably falls into about three buckets. The first bucket, I would say, is whether or not you're as likely or successful to collect that money over some period of time without the intervention of an amnesty.

One of the things that's interesting about amnesty, it sends a clear message to those taxpayers who have been compliant that if they just hold on for a little while, maybe the City is going to forgive people of their interest and penalties down the road. So since we're trying to encourage people to voluntarily comply, amnesties, at least from the tax administrator's point of view or anyone doing collections, should be done few and far between. We don't believe we should offer them that frequently because it'll--it might lead to behaviors that we don't want.

The second thing that I think you should consider with an amnesty is again, how much will you collect and how much debt is outstanding.

We're pretty good at collecting parking ticket revenue. We're getting a heck of a lot better at collecting environmental control board revenue. And we're really good at collecting business tax revenue that is really good debt. So if a person, a taxpayer, files a return, tells us they owe us \$1,000, only chooses to pay \$500 of that, it's very easy to get them afterwards to pay before they go out of business.

So our thoughts about amnesty are we should look at those pockets actually of debt types. Whether it be taxes, environmental control board, where we might have had trouble getting people to notice that they need. So our amnesty program that we ran in 2004 was because in--for many years Finance had not let people know that they owed money. So in those instances what we did was we waived interest, had people pay three years of interest because it's our belief that that's our obligation. We should be coming after people fast and furious after sort of three years.

So contained actually in our budget PEG idea is something that I don't know if Leslie is here, Leslie Zimmerman? Is she here? She's

not, but Howie Reece on her team is here. There are some related property tax charges that have not been billed on a statement of account and some of them date back about 10 or 15 years.

And so one of the proposals that we had in our budget was to actually allow sort of a mini-amnesty on those. So waiving interest, waiving penalties in that case in an effort to get people to pay. As I said to you when we met earlier this month or maybe last month, we're open to taking a look at all the amnesty proposals that the City Council might be considering and then we would just assess it based on the criteria that we've established internally for when it does make sense to do an amnesty.

CHAIRPERSON WEPRIN: Thank you.

We've been joined by Council Member Albert Vann from Brooklyn. And Council Member Leroy Comrie, I believe you had some questions.

COUNCIL MEMBER COMRIE: Thank you Mr. Chair. Good afternoon Commissioner.

[Pause]

COUNCIL MEMBER COMRIE: Let me start with the whole idea of the assessment roll.

1  
2 You said in your testimony that there's a lag in  
3 terms of the opportunity for the City to bring the  
4 assessments down. Is there any way that we can  
5 do, is there any way that people can have a  
6 larger--wider period of time to do the challenges  
7 for their property tax assessments that they have?  
8 Since there is a reflection and an acknowledgement  
9 that the City's overall value for property is  
10 going down and the overall market values have  
11 declined from the previous years?

12 MS. STARK: Hi Council Member  
13 Comrie. Good afternoon to you, it's nice to see  
14 you. Just on the challenging of the assessment  
15 roll, essentially we publish it in January and  
16 people have until March to challenge it. So  
17 homeowners currently have until March 16<sup>th</sup>. So  
18 another week, in which to file a challenge on the  
19 assessment roll.

20 The tricky part about challenging  
21 the assessment roll and I'm sure if you hear from  
22 the President of the Tax Commission and Tribunal,  
23 Glen Newman, he'll attest to this, is that the  
24 first thing that the person has to establish is  
25 what they believe the market value of their



property is. And is it possible that the market value that we estimated is not correct? Always possible when you're valuing 1,000,000 properties.

But first and foremost thing that a homeowner has to do is say here's what we think the market value of property is. We're using sales prices. We used, this year, sales prices through November 2008 to reflect them on the assessment roll. Once they say, and I'll just use for these purposes the number is like \$100,000. Let's say someone says we believe our market value is \$100,000 and Finance has it at \$110,000.

The second step is where are we from an assessment perspective. The target assessment roll we set is 6% of \$100,000, so their assessment would have to be lower or--I'm sorry, higher than \$6,000 for them to get any relief. So the frustrating part I think from a home owner's perspective is even if we have our market value wrong, it would have to be wrong by a heck of a lot for them to end up with relief 'cause the chances are that our assessment, we might think the market value is worth \$110,000. Our assessment's going to be something like \$4,500 on

that property.

And so while they might convince us that it's \$100,000, they had better sales, until our assessed value is higher than \$6,000, they're not going to get any savings. And a part of, you know, the dilemma about that, there's certainly lots to sort of say we could have--could lower our assessment ratio to 4%. Many jurisdictions have done that. And what ends up happening is they're chasing their assessment ratio down.

Nassau County is a good example, 5 or 6 years ago, Nassau set their assessment ratio at 1%, and now they're at .25% 'cause the market grew so, you know, so exponentially. And once you get down to a .25% assessment ratio, it's very difficult for people to understand how to calculate their taxes.

So the short answer to your question, people have until the 16<sup>th</sup> to challenge. We are open to taking a look at our market values are wrong, but until they really, until we really catch up in terms of assessments I don't think there's going to be assessment declines for a lot of property owners for a little while.

COUNCIL MEMBER COMRIE: Okay. But, so, but you did allude to the fact that the percentages could be adjusted. Is there anything to do that is going to be planned in this year to adjust the percentages down for next year so--

MS. STARK: [Interposing] As you know, when we first took office, the assessment ratio was at 8% and we lowered it down to 6%--

COUNCIL MEMBER COMRIE:  
[Interposing] Right.

MS. STARK: --to address some of the concerns that you actually have articulated. Each year we take a look to see whether or not it's appropriate to lower that assessment ratio. And if we find that the numbers make sense, we'll lower it again.

But again I think what ends up happening, you'll recall, if we lower the ratio, the tax rate goes up. So 'cause each class still has to pay a share of taxes. So the amount of relief that your home owner is going to get is still going to be, you know, reduced as a result of how complicated our property tax system is. It's very, very complicated.

And so no matter what, Class One home owners have to pay a certain share of taxes. And so if I lower the assessments, the assessment ratio, you have to raise the tax rate to get the same kind of revenue from that class. Incredibly, I know it's incredibly complicated. I've always tried to break it down a little bit. But the interaction of all of that I think is incredibly important and certainly worth noting.

Again that's another thing we'd be happy to do a quick briefing of the Council on, the interaction of those elements to see what really makes the best sense from a policy and a legal perspective.

COUNCIL MEMBER COMRIE: Okay. I get it. I understand it. I'm just trying to figure out a way to try to lower that overall gap 'cause every year, no matter what we do, property taxes seem to go up. And if there's some way we could get to a zero growth without--because people want to pay their fair share but they're just--most property owners feel that they're paying more than their fair share and that even though the market value has gone up, especially for long term

home owners, their real, actual value is not increasing, it's going down.

Well market value has gone up, up until the last year and a half or so, but even with market value going down, someone who's been in a house for 10 to 15 years, their real market value is not until they actually sell the property but the costs are going up. And most people that are in that house for 5 to 7 years are not looking to sell. They're looking to have a long term investment of 15 to 20 years.

So it creates a real problem for a person--that their income is not going up in that particular period of time. But I appreciate what you're saying and I hope that there's a continued desire to come up with an opportunity to find out how we can get to a zero growth on people that are in their homes for a long period of time.

The next question I wanted to talk to you, and again I want to congratulate you on everything that you're doing on the lien sale updates. And do we have more properties that are going in lien due to tax delinquencies, due to the foreclosure rate than you've had last year?

MS. STARK: No. As a matter of fact this year's lien sale, the list was a little bit smaller than it was last year--

COUNCIL MEMBER COMRIE:  
[Interposing] That's good.

MS. STARK: And the delinquency rate had a slight, slight adjustment over last year. I think that the rate was, this year 3.3%, it was 3.1%, rounded, last year. So very, very slight delinquencies in terms of--I mean in terms of the property tax.

It's an interesting phenomenon. Typically, as you know, banks pick up the mortgage for the people who have a mortgage. And so as a result of that even if a person might be delinquent with their bank, the bank is continue to pay the taxes. So our delinquency rate has been, has remained quite, quite low--

COUNCIL MEMBER COMRIE:  
[Interposing] Have you found that--

MS. STARK: --and the lien sale list is shorter.

COUNCIL MEMBER COMRIE: Have you found that the banks are still picking up the

taxes even in the last eight months with all of the problems that they've been having?

MS. STARK: They--they are. Again Howie's over there. They haven't seen any decline in the amount that's being paid by the mortgage company, the mortgage servicing companies.

COUNCIL MEMBER COMRIE: Okay. And just so you can inform the public, you know, yesterday they had this, all--God bless you, all this news about what happened to Javitz [phonetic], but most of those properties that you're saying even though they were foreclosed on, the banks are still picking up the taxes. So it's not that the City could have come in and intervened to grab any of those houses 'cause the banks were still holding the paper, correct?

MS. STARK: That is correct. That's exactly right. I think a lot of times there's a little bit of confusion about who's foreclosing--

COUNCIL MEMBER COMRIE:  
[Interposing] Right.

MS. STARK: --and so we get calls in our offices where people say are you doing a

foreclosure sale, we'd like to buy a property's finance. And the City doesn't not do foreclosures as you know. If after a period of time a lien that we sell to a private collector, if it's not collected they do foreclosures. But very, very few foreclosures have been done as a result of non-payment of taxes. And so we have not been involved in a significant foreclosure effort at all.

COUNCIL MEMBER COMRIE: Right. And I know HPD who's in the other room, that's why I'm back and forth, is doing a new program, Project Renewal, where they're trying to pick up some of these properties before they get to the foreclosure status at the bank level.

I just wanted you to elucidate for the public that it's not the City that's doing the foreclosures but it's the private banks that are doing the interim foreclosures. And they are picking up the tax roll part of it--

MS. STARK: [Interposing] That is--

COUNCIL MEMBER COMRIE: --so it's not like the City can interject because we don't have a roll until that happens.



MS. STARK: That is correct Council Member. And just would say that we've been working also closely with HPD with them in the lead on housing related things. But one of the things that, you know, as you know before we sell a lien on a home it has to be delinquent for three years. And so our collections team headed by Pam Per Cortijo who is here, are doing--going to try to do targeted outreach to people as soon as we see them going delinquent rather than waiting three years. See if we can get them into an installment agreement sooner.

So we'll be working jointly with HPD on those efforts as well with your office. You have been incredibly helpful and thank you for all that you've been doing to make sure that the people are able to stay in their homes. We've loved working with you collectively and jointly on this.

COUNCIL MEMBER COMRIE: Well we already have our date scheduled for our workshop in; excuse me, with your office this year. And we're going to do as much as we can to let home owners come and they can get that, get their tax

1  
2 issues adjusted then. And also, you know, we do  
3 it with DEP and in a joint--and it's really  
4 effective for home owners to come and get all of  
5 those issues resolved. And I want to thank you  
6 for continuing to do that. I think it's a great  
7 opportunity that's definitely led to a reduction  
8 in the liens.

9 I was just in there with HPD and  
10 they were telling us that they have, in their  
11 infinite wisdom and bureaucracy, were considering  
12 not fully funding the Center for New York City  
13 Neighborhoods, as far as the Mayor's commitment  
14 was concerned. I was stunned about that. But  
15 we're going to do--you know, that's a line in the  
16 sand for the City Council. That cannot happen.

17 So I'm going to act like they never  
18 said that because as you know the issues of  
19 predatory lending and foreclosure prevention are  
20 critical especially in my community. Can you talk  
21 about your outreach efforts as far as what you're  
22 doing in those two categories?

23 MS. STARK: Sure. Just on our  
24 side, you know, we're kind of the data people. So  
25 I think from our perspective what we've been

trying to do is really see when people are starting to have trouble and see if we can reach out to them again before it goes too delinquent. You know, I mean it's certainly different if you owe something for three months versus a year and a half because then you've dug yourself in so deep it's hard to come out from under it.

One of the things that we've been doing is allowing people to enter into installment agreements with 0% down, incredibly important in the past; we would have people put down between 15% and 25%. The Council was incredibly helpful to us in ensuring that more people could pay us quarterly. The bill that you adopted in late December was incredible. So that now about 85% to 90% of the taxpayers actually pay us quarterly. It's not the dollar amounts but it's the small mom and pop stores also who got grandfathered in there. And I think that's hugely important.

We have spoken with the Chairman also. We're looking at the interest rate that we charge on delinquent taxes. He came in and had some ideas about maybe the interest rate that we're charging is a little too high. We've been

doing research on that just to see what other jurisdictions are doing. And should there be some reason for adjustment we'll let you know that.

But those are the kinds of things that we're doing. We're certainly a lot more open to getting people, come in, do an installment agreement; the only key about the installment agreement is you have to stay current. And so we always encourage people to be looking at their cash flow. If this is something that would be helpful for them it certainly gives them more time to pay their taxes. And those are the kinds of things that we're doing. Open to any other suggestions. But we want to use the data that we have to get people early before it really becomes much more problematic for them.

COUNCIL MEMBER COMRIE: Oh I appreciate that answer and it sounds like you've been working hard to try to identify people early on. And I want to thank you for that.

And you spoke that you're doing very liberal payment plans and deferrals. Have you been able to identify the senior population that's coming in? And what are you doing to try

1  
2 to give them some opportunities to give them some-  
3 -make sure that they're getting advantaged--all of  
4 the advantages that are eligible to them, such as  
5 the SCREE [phonetic] order, well SCREE is for  
6 renters but the tax exemption program, the SCHE  
7 [phonetic] program. And if they--is there a  
8 possibility to exempt seniors from the tax lien  
9 sales? Especially if--even if they're not in  
10 enrolled in the programs due to some error?

11 MS. STARK: Yes. As a matter of  
12 fact I'm really pretty proud of our efforts in  
13 this regard. Again using data, data that we have  
14 before us, we can make some assessments about who  
15 should be in what programs. And we've been  
16 actually doing a lot of that not just this year  
17 but in previous years.

18 So for example if someone files for  
19 a Senior Citizen Home Owner Exemption, just files,  
20 you know, we created this one application that  
21 covers all of our exemptions, but if they in fact  
22 qualified for the Senior Citizen Home Owner  
23 Exemption, that means that they qualify for  
24 enhance STAR and it might mean that they qualify  
25 for other benefits.

One of the things that we've been trying to do is use also tax data. So if we know that there's someone who filed an income tax return who's of the age where they'd qualify, we are trying to do automatic outreach to them to let them know that they actually could receive SCHE benefits as well as the enhanced STAR benefits. So again using data to help people pay the right amount on time, and a part of paying the right amount on time is ensuring that people have the exemptions to which they are entitled.

You all passed, last year, on the lien sale legislation, something that said we should exempt our seniors. We are going through the current lien sale list doing cross-matches of data both through our income tax files as well as other sources we can identify. And as soon as we come up with what is the list of seniors who might be on the list but aren't in a program, we're going to either put them in a program or do some calls to them to make sure that they apply.

So a lot of things that we want to use our data base. I said this--I guess it was a year ago when I was before you, I'm hoping that we

can get our records in such a way that as soon as you turn whatever is the qualifying age, that AARP doesn't have a monopoly on sending you some information that says to you, hey now you can sign up for this insurance. I want us to be able to send to a home owner and say hey thank you for being here for as many years as you are and God bless that you're living as long as you.

Now we just want to let you know that you're going to, you know, you can pay 50% less taxes. You can pay X, Y and Z. And we're really excited about our computer capacity with Jane Landon and Mike Hyman at the helm. We're really trying to put together how we can use data to give people benefits as well as to find people who aren't paying us the right amount on time.

But one of the things that we want to use it for is to make sure--and we'll send a little happy birthday card to people and telling them about the benefits to which they're entitled.

COUNCIL MEMBER COMRIE: Well I want to congratulate you for being proactive on that. I think that that will do a lot to stem especially for seniors, the plague of reverse mortgages that

are going against them. If they could know that they could get some exemption from some of these taxes. Is there, have you been able to do a percentage of senior home owners that are Citywide? And what those numbers may be?

MS. STARK: Actually, you know, what--we're embarked right now, we started with the lien sale list and I'm looking at data. And I don't know, Mike, do you have a quick sense of how many seniors there are?

[Off mic]

MS. STARK: We'll take a look at from our tax filings. One of the interesting things that's been really helpful is the fact that now our tax data about sales prices includes a Social Security number. We can actually do a cross-match of several different files along with age and look at that.

And we can let you know what those numbers are. We started with the lien sale. We'll kind of look across all property types to see who's not getting benefits to which they are entitled--

COUNCIL MEMBER COMRIE:



[Interposing] Right.

MS. STARK: --and figure out ways to get it to them.

COUNCIL MEMBER COMRIE: And to do that as quickly as possible because the predatory lenders are looking at those data--looking at the data you have and are constantly subjecting people in my neighborhood to either the, you know, buy your home for cash steal, or the reverse mortgage. And they're unfortunately grabbing your data and running out into communities and trying to pick on seniors. So if they could do that.

Finally I just quickly want to ask you, is there a possibility to do a senior tax exemption for seniors over 70? Is that a possibility or looking down the line so that people that have been in their homes for a long time could be possibly tax exempt?

MS. STARK: Sorry. I think there's a really good opportunity for us to take a look and see what kind of exemption strategies we want for people on fixed incomes. I think that the comment that you made earlier about people being in their homes and planning to be in their homes

and really needing to have a predictable property tax in some way, shape and form is certainly noteworthy. And we've been thinking about that as well.

I'm not sure what the age is where we want to say--the age--and what I like about what you just said is it's both age and length of time in your place, should lead to a person not having to pay taxes or at least having it after it come out of their estate when they pass away. I think that there are lots of models out there that are certainly worthy of consideration. And just as I said about the coop condo property tax, we have lots of ideas.

And so we'd be happy to work jointly with you to provide you with information and analysis and certainly some policy choices about how one might want to move forward if the goal would be to exempt from tax, for example, anyone over 70 who's been in their house for 20 years or more. Lots of different policy options.

Certainly we'd be nimble at implementing it but would need to know what the, you know, what the down sides are, what the costs

are. But we'd be happy to put together some ideas for us to jointly discuss.

COUNCIL MEMBER COMRIE: Well I'll forward to working with you on that. And I know, I just want to congratulate you and your staff, your outreach efforts have been exemplary. They've only gotten better every year.

The ability to let people know that the mail that they're receiving is important them. It's been much better articulated than--I just want to congratulate you and I look forward to working with you on these issues and many more to try to protect all of the people that are affected by the Department of Finance.

Just--oh I forgot. My main question. I got a parking ticket the other day--

[Audience laughing]

COUNCIL MEMBER COMRIE: Because I did not realize that my inspection expired. I went and got the inspection the same day. Does that negate the ticket or can I do that online or do I have to go down to a center and wait for three hours to get online--

MS. STARK: [Interposing] You know

it all comes down to parking. It does not matter where I go. It comes down to parking--

COUNCIL MEMBER COMRIE:

[Interposing] That is true.

MS. STARK: --you know, I always try to say, you know, parking is about \$550 million in revenue. We collect \$24 billion. Does--I can go talk to, you know, people who own X, you know, big commercial properties and when push comes to shove the last and most important question is always about a parking ticket.

On the inspection sticker, our Chief Judge is here, Mary Gotsopoulos. Typically the first inspection ticket, and I--she'll throw something at me if I get this wrong, once you get it that first time, that ticket actually does have to be paid. If in fact you get a second one and you show us that you took care of it, we would eliminate the second ticket.

Now here's a question. I don't believe that the inspection--is it in settlement program? It is. So here's what I would do if I were you. I don't know how the judges will rule because I certainly don't want to adversely affect

their discretion, however, I believe that they would offer you a slightly reduced ticket on that inspection--

COUNCIL MEMBER COMRIE:

[Interposing] Okay.

MS. STARK: --provided you show them that you went forward. It is how we learn. What's very interesting, you know, I could wax--I could talk about parking all day but what's very interesting is as a result of having gone to bi-annual inspections, it has led to people getting more tickets--

COUNCIL MEMBER COMRIE:

[Interposing] Um-hum.

MS. STARK: --because it used to be that, what we would do is, all the time when we registered our car we'd get our car inspected--

COUNCIL MEMBER COMRIE:

[Interposing] Right.

MS. STARK: --so the State actually reduced the burden on us by saying you can do your inspection--I'm sorry your registration every other year and so then people forget about their inspection.

So it used to be that those two were intertwined. So it's part of the reason why we've been a lot more lenient on those tickets. But you do have to pay the first one which almost is like notification to you because I don't know if you're anything like me, it's kind of like as soon as I get my notice of registration and I'm like oh I've got to do my inspection, except the inspection is an annual thing not a bi-annual thing. So--

COUNCIL MEMBER COMRIE:

[Interposing] Okay. And can you do that online? Can you do that adjudication online or do you have to go to the center?

MS. STARK: The Chief Judge is saying yes, you can do it online. You can write it in. You know, we want you to be able to challenge a ticket by whichever way you choose and more importantly to be able to pay us by whatever way you choose--

COUNCIL MEMBER COMRIE:

[Interposing] Okay.

MS. STARK: --so you can--

COUNCIL MEMBER COMRIE:

[Interposing] Good. Well I have to leave now--

MS. STARK: [Interposing] Okay.

COUNCIL MEMBER COMRIE: --because  
I've got to go take care of this--

[Audience laughing]

COUNCIL MEMBER COMRIE: Thank you.  
Thank you Mr. Chair. I'm done.

CHAIRPERSON WEPRIN: Thank you  
Council Member. We've been joined by Council  
Member Gail Brewer from Manhattan and Council  
Member Tish James from Brooklyn and I believe  
Council Member Brewer had a question.

COUNCIL MEMBER BREWER: Thank you.  
I know you talked about coops and condos--

CHAIRPERSON WEPRIN: [Interposing]  
Yeah I asked the Ronnie Eldridge question already--  
-

COUNCIL MEMBER BREWER: --and I  
appreciate that--

CHAIRPERSON WEPRIN: --I told her.

COUNCIL MEMBER BREWER: I have a  
question which isn't on anybody's radar except the  
terrific Chris Brown because I keep asking him.  
There are many stores, fronts that are vacant in

the City of New York. And every New Yorker thinks that the owner is getting a tax reduction which I understand is not true. But it is something that is on the minds of everyone particularly now.

So I'm just wondering, in your long list of we're thinking about things, is it State, is it Federal, is it City, is there something that we should be doing to try to urge property owners to rent. Now of course this is not a new problem. It's obviously exasperated but it is not a new issue. And I'm just wondering if it has come up. Is there any thought to it? Is there something that we should be doing or thinking about?

There's also the issue, of course, with coops and condos on the, I guess, condos in particular, on the State level. They are now able to get revenue from all manners, not just from their own shareholders. So that also increases the possibility of a higher rent. So the whole issue of commercial rents is challenging but I just didn't know if you had any thoughts about it.

MS. STARK: You know, as of late, I mean I think while the economy was doing incredibly well, few people were complaining about



commercial rents. I mean I think it was very easy--

COUNCIL MEMBER BREWER:

[Interposing] Only on the west side.

MS. STARK: Well that--that's, that's what West Siders do.

COUNCIL MEMBER BREWER:

[Interposing] That's you--

[Crosstalk]

MS. STARK: --but--

COUNCIL MEMBER BREWER: --they were complaining about it.

MS. STARK: --as an issue--but I think that we haven't started to hear, except that you just raised it, renewed interest in looking at what one could do about commercial rents. Certainly open to that and we will be tracking, we get income and expense information from owners. We learn a little bit about their vacancies although that's a little bit delayed.

As soon as we start getting some information well we'll start thinking about it now based on your question, but we had not heard, other than your articulating it now, some concern

about commercial rents and what options there might be out there--

COUNCIL MEMBER BREWER:

[Interposing] Well to the best of your knowledge 'cause there are many owners, maybe only in my neighborhood, who keep commercial vacancies for years and years and years. Seven years, four years, five years, even in boom times, obviously waiting for the higher rent or for the chain store or for the perfect tenant. And of course there are security issues but I think mostly it's a challenge for we want our neighborhood stores, so there are many issues.

What my question is, there is no tax deduction, in other words, when something's vacant, there's no tax reason for keeping it vacant. One is just looking for the higher rent. Is that what you?

MS. STARK: That is correct.

COUNCIL MEMBER BREWER: Believe to be true?

MS. STARK: When, no, even when a store is vacant, we're valuing the real estate. So there is no real tax benefit to leaving a store

vacant. So if to the extent that people believe that that might be what's motivating--

COUNCIL MEMBER BREWER:

[Interposing] They do.

MS. STARK: --it is not--we are going to value the property. We're going to put rent in it. We're going to assume a rent and so it certainly is in a landlord's best interests to have that property rented.

COUNCIL MEMBER BREWER: Okay. And there's no State or Federal deduction to the best of your knowledge either.

MS. STARK: Not on--

COUNCIL MEMBER BREWER:

[Interposing] Business taxes.

MS. STARK: --on the business tax side, I mean I suppose--

COUNCIL MEMBER BREWER:

[Interposing] So - - State--

MS. STARK: --if you have less business income you might pay less business taxes. But from the property tax side it's not at all for us, you know, it's useful to know if it's vacant. It helps us understand what's going on in the

entire neighborhood in that strip. But we're going to fill the property up with income with an assumed income and charge--

COUNCIL MEMBER BREWER:

[Interposing] And the--

MS. STARK: --you taxes based on it.

COUNCIL MEMBER BREWER: --business tax if there is any impact, that would be State and not City?

MS. STARK: Well we have a City business income tax as well. And so to the extent again it would depend on how the property's owned. If it's a corporation certainly when they charge rent they're able to take expenses against that.

I can't, again, I just can't imagine that they're keeping it vacant for business reasons. We'll take a look at the business tax side and see if there might be such an incentive. But very doubtful.

COUNCIL MEMBER BREWER: Okay.

Thank you.

CHAIRPERSON WEPRIN: Thank you Council Member. Council Member Albert Vann.

COUNCIL MEMBER VANN: Yes, thank you Mr. Chairman. Excuse me. Sorry about that. Good afternoon Commissioner.

MS. STARK: Good afternoon Council Member.

COUNCIL MEMBER VANN: Good to see you again.

MS. STARK: Good to see you as well.

COUNCIL MEMBER VANN: Right. Over, for the past, I guess, seven years, since I've been in the Council, my community and my office have worked very well with your office, as you know, as we attempted to deal with this lien sale situation, quite successfully I might say.

You and your office have said repeatedly that very few of the constituents that wind up on the lien sale wind up going to foreclosure. And I've accepted that.

But I'm trying to figure out what happens to them. Year after year we have, you know, these people who have not been able to pay their property taxes on time, for three years, all right. Then we educate, we go to Boys and Girls

High and whatever and you guys come and everybody comes and a lot of people work out their situation.

And then the next year we've got another list. Are these repeaters? Are people repeating year after year? Is that why they don't go to foreclosure? It doesn't seem to make--I can't figure the end game--

MS. STARK: [Interposing] You know, it's a very good question. I don't know if we've cut the data that way. I'm happy to but I'm going to just turn to my right and look at Margaret. Do we know how many people on the lien sale list are repeaters?

We'll get you that run. It's a very good question. And, you know, as you were saying it I was thinking we should know that. Or if it's a new group of people going on. We'll get you the analysis just to let you know what's going on there.

COUNCIL MEMBER VANN: Yeah.

MS. STARK: I think there's a couple of possibilities though. Because we're taking each year, you know, sort of as a new year,

it might be that what's going on is that people are working out a payment deal with the lien servicer or the collection agency and then not able to meet whatever their current obligations. I don't really know but we'll get you the data and analyze it for you.

COUNCIL MEMBER VANN: Okay. Thank you. The second question is up until last year we--well last year is I guess when we added the water delinquency as to being putting one at risk in terms of a lien sale which I was obviously opposed to and against. In conjunction with the fact that the legislature that we passed did not automatically exempt senior as it were.

So my experience, what I am hearing is a lot more senior are on that lien list because of the water delinquency. I've moved for legislation to try to correct it and it hasn't moved yet and I've got to see about that when I leave here in five minutes. But in the interim, is there anything that--have you observed that is also occurring, and are there any things you're prepared to set in place even before legislation--

MS. STARK: [Interposing] Two

things. Remember, just, the water delinquency is really controlled by the Department of Environmental Protection. And a significant amount of this year's delinquency was attributable to water charges. So that's just a fact.

One of the things that we are doing though, I said just a moment before you came in, is that we're going to do an analysis of who's on the lien sale list to see if they are seniors. Once we have that information gathered, we're going to come out with a couple of proposals about what we might be able to do with that information. We'll work jointly with DEP on that.

So on property tax side we certainly, if we saw that it was a senior, we're going to make sure that they're getting the benefits to which they're entitled from the Department of Finance. We'll see who on the current lien sale list is a senior. We can do some matches of information that we have that DEP doesn't have access to. And as soon as we're able to detect who they are we will certainly get back to you.

COUNCIL MEMBER VANN: Well a point



of clarification. If I arrive on the lien list through water delinquency, then any approach is by DEP, is that what we're saying?

MS. STARK: I'm saying that--yes. How to deal with a senior who has only a water delinquency is DEP's policy call, not Finance's policy call.

COUNCIL MEMBER VANN: Do they have the same programs and the same flexibility as the Department of Finance, do you know?

MS. STARK: DEP, I would say that the Administration has been incredibly supportive of doing whatever is necessary to make the lien sale a successful lien sale. And a part of that would be not selling senior delinquency especially if there are some other arrangements that we could make in that regard.

So we're all working on this jointly. And I believe that when we have the analysis, we'll be able to work jointly with DEP to come up with what's the best way to address it. I'm confident of that.

COUNCIL MEMBER VANN: I would say for the record that the City Council made a bad

mistake when they allowed water delinquency to become part of the lien list. I may have been the only vote against it and I think it--maybe it was one vote, I think it was mine. And I think that was the correct vote.

I think history will show that to be the correct vote. And hopefully they will support legislation I'm going to advance as soon as possible that will correct that situation.

Thank you Commissioner for your help--

MS. STARK: [Interposing] Thank you.

CHAIRPERSON WEPRIN: And Council Member Tish CHAIR JAMES:.

CHAIRPERSON JAMES: Good afternoon Commissioner. Commissioner, in the City Council we've established a task force to look at property taxes. You know, as you know I've continued to argue and others that we have a really regressive tax system. And I thank you and your staff for coming to my District and you held a--you hosted a town hall meeting where there was a number of concerns with respect to how we value property, particularly brownstones in downtown Brooklyn.

And I know that there's a lot of hesitancy to open up that can of worms. But members, some members of the City Council have begun to do just that. And so I just wanted to know whether or not internally within your offices, are we revisiting the issue of how we assess property taxes or look at the tax system, the tax structure in the City of New York, and suggesting some proposals to the State legislature?

MS. STARK: Just hi Council Member, it's nice to see you--

CHAIRPERSON JAMES: [Interposing]  
Yes.

MS. STARK: --as you know the property tax has been a passion of mine. I hesitate to say that when I first came into government I used to say to my folks I really want the property tax to be a system that my 3-year old niece could understand. And in June my niece turns 21.

So it's been something that I've been working on for quite, quite a few years. And she--well her---you know, her--she understood it

more at 3 than she does at 21. I think as she gets closer to possibly owning a property she's, you know, less understanding of it. She used to walk around with me and say things like we can't go to Madison Square Garden 'cause they're exempt from tax or something like that. But she--

[Audience laughing]

MS. STARK: --doesn't say that any more. She says when are you getting me Mio [phonetic] tickets or something like that.

In any event, all of that to say that, you know, this is really a passion of mine. It's part of the reason why I came into government initially was to figure out how we could make the property tax system a lot more understandable, transparent. I would say two things.

One, you know, if there were such a commission set up, we would be happy to both staff it, participate in whatever way, shape and form you think our participation would be helpful. I think that there are certainly a lot of issues and we, I mean as you know, they're all inextricably linked, and you move one piece and it has an effect on other pieces. So I think that whatever

we decide to do needs to be pretty well thought out. But we stand ready to assist.

There's a lot that we've done in the last seven years. And I think both the Council as well as the finance team and the Mayor can take credit for. We've made the system a heck of a lot more transparent than it's ever been before.

So now people know what their market values are. You clearly get a notice that tells you. And we also, and Maurice Kellman is here from the Property Division. We tell you how we arrived at your value. We never did that before. So we tell you if we think that you have a 3,000 square foot brownstone or a 2,500 square foot brownstone, clearly articulating exactly how we arrived at your value.

For income producing properties we tell you the income we estimated for your property along with the multiplier that we use. And some recent things that we've done that we're really incredibly proud of, sales prices are public. And so we are on our website available a running sales report that tells you what sales happened. You

can search it by neighborhood. I don't know if you can search it by Council District but maybe we'll do that as well. But that information is there.

And secondly I guess I would say as part of this sort of transparency is we value coops and condos based on comparable rental properties. And even there are some commercial properties where they don't file income and expense information and we use comparables. And our website now tells you exactly what comparable we use. That way you can tell us hey there's a better comparable out there than the one that you have chosen.

So even though we haven't, you know, we have not yet bit off what's a legislative fix to making our property tax system fairer, clearer, more transparent, we have done whatever we can administratively to make it easy for everyone to understand. And actually therefore identify what are the underlying policy issues that we want to address.

CHAIRPERSON JAMES: Eight years of double digit growth, we've seen some declines in

property values. And there's an internal--this internal document that was prepared by Council staff indicates that property values dropped off in the Bronx, Queens and Staten Island because of the concentration of Class One homes.

And, but they say--and Manhattan, with the Borough with the highest concentration of commercial property and newly constructed high end condos, they've remained--they've had a slight increase. But the change in Brooklyn remains flat. Is that a true statement?

MS. STARK: It's interesting. We tracked sales prices in Brooklyn through November of 2008 when we prepared the assessment roll. And what was really fascinating, I think a couple of things are going on. Now remember the sale has to occur for us to sort of be able to pick it up.

I think what's happening maybe Citywide is that people are not willing to sell for the price that they would have to settle for. So until we see that actually show up in a transaction, we're not predicting that yet as a decline. So just be mindful of that. While we have been able to pick up sales much later in the

year than we had previously, you know, it used to be that we didn't have the data and the resource.

We would be looking at sales that happened in April of 2008. So this year we were able to get through to November of 2008 to reflect those sales prices. And in Brooklyn we were not seeing declines in overall--

CHAIRPERSON JAMES: [Interposing]  
Oh.

MS. STARK: --it was pretty much flat. Now something may have happened in the last two or three months or as I said I think people may just be holding on and saying I'm not going to sell for that price. So then they take their thing off the market and then unless they get desperate then they sort of leave.

But that's what our data was showing and again you can see that all borne out in the reports that we've run on our website where you can look at it. Show me one family homes. Show me two family homes, etcetera.

CHAIRPERSON JAMES: And  
Commissioner, I apologize, let me, there was a question. The red light cameras. There's a



proposal to expand the red light cameras and the fees. And I believe that's currently before the State legislature for consideration. Do you happen to know what the status of that legislation is and how many new cameras do you project to install and where will they be located? Will any be in my District--

MS. STARK: [Interposing]

[Laughing]--

CHAIRPERSON JAMES: --[Laughing]

And how much do we, do you anticipate that we could generate from additional cameras.

MS. STARK: I'm going to defer to Department of Transportation on that who I--it's my understanding appears before you later this week, I think on Thursday. Our role on red light cameras, we adjudicate those tickets and also collect, needless to say, the fines from it.

So we're not the lead on that legislation. I don't have it at my fingertips how many DOT is asking for and what they're hoping to generate nor do I know if they'll be in Brooklyn located on the corner of Fulton--

CHAIR JAMES: [Interposing]

[Laughing]

MS. STARK: --and Flatbush Avenue.  
But in any event. I'm sure Commissioner Sadik-Kahn will be able to provide you more details about it than I have.

CHAIR JAMES: Back to valuation, it's my understanding that you have changed the methodology upon which we engage in evaluating property from a gross income multiplier, I know, to a gross income multiplier in the past we used a net income capitalization method. And the criticism has been that the gross income multiplier for--excludes expenses and basically overvalues buildings with high expenses but relatively low rents or regulated rent rolls. Could you explain all of this to me?

MS. STARK: I--

[Audience laughing]

CHAIRPERSON JAMES: [Interposing] I received a letter from a constituent and it sounds--

MS. STARK: [Interposing] Lacking.

CHAIRPERSON JAMES: --really important--

MS. STARK: [Interposing] Yes.

CHAIRPERSON JAMES: --and that I think would help us in these austere times--

MS. STARK: [Interposing] Sure. Two things. One is last year we implanted for the first time a gross income multiplier and let me explain why. Essentially when we are valuing real estate that is a rental apartment building, the way that you value it is you use what's called an income approach.

The income approach is trying to say that if you were going to buy this you--if you and I wanted to buy a rental building we're going to want to know what rent it pays and we are willing to pay for that rent roll, that's essentially how most people sort of think about it. There's always been this long sort of maxim if you will in real estate where they say you're always willing to pay five times what the rent is.

That's just, you know, what you say. I like ten times because the math is easier for me. So if you generate \$100 in income, you're likely to pay \$1,000 for a property, something along those lines. When we used to value rental

properties what we would do is look at the income, the expenses and then we would apply a capitalization rate. The cap rate is one that we set by looking at mortgage and interest rates and the like.

In rental properties what's been interesting 'cause depending on how you do this you get criticism each way. What you don't want to do is reward a landlord who's actually not taking great care of their property or actually inflating their expenses. So what you say, what they say around the property tax is you don't want to reward bad management. So bad management might lead to higher expenses--

CHAIRPERSON JAMES: [Interposing]  
Um-hum.

MS. STARK: --and if you have two similarly situated buildings--

CHAIRPERSON JAMES: [Interposing] I see.

MS. STARK: --what you want to try to do is say what is the right amount of expense for this building. Well the easiest way to do that is to use a gross income multiplier. You

take expenses out of the equation 'cause you're not rewarding bad management. Okay.

That said, and I mean that's just one example of the expense side. Somebody--we always value regardless of your mortgage. So we're not going to allow a person to put, you know, \$2 million of a mortgage on a property that's worth \$1 million and therefore allow them to take that as an expense.

That said, last year, the first time that we did the gross income multiplier we didn't think that we had given sufficient credit to some expenses at the low end. So this year what we did was we did a sample of properties across the City of all income types, in all kind of classes, and significantly reduced the multiplier on the low end.

So the theory being that people who have low incomes in terms of rents, their expenses represent a higher ratio. And so as a result of that the properties that had--we did it in percentiles, the lowest incomes actually got reductions. And the reductions were on the order of 15% to 20% overall.

So don't know if that addresses the person who wrote to you. We've been happy to take a look at that particular property. But we believe that the multipliers now actually take into account the different income levels, the different expense categories and gives far more credit for expenses at the low end than it does at the high end which is consistent with how a lot of those properties are trading.

CHAIRPERSON JAMES: I now feel like your 3-year old niece. And so therefore I will take that letter and refer it to Chris Brown 'cause--

MS. STARK: [Interposing]  
Fantastic.

CHAIRPERSON JAMES: Totally lost.  
I'm--it's a--

MS. STARK: [Interposing] Oh wow, and that was going to be the simplest explanation you got of that--

CHAIRPERSON JAMES: [Interposing]  
[Laughing]

MS. STARK: --so, you know, maybe I'll bring one of my team up to try to explain it

to you.

CHAIRPERSON JAMES: It's unfortunate that Council Member Comrie left because, you know, I believe Council Member Comrie has one of those huge humongous trucks that need, I believe, need to be taxed more because they consume more gas in the City of New York. And so it's unfortunate that his fee is the same as my little Toyota. But nonetheless we won't--he's not here.

So again I thank you. I look forward to working with you. I know that we are having a lien sale forum in my District. I thank you for your cooperation and your staff. They've been very responsible, very professional. And thank you for all that you do for the City of New York and more importantly the constituents that I represent.

MS. STARK: Thank you so much.

CHAIRPERSON WEPRIN: And I'll talk on behalf of the City of New York that it's always a pleasure for this Committee to deal with you and your staff. And we look forward to the continuing dialog. And once again I thank you for changing

your schedule to accommodate the City Council's schedule.

MS. STARK: Absolutely. It's, as I said, it's my eighth time appearing. It's a privilege. And just would wish those of you who celebrate a good Purim, which I know starts this evening. So.

CHAIRPERSON WEPRIN: Yeah.

MS. STARK: Indeed. And my--

CHAIRPERSON WEPRIN: [Interposing]  
Thank you.

MS. STARK: Thank you very much.

CHAIRPERSON WEPRIN: We will now hear from the Commissioner of the Department of Design and Construction, David Burney. I believe I saw him in the back.

[Pause]

CHAIRPERSON WEPRIN: Okay? No it's alright we're almost--

[Pause]

CHAIRPERSON WEPRIN: Commissioner, do you have prepared testimony?

SERGEANT AT ARMS: Quiet please.

MR. DAVID J. BURNEY: I do Mr.



Chairman. I do. I have some prepared remarks and then after that I'd be happy to take any questions. And I'm joined today by several of my senior staff, Ana Barrio, my Chief of Staff; and General Counsel David Varoli; Deputy Director David Resnick, Bruce Rudolph, and I believe Eric MacFarlane, Deputy--Eric MacFarlane from Infrastructure, the Division is also here. So I will make a few prepared remarks for the record and then we'd be happy to take questions.

The Department of Design and Construction's current Fiscal Year operating budget is \$98.1 million. Of that, \$84.2 million is for personal services with a budgeted headcount of 1,310, \$13.9 million is for other than personal services. The projected Fiscal Year 2010 operating budget is \$99.4 million. Of which, \$85.8 million is for personal services with a headcount of 1,310 again, and \$13.6 million is for other than personal services.

With four months remaining in Fiscal 2009, I am pleased to report that DDC expects to meet or exceed its major statistical indicators that reflect its mission to deliver the

City's construction projects in an expeditious, cost-effective manner and maintaining the highest degree of architectural, engineering, and construction quality. We expect to meet or exceed our construction completion indicators and still maintain a change order rate well below industry standards as we have done in the past.

Of the ten DDC critical performance indicators included in the City-wide CPR, performance reporting tool which has been on nyc.gov for the past year, six of our indicators are categorized as green, meaning stable or improving compared to the same period last year. These six indicators are for structures design projects completed early or on-time, active design and construction projects on or ahead of schedule, and the difference between scheduled and projected durations for all active design and construction projects, and average cost change for all completed construction projects.

The remaining four indicators are in the yellow category, indicating a minor downward trend compared to the previous year. Those indicators are for infrastructure design and

construction projects completed early or on-time, structures construction projects completed early or on-time, and for the post-construction satisfaction surveys.

Our Commitment Plan registrations for the first four months of FY 2009 amounted to 10% of the annual target, this compares to 7% for the same period last year. And at this time, we expect to meet or exceed the target by the end of the fiscal year.

We anticipate a possible 30% reduction in capital funds from FY 2010 onward and we await our client agency decisions as to how this reduction will be implemented.

As you know sustainable design has become standard throughout the construction industry and as you know, DDC established an Office of Sustainable Design in 1997 and has since published a number of guidelines for high performance building as we sought to take the lead in this field.

DDC was, as you know, supported in this effort by the passing of Local Law 86, the LEED based requirements legislation passed by

council and implemented by DDC in 2006. So DDC's capital projects are being designed to consume less energy and potable water, produce less green house gas, and to specify environmentally sound building materials.

According to the Local Law 86 annual report, issued by the Mayor's Office in November 2008, DDC projects represented 57% of the City's total construction costs of projects subject to Local Law 86 provisions and 64% of the total square footage of such projects.

The projects range from small local cultural institutions to a police training academy. Since projects must be completed to determine savings amounts, final conclusions are yet to come. However, early data on representative projects indicates an average seven year payback in energy savings alone for any of the additional construction costs to meet Local Law 86. The current rate of energy conservation supports the PLANYC goal of 30% reduction in greenhouse gas emission from city operations by target of 2017.

I'd like to take a moment to

highlight some of the projects DDC is currently working on that might be of interest. Schematic design is nearing completion on the new Police Academy, which is a consolidated training complex that will replace NYPD's current outmoded and dispersed facilities.

The program includes 2.5 million square feet of instructional space including: classroom and support areas; a tactical village; indoor pistol ranges; physical training facilities including an outdoor track; and an emergency vehicle operator's training course. It is designated for a 35-acre site in College Point, Queens, with construction scheduled to commence in late 2009. DDC is currently working with NYPD to identify the first construction package, which will be realized within the existing funding allocation.

We're also working on the new Public Safety Answering Center also known as PSAC II, a new 550,000 square foot facility that will house the city's second 911 call and answering dispatch center that will be located in the Bronx, on a 9 acre site at the intersection of the

Hutchinson River Parkway and Pelham Parkway. The 911 facility will operate in conjunction with PSAC I which is located in downtown Brooklyn, sharing the call load and providing redundant operation.

This project is expected to start construction also in late 2009 and will take approximately three years to complete the DDC portion of the work. Acquisition of the privately-owned site on which the building will be placed is being handled by DCAS. And a ULERP application for site selection and street mapping that approved by the Department of City Planning last month. It's now pending approval by the City Council.

In February 2008, DDC was asked to assist DCAS in implementing various repair projects at City Hall. The projects include: life safety repairs to the various building components including reinforcement of deteriorated wood roof trusses in various areas; fire safety measures including installation of a building wide sprinkler system; repair and restoration of the council chamber ceiling in this chamber; replacement of the elevator, you'll be happy to

hear; repairs and reconfiguration of the council areas on the ground floor and basement; and building-wide fire alarm system and heating and ventilation components.

This work will be completed over the next few years as we work with the building occupants to minimize disruption and establish a schedule for the needed temporary relocation. In addition to that, DDC is managing design and construction for new or renovated facilities Citywide that include 79 libraries; 7 police precincts; 35 fire and EMS facilities; 57 Department of Health and Mental Hygiene facilities; and 119 cultural institutions funded by the Department of Cultural Affairs.

In Brooklyn, work is progressing on the reconstruction of 86<sup>th</sup> Street from Shore Road to Gatling Place. This \$27 million project, which includes replacement of water mains and sewers, is scheduled for completion in the fall of this year. Construction is on an accelerated schedule and work to complete restoration of the roadway in the business improvement district along 86<sup>th</sup> Street between 4<sup>th</sup> Avenue & Fort Hamilton Parkway will

resume as soon as there is warm enough weather which will be quite soon we hope. This project is being coordinated through the Community Board, Business Improvement District, Mayor's Office of Community Affairs and with local elected officials.

In Manhattan, work is continuing on the reconstruction of West Houston Street, from West Street to The Bowery. In addition to sewer and water main replacement, this \$30 million project includes new left turn bays to improve traffic flow, wider medians with extensive tree planting, new lighting. Work on this project, which is now approximately 95% complete, is expected to be finished by June of this year. The second phase of this work, the reconstruction of East Houston Street from The Bowery over towards the FDR Drive will be bid this summer.

Work is proceeding on the reconstruction of Fulton Street in Manhattan, the \$30 million project in which City and private utility work, was jointly bid in a single contract. The work includes major utility and infrastructure upgrades and accommodations for the



new Fulton Transit Hub which is also scheduled to start construction soon.

The contractor is currently working at several locations throughout the Fulton Street Corridor including the reconfiguration at Delury Square and has been directed to complete all work on Fulton Street between Gold and Church by early 2010 which will allow the EDC to implement their Fulton Street storefront improvement program. Accommodations for traffic and building access have been a priority. And completion of this project is scheduled for the fall of 2011.

As a follow-up to my previous testimony concerning capital projects on non-City owned property, our staffs continue working together, along with the OMB Task Force, to facilitate these projects and improve the process.

Last year, DDC launched a completely re-designed internet website you may have seen, along with other enhancements, the discretionary funding section has been updated with the latest forms and policy information.

As of this month a total of 15 of these projects have been registered since the

beginning of the Fiscal Year, 10 additional projects have approved CP's and are awaiting registration. We continue to work with the not-for-profits to get their projects through the various stages of the approval process either at DDC, OMB, the Law Department or the Comptroller's Office.

As I have noted before, ensuring that recipient organizations are provided with complete information about the process upfront, will result in faster completions. We expect that the taskforce's new guidelines and application forms result in much faster processing of these projects as many issues we currently deal with will be resolved before they reach DDC. And we continue to extend our offer to meet with recipient organizations to provide assistance and answer questions.

DDC continues to send satisfaction surveys for completed construction projects to client agencies, to randomly selected residents and businesses impacted by street work, and to elected officials. The survey is also now available to the general public on DDC's web site.

It includes questions about the effectiveness of communication, the level of disruption to the community, how well the schedule was adhered as well as overall satisfaction with the results.

For the first 6 months of this fiscal year, 86% of the respondents gave an overall rating of satisfied or more than satisfied both with the way project was managed and the outcome. The response is valuable in planning for future projects and to identify areas for the agency to improve performance.

That concludes my prepared remarks and I will be happy to answer any questions.

CHAIRPERSON WEPRIN: Thank you Commissioner. It's always a pleasure to have you and to deal with you. And we always try to arrange for your appearance in the afternoon so there are less members to give you a hard time. And I know you like it unlike Commissioner Stark.

MR. BURNEY: Less is more, you know, less is more.

CHAIRPERSON WEPRIN: [Chuckling].  
Let me ask you a couple of questions. The Federal stimulus package obviously is something that's

current on everybody's mind right now. As the City's capital construction agency, how involved has DDC been in the development of lists of shovel ready projects for inclusion in the City and State's applications for Federal stimulus dollars and do you have any list of projects which DDC manages that you feel are shovel ready right now?

MR. BURNEY: As you know when the stimulus bill was first announced, there was a significant amount of uncertainty as to what projects--what type of projects would be eligible for the stimulus package. And DDC spend a significant amount of time with the Mayor's Office of Intergovernmental Affairs and with our client agencies developing lists of potentially eligible projects using a fairly broad definition of infrastructure. Since at that time the exact definition of what would be eligible wasn't clear. So we do have an extensive list of what we consider to be shovel ready projects.

As it came to be defined, shovel ready and what would be eligible became more narrowly defined. And we had asked--the City had asked in its petition for the bill a couple of

things. One was whether or not funding would be granted directly to the City or whether it would come through the State. And to what extent exemption would be granted to the normal Federal regulations governing allocation of Federal funds because that can be a very time consuming process. And there was a certain amount of doubt over what the 120 day requirement would mean and when the clock would start on that 120 days.

As it now transpires we know the money is coming through Albany. We know that most of the--none of the Federal regulatory requirements are being relieved and the 120 days starts presumably when the decision's made to fund the projects. So that limited our pool of eligible projects to quite a small number.

And I think Department of Transportation, for example, has about four projects that were already eligible for Federal funding and therefore had started the Federal approval process. And only those projects that have already begun the Federal approval process seemed likely to meet the 120 day requirement.

So, you know, I probably shouldn't

say this on the record but I will. I'm quite pessimistic that we will meet, the City will be able to meet many of the requirements that are tied to the Federal stimulus both in terms of the timeline and in terms of the definition of eligibility. I think as the stimulus money comes through it strikes me there might be a second opportunity that other projects that were deemed not able to meet the 120 days might be able to meet the 180 days or a longer period, once I think folks realize the length of time it takes to meet some of the Federal regulations.

CHAIRPERSON WEPRIN: Well what can we do to expedite it? And do you have any lists now that could potentially meet it? You know, as we sit here now.

MR. BURNEY: Um-hum. We, I think had taken quite a broad definition of infrastructure. There are obviously the hard infrastructure projects that one that people automatically think of bridges, roads and so on. We expanded our--that definition to include certainly things like fire hazards, police stations, policy academy, 911 call center that

were more of a kind of a Homeland Security definition, would meet that definition.

And you might even argue that libraries were part of a community's infrastructure. And, you know, why wouldn't the definition expand to include those? So we had initially put all of those on our list thinking that they were certainly, many of them shovel ready, if the basic intention of the stimulus package was to create jobs, they all created jobs in the construction industry that was significantly short of work.

So we believed that those kinds of projects are still candidates. Whether that will be agreed with by the Congress and by the Federal agencies that are approving the projects remains to be seen.

CHAIRPERSON WEPRIN: I see you Steve. Thank you. While the Fiscal 2010 preliminary capital plan does not include any major capital budget reductions, the Mayor made it clear that the executive plan will include a 30% cut to our City's capital plan. In November the Mayor released a capital plan which stretched a 4-

year plan into a 5-year plan. At the time it appeared that most of the decisions at the project level were being made by the funded agency with little regard for input from the managing agencies.

I find that a little troubling because you and your agency and your staff are the ones that really know, you know, which projects are ready to go and which projects make the most sense. But it seems to me that the decisions on stretching it out or cutting are being made elsewhere. How do you reconcile that and is that accurate?

MR. BURNEY: Well is it accurate. I would say it's not wholly accurate. For example the Fire Department has been working with us to both reduce scope on certain projects where we have been working on designs, they've asked, they've wanted to reprioritize their money. We've worked with them to alter designs to meet reduced budgets. We've done that with a number of client agencies.

I think typically where a project is already in DDC's portfolio we've worked with



client agencies to help them. Where projects are not yet in DDC's management, we've been less involved.

CHAIRPERSON WEPRIN: Okay. I'm just going to get to one of our favorite topics here. And I know one that Bruce Rudolph told me not to mention his name. Always, is near and dear to his heart and that is a lot of the capital projects on non-City owned land that went through the whole process and it seems to have been an agonizing process. But how many of those are moving? And what percentage are moving and at what time table?

MR. BURNEY: Well I'm going to ask maybe Bruce to add anything that he can add. But I think I did testify a few minutes ago with our numbers to date: 15 projects have been registered since the beginning of the year, 10 additional projects have approved CPs and are awaiting registration. So Bruce I don't know if you have anything to add to that? No. That's the current state of play.

CHAIRPERSON WEPRIN: And if there are any individual situations, we can contact your

agency?

MR. BURNEY: Yeah, please do, yes.

CHAIRPERSON WEPRIN: Okay. Very good. Since I'm the only one here and I'm the only one that's causing the delay at this point, we're happy to have you and it's always a pleasure. And I see the Comptroller of the City of New York is waiting in the wings. Feel free to come up.

MR. BURNEY: My pleasure, thank you.

CHAIRPERSON WEPRIN: Thank you.

[Pause]

CHAIRPERSON WEPRIN: Yeah we'd like 100 copies of the testimony for all the members.

[Pause]

CHAIRPERSON WEPRIN: I've been spending too much time with you to give you a kiss, so.

MR. WILLIAM C. THOMPSON, JR.: And we'll be spending a lot more time together too, so.

[Pause]

CHAIRPERSON WEPRIN: Feel free--

MR. THOMPSON: [Interposing] Yep.

CHAIRPERSON WEPRIN: --do you have a prepared statement or not?

MR. THOMPSON: Tell you what. I'll get through the prepared statement quickly. And out of the way as rapidly as possible.

CHAIRPERSON WEPRIN: I'm joined by Council Member Robert Jackson.

MR. THOMPSON: Councilman Jackson, good afternoon Sir. Let me thank you Committee Chair Weprin and all of the members of the City Council Finance Committee for the opportunity to comment on the Mayor's Preliminary Budget for Fiscal Year 2010 and the Financial Plan for Fiscal Years 2009 to 2013. With me today is Deputy Comptroller for Budget Marcia Van Wagner.

We meet this year under extraordinary circumstances. The collapse of a massive housing and credit bubble in the United States has propelled the world into a global recession. The reverberations within the financial sector have drained trillions of dollars of wealth from the balance sheets of United States households.

While New York City made it through much of 2008 without feeling the sting of the growing crisis, the City's economic and fiscal situation deteriorated rapidly last autumn, prompting the Mayor to significantly downgrade his economic and revenue forecast in the November modification.

The January Preliminary Fiscal Year 2010 Budget and Five-Year Financial Plan presents more bad news, as the Mayor has revised his economic and tax revenue forecasts further downward. Since the November projections, tax revenues are expected to decline by over a billion dollars for the current Fiscal Year, and by close to \$2 billion for Fiscal Years 2010 to 2013.

These contractions have widened the Fiscal Year 2010 gap to \$3.6 billion and increased the out year gaps in the remaining years of the Fiscal Plan or the Financial Plan to almost \$7 billion before proposed initiatives to close the gap. Among those gap-closing initiatives are additional agency spending reductions, sales tax increases, pension reform, and employee health care restructuring.

As you know, the City is prevented by law from establishing a rainy day reserve account for use in later years. And I know that's something that Mr. Chairman, you and I have agreed on the need for over the years. Instead, the City uses prepayments of future year expenses, especially debt service, to roll its surpluses forward. This surplus roll grew every year between 2001 and 2008, as City revenues exceeded our expenses.

This trend has now reversed. Of a \$4.64 billion prepayment made in Fiscal Year 2008, the City plans to roll forward only \$1.5 billion, using the remaining \$3 billion to balance the Fiscal Year '09 budget. In my office's review of preliminary Fiscal Year 2010 Budget and Five-Year Financial Plan, we have identified a variety of risks and offsets to the Mayor's projections.

On net, these factors could result in significantly larger budget gaps throughout the Financial Plan period. Indeed, instead of budget balance in Fiscal Years '09 and '10, the City may face gaps of \$54 million and \$1.9 billion, respectively. Net risks are approximately \$3

1 billion dollars in the out years, leading to gaps  
2 of \$6.7 billion dollars in Fiscal Year 2011, \$7  
3 billion in Fiscal Year 2012 and \$6.9 billion in  
4 Fiscal Year 2013.  
5

6 My office predicts that the  
7 national recession is likely to be deeper than  
8 what is anticipated by the current consensus  
9 forecast and that the subsequent recovery will be  
10 weak. While we believe that the City's downturn  
11 in 2009 will not be as sharp as the Mayor's  
12 forecast suggests, the local economic recovery  
13 will be more tentative and tax collections more  
14 anemic.

15 This more pessimistic view  
16 underlies expectations of lower tax collections  
17 throughout the Financial Plan period. For Fiscal  
18 Year 2009, we project that collections of  
19 business, sales, and real estate related taxes  
20 will fall short of the Mayor's forecast based on  
21 current collection trends. Additional risks  
22 include \$242 million related to partially restored  
23 revenue sharing and overtime spending on the order  
24 of \$111 million. These risks will be partly  
25 offset by restitution agreements worked out by the

Manhattan District Attorney's Office that is \$125 million greater than what was anticipated in the Fiscal Year 2009 budget.

In addition, under the State's allocation plan for the enhanced FMAP funding provision in the American Recovery and Reinvestment Act of 2009, the City will receive a net offset of \$607 million to Medicaid spending in FY '09. However, the allocation will fall short of the City's projections by \$77 million in Fiscal Year '10 and \$612 million in Fiscal Year '11, resulting in an overall net reduction of \$82 million from Plan assumptions.

Getting back to the issue of overtime for just a moment, I want to emphasize that the City routinely underestimates the amount budgeted for this cost, which then widens the budget gap that must be closed. Last year alone, the City's overtime expenses for police, firefighters and civilian workers exceeded \$1 billion for the first time since September 11<sup>th</sup>. It would serve the City's budget process greatly if OMB and the agencies were to budget overtime more realistically moving forward.

In the out years of the Plan, most of the risks result from gap closing initiatives that rely on actions by third parties, including an average of \$1 billion annually from proposed health insurance restructuring and employee premium contribution, pension reform, and the restoration of State revenue sharing. Until we get more clarity from the State and labor unions on how they will proceed with these proposals, the outcomes remain uncertain.

One gap closing idea the City is pursuing is an increase in the sales tax, which the Mayor suggests could bring in an average of \$950 million annually in Fiscal Years '10 through '13. Because that tax is regressive and disproportionately impacts the very New Yorkers struggling to make ends meet in the current downturn, I have proposed an alternative tax, an alternate tax on individuals making \$500,000 and above. Specifically, I am recommending a 4.3% tax rate on taxpayers with taxable income of \$500,000 and a 4.8% tax on taxpayers with taxable income of \$1 million or more, compared to the current rate of roughly 3.65%.



As with the State income tax, these rates would be flat rates rather than applying only to the margin of income. Based on estimates by my office, this would yield nearly \$1 billion in calendar year 2009 and a similar amount in the Fiscal Year 2010.

The City workforce is projected to decline more than 21,000 from Fiscal Year '09 to Fiscal Year 2010 and remain at around 220,000 throughout the plan period. While the bulk of those positions, most of them teachers, may be restored with Federal stimulus funds, the Financial Plan presents these headcount cuts as permanent. Thus stimulus funds may only delay, not prevent, the reductions.

Complicating the City's efforts are actions being taken by the State to close a gap of nearly \$14 billion that will increase the City's fiscal challenges. For instance, the State has interpreted the stimulus bill such that the City would receive about \$80 million less Federal Medicaid assistance in Fiscal Years 2009 through 2011 than it has budgeted.

Finally, to reduce debt service

costs, the Mayor has proposed a 30% cut in the capital commitment plan beyond a 20% reduction outlined in the November capital plan. Together, the reductions would result in debt service savings of about \$1 billion in Fiscal Years 2010 through 2013 out of a total debt service expense of just over \$20 billion. We don't yet know how the 30% reduction will be implemented, but it would be entirely appropriate for the City to focus on the preservation of maintenance and a state of good repair.

Our experience with the fiscal crisis of the 1970's demonstrated that we defer maintenance at our own risk. Let's show that we really did learn that lesson. Indeed New York City has acquired its reputation as a premiere place to live and do business by keeping crime down, by pursuing exciting new economic development initiatives, by luring new industries like motion picture and high tech, and by expanding a thriving entertainment and hospitality industry.

We must continue to do all we can to maintain that reputation. With careful

nurturing and attention to the fundamentals of our economy, New York will continue to represent to new generations that place where dreams are forged and government faces down its challenges with a commitment to innovation, diversity, and progress. Those are the values our great City was founded upon, those are the values that will see us through our current economic troubles, and those are the values that will keep us strong long into the future.

Mr. Chairman I'd like to thank you for the opportunity to testify this afternoon. I'd be happy to take any questions that you might have.

CHAIRPERSON WEPRIN: Thank you very much and it's always a pleasure to have you here before our Committee. Obviously the world has changed in the financial markets in a very, very short period of time. I would say within the last year.

We've seen markets that have historically, you know, been traditional Wall Street markets like the auction, rate, security markets, totally collapse. We've seen 100-year

old major investment banking firms crumble and disappear in the case of Lehman Brothers.

We've seen, you know, historic-- well historic downturn in the equity market, unheard of, you know, similar I guess to the 1920's or '30's but in some ways even higher percentage loss. I think the Dow is--I've been here all day I don't know what happened today but--

MR. THOMPSON: [Interposing] It's.

[Off mic]

CHAIRPERSON WEPRIN: You--go ahead.

MR. THOMPSON: Another bad day on the market--

CHAIRPERSON WEPRIN: [Interposing] Another bad day?

MR. THOMPSON: --so far, yeah. It was off about 100 points at one point--

CHAIRPERSON WEPRIN: [Interposing] Yeah. So, you know, we're talking about a low we haven't seen in about 13 years after a meteor, you know, meteor rocket ride upward for many, many years.

Obviously this has had an effect on

the pension funds. And what if anything can be done to get in and out of the pension funds or change the makeup of the pension funds to deal with these type of, you know, markets and volatility, if anything?

MR. THOMPSON: Well to some extent, you know, and you know the composition, I think that over the last six to seven years we've diversified the portfolio more than it had ever been before. You know, additions in real estate, additions in private equity that, you know, during an up market served us well. And given the adjustments that have been made, it has helped us against the downturn. And so if you look, the New York City Pension Funds have definitely outperformed the S & P, have definitely outperformed the Dow by far.

But it's still--you're not immune from the downturn. I think probably one of the things that could be done is continue to explore additional products as, you know, safer products, obviously as they come out. I think some of it is in trying to capture perhaps a little better the upside. And I think that was something that, you

1  
2 know, I think if you look at how we take care of  
3 the downside, you wind up doing that over a six  
4 year period of time. I think the upside, you  
5 don't capture the upside as well.

6 Clearly that there are discussions  
7 and recommendations and suggestions for additional  
8 tiers and other things but I think that, you know,  
9 those are some of the ways, if you look, that we  
10 can try and, you know, benefit a little better  
11 from, you know, when the market turns around. I  
12 think, as you said, if we take it--we,  
13 unfortunately, or the way the downside is  
14 reflected a little bit more than the upside is.

15 And I think we should be able to  
16 take more advantage at least in reducing City  
17 contribution, you know, when things go up. Also,  
18 and let us not forget it, it wasn't that long ago,  
19 probably 1999 or 2000 that the pension funds were  
20 doing so well that they did a restart. That, you  
21 know, the former Mayor and others took money out  
22 of the pension funds and used it for additional  
23 spending with the budget.

24 So I mean just as in tougher times-  
25 -and we have seen probably in the last seven

1 years, three consecutive down years in the market,  
2 you haven't seen that since the Depression. And  
3 now the situation we're in where the Dow has lost  
4 half of its value, clearly is, you know, an  
5 extraordinary time.  
6

7 CHAIRPERSON WEPRIN: Yeah it's very  
8 scary. The, you know we have our health care  
9 trust fund that we initiated. I think we have  
10 about \$2.6 billion in it. The Mayor has proposed  
11 drawing down, but relatively modest amounts to  
12 cover some of the pension losses to make up for  
13 the, you know, mandatory contributions.

14 Should we be drawing down on a  
15 higher level from that health care trust fund?  
16 There's still about--even after the Mayor's  
17 recommendations on tapping into it, I think we  
18 still have over \$1.5 billion left.

19 MR. THOMPSON: No, I would say that  
20 that right now, that's probably prudent. And the  
21 reality is this isn't going to be a one year  
22 situation. So I would say that, you know, if we  
23 tap any further you wind up exhausting it quicker.  
24 There is the, you know, those are still health  
25 benefits that we're going to have to pay in the

1  
2 long run. And it's still something that we have  
3 to deal with.

4 So no, I would say that right now  
5 it is being--that withdrawal while--and we had  
6 this discussion in the office, while it may be  
7 viewed as a one-shot or and things that you  
8 haven't seen before, I think it's appropriate  
9 given the current climate.

10 CHAIRPERSON WEPRIN: Okay. And  
11 this historic change in the financial markets, the  
12 collapse of the credit market, the bond insurers,  
13 so many of them have disappeared and, you know, I  
14 guess the debt issuance for the City, as a result,  
15 has changed dramatically.

16 What changes have you instituted as  
17 the Chief Financial Officer in charge of the debt  
18 issuance of the City in recent bond issues that  
19 varied from previous bond issues to deal with some  
20 of the different receptions that the New York City  
21 has got? Even though the credit rating is still,  
22 you know, the highest it's been in a very, very  
23 long time if not in its history. And you, I know,  
24 had a lot to do with that these past eight years.  
25 But how has it changed the way bonds are marketed



and the size of the various general obligation bond issues?

MR. THOMPSON: Well and knowing of your background in this area, you'd be surprised to learn, and I think we, you know, saw a period where obviously interest rates went up a little bit more and it cost us a little bit more, but one of the things that we have been very fortunate in is that given the downturn and the uncertainty in some ways, New York City and its debt, whether it's TFA, general obligation or Water Authority, remains a good place and good investment for people.

We have seen dramatic increase in the retail market--

CHAIRPERSON WEPRIN: [Interposing]  
It's certainly better than the stock market.

MR. THOMPSON: Absolutely. If we had all of our money and all of our pension funds in our own bonds, we'd be in much better shape. But as I said, what you've seen is a dramatic increase in retail demand. Know--we've gone to market with bond issues that are much smaller than what we would have went with before. I mean I

1 think you know the average size in a New York City  
2 debt, bond issues, particularly in the GEO  
3 [phonetic] side is usually somewhere in the \$600  
4 to \$900 million range.  
5

6 We've started and gone to market  
7 with, you know, as small as \$300 million and seen  
8 incredible upsizing. So that you go into the  
9 market with \$300 million, we've seen such demand  
10 that we wind up in the \$600 to \$700 million range,  
11 most of it on retail demand. So we are still, in  
12 spite of the, you know, tight market in the  
13 municipal side, you know, we went through a period  
14 of a couple of months where it was tighter than it  
15 had before, where that, you know, the \$300 million  
16 deal might have been upsized to \$400 million of  
17 \$450 million.

18 But we're seeing at least for New  
19 York City debt, we're seeing real demand these  
20 days. Not as much still in the institutional side  
21 but the retail side is driving things in a very  
22 strong fashion.

23 So I think you know, that we have  
24 always been--we've made changes, we have, you  
25 know, we took the opportunity to go out and

refinance as much as we could during--when interest rates were low and just going back out and taking some of that higher priced debt out of the market place.

So I think that we've shown a lot on the saving side over a period of years. Present value savings, we've maintained a relatively modest and moderate rule with regard to that. So I think we've done well on the muni side. And continue to still see real demand, particularly given our rating, real demand for New York City paper.

CHAIRPERSON WEPRIN: Okay. I know you referred in your testimony, but I don't know if you were that specific on the actual falloff in revenue even since the Mayor's November Plan. Mark Page was here this morning and he said it had fallen off significantly but he actually did not get into detail on the numbers 'cause he said they were still compiling it and they didn't have the actual figures.

Have you seen, and we heard the Independent Budget Office was coming on after you may have some numbers. Have you seen any numbers

of the actual revenue falloff?

MS. MARTHA VAN WAGNER: The revenue falloff since the November plan?

CHAIRPERSON WEPRIN: Since the November plan.

WAGNER: I don't have the numbers right in front of me but I know they've been substantial falloff in the, you know, a couple of billion dollars I think since the November plan. For this year, right?

[Off mic]

CHAIRPERSON WEPRIN: Just identify yourself for the record.

MR. THOMPSON: Why don't you come up--

WAGNER: [Interposing] Oh sorry.

MR. THOMPSON: Why don't you come up for a sec. Sit. Sit down.

WAGNER: [Laughing]

[Background noise as witness comes forward]

MR. THOMPSON: That wasn't a request.

MR. FRANK BRACONI: I just want to

say, I don't have the numbers either in front of me but it's--I think it's on the order of several hundred million--

WAGNER: [Interposing] Here, we have it written.

MR. BRACONI: --since November.

WAGNER: Here we have, from our report, the total projections for '09 and '10. For '09 it's decreased \$986 million since the November plan and \$1.1 billion for 2010, since November.

[Pause]

CHAIRPERSON WEPRIN: Yeah. Just state your name for the record.

BRACONI: Frank Braconi, Chief Economist to the Comptroller.

CHAIRPERSON WEPRIN: Okay. And Marsha Van Wagner. Okay thank you.

[Pause]

CHAIRPERSON WEPRIN: Oh yeah, you know, the Mayor has, well not the Mayor, the State, the Governor has proposed taking the Battery Park City money which had been set aside traditionally for affordable housing in New York

City and using that money to help close the massive budget gap the State has.

Have you taken a position on that? And that's obviously something that we'd like to see returned. And what can we see that that money rightfully comes back to the City for affordable housing?

MR. THOMPSON: Well I've been part of the original--as a matter of fact probably working along with advocates, we'd really pushed to finally have the Battery Park City Authority keep its promise for using the surplus for affordable housing. I guess it was 2005 that we finally got that done and have moved forward with the infusion of about \$130 million into affordable housing across the City of New York.

I think the State is proposing, I think using about \$20 million this year. But the thing that is probably even more disturbing is what they would like to do is to issue debt through the Battery Park City Authority and use the surplus that is being thrown off to pay debt service. And I am against that, entirely against that.

We've indicated that to State budget, that it is something that we are opposed to. I think that, as I said, the current balance in the joint purpose fund is a little over \$200 million and next year the fund is due to get another \$100 million probably from payments to the Battery Park City Authority from Goldman Sachs.

So, no, I'd like to see that money go into affordable housing in the City of New York. It is the commitment that was made by the Battery Park City Authority at the beginning and it is a promise that should be kept.

CHAIRPERSON WEPRIN: Okay. And I'm sure you share your frustration as I do 'cause I know it's an issue that we've both supported for many years. And now I would think should be the time to rally all the forces and that's to bring back some form of the old commuter tax.

You think that with the tough fiscal times and I know Speaker Silver has said publicly that when the commuter--the old commuter tax expired, was repealed, that it was flush fiscal times and since then he's changed his position and would support it.

We have a Democratic majority in the Senate. We have a Democratic Governor. We have, you know, New York City still traditionally send to Albany, you know, I don't--the numbers have, you know, I've heard the numbers so many times but I think it's something like \$18 billion more than we get back in services.

It just seems that those people that work in New York City should pay some form of non-resident income tax similar to what the State does and the City of Yonkers and other municipalities. Do you share my frustration and what can we do, other than be frustrated?

MR. THOMPSON: [Laughing] I'm not sure that there's a lot that we can do. I think that you and I have agreed on this over the years that, you know, the ending of the commuter tax was wrong. That those who work in New York City and benefit from its services should chip in a little bit. I think the old commuter tax amounted to about \$1 a day. No one minded. No one missed--no one complained.

And it was unfortunate that that commuter tax was removed. I think that, you know,



1  
2 in one of two ways, whether it is revenue that  
3 went to the City of New York or if we're still  
4 looking and talking about things on a regional  
5 basis because that's exactly what it is, why it  
6 isn't a place where the commuter tax could be  
7 reinstated to help to fund the gap in the MTA. I  
8 don't understand.

9 So I think in one way or another  
10 the restoration of the commuter tax is something  
11 that makes sense. No, it was--did we miss it in  
12 flush times? If we would have had the commuter  
13 tax in good time, we'd have more of a--there would  
14 be more money that would have been tucked on the  
15 side, more money that would have gone to reduce  
16 debt, perhaps more pay as you go capital, a number  
17 of other things. And we would be in better fiscal  
18 shape than we're in right now. No I've always  
19 thought that it was time to restore the commuter  
20 tax, in good times, and in bad times.

21 CHAIRPERSON WEPRIN: I share that  
22 with you. I believe Council Member Jackson had a  
23 few questions.

24 COUNCIL MEMBER JACKSON: Thank you  
25 Mr. Chair, Mr. Comptroller, good afternoon.

Thanks for coming. You're always here at these preliminary and executive budget hearings. And--

MR. THOMPSON: [Interposing] And the one thing about it Council Member, you always are also. It's always good seeing you.

COUNCIL MEMBER JACKSON: Well, likewise. I mean considering the fact that the budget that we're dealing with has a budget deficit and deficits in the future, and the mortgage foreclosure crisis and Wall Street and jobs being lost everywhere, I think this is where everyone needs to be in order to focus in on what we can do to help stay together.

And one of the things that I saw in your testimony is you had indicated in here proposing an increase in, I guess, taxes for those earning more than \$500,000. And I do know that there is a proposal out there, I believe, by the Working Family Party that's been put forward, I believe, by Senator Eric Sneiderman [phonetic], my State Senator, those that are earning \$250,000 or more.

And even I said at the executive budget hearings in Albany about a month ago, that

even individuals earning \$200,000 should pay a little bit more in order to keep those people that are losing their homes, in their homes, and to help the wider family stay together. In essence, in tough times, we have to stick together and not say, well because you're losing yours, I'm not really concerned about you. We cannot take that attitude.

How did you come up with the \$500,000 threshold versus a \$250,000 versus a \$200,000? And do you think that's enough to bring in revenues overall?

MR. THOMPSON: Well we took a look at different levels of income. We did take a look at \$250,000 and the truth is in the end, whether it is \$250,000, I know the Speaker has recommended \$300,000, I recommended \$500,000. I think the difference between the \$250,000 and the \$500,000 was about an extra \$76 million if I remember correctly. I don't remember if you remember a little bit...

It wasn't a substantial amount that was generated in the gap between \$250,000 or \$300,000 or \$500,000. So I thought that was, you

know, as we looked at it, that seemed to have made sense. I remember going back and forth internally as we came up with recommendations a few months--a couple of months ago.

In the end, and the one thing I would agree--it really isn't a question of sitting down and quibbling over the exact amounts, and the amounts of the tax, I think that what we do have to look at is those who are doing better need to help during these tough times. And I think the one thing that government needs to do is to make it clear that that increase is for a short period of time. It isn't forever.

I think, you know, New York City did that after September 11<sup>th</sup> as one of the ways that we close budget gaps. But I wouldn't disagree with you Councilman, that, you know, it depends--I said the number that I've looked at is \$500,000. I know that the Speaker's looked at \$300,00, Working Families is looking at \$250,000. But it is clear that those who are doing better need to contribute a little bit more. Absolutely.

COUNCIL MEMBER JACKSON: And would this need--would we need permission from the State

legislature in Albany in order to do this?

MR. THOMPSON: Yes we would.

COUNCIL MEMBER JACKSON: Okay.

Now. We've heard earlier and throughout the news that if in fact some people call it a millionaire's tax and obviously if you're only earning \$500,000 you may be a millionaire but you may not be.

MR. THOMPSON: Tried to call it a half millionaire's tax. [Laughing]

COUNCIL MEMBER JACKSON: Okay. But do you think this would drive these wealthier New Yorkers out of New York City? In your opinion as a State Comptroller based on your analysis to make--sorry--

[Off mic]

COUNCIL MEMBER JACKSON: City Comptroller, did I say State Comptroller?

[Off mic] He turned that one down.

MR. THOMPSON: [Laughing]

COUNCIL MEMBER JACKSON: [Laughing]

MR. THOMPSON: That is true.

COUNCIL MEMBER JACKSON: Do think that this would drive those wealthier New Yorkers

out of our great City?

MR. THOMPSON: I think that one thing that we have learned, first, people aren't here in New York City because the tax rate is lower than some other places. They're here for a number of things. They are here for culture. They are here for New York City being the financial capital and we still are. They're here for a number of different reasons given the diversity that New York City has to offer.

The one thing that would drive them out and would push people out of the City and we've seen it before in the mid-1970's, letting crime increase, seeing quality of life decline, that will drive people out of New York City faster than anything. We have to make sure that that doesn't occur. And I think that in on a temporary basis increasing taxes on those who are doing better is not going to drive them out of town at all.

COUNCIL MEMBER JACKSON: And your proposal for a temporary tax is for how long, what period of time?

MR. THOMPSON: Look, I think that

at the very least you'd like to start with three years--

COUNCIL MEMBER JACKSON:

[Interposing] Okay.

MR. THOMPSON: --because I don't think anyone believes that we're coming out of these difficult financial times in the next 18 months. So I would say that it gives us an opportunity to be able to fill a gap. It gives us an opportunity to be able to help stabilize and start to climb our way back out of this financial that we, that this country--not just New York City, New York City, New York State and this country as well--

COUNCIL MEMBER JACKSON:

[Interposing] The world--

MR. THOMPSON: --the world.

COUNCIL MEMBER JACKSON:

[Interposing] The world.

MR. THOMPSON: --has fallen in--

COUNCIL MEMBER JACKSON:

[Interposing] Yes.

MR. THOMPSON: --this worldwide recession.

COUNCIL MEMBER JACKSON: Hum. Now let me switch over to the Mayor, and this is a question that I asked of Mark Page, the Budget Director. The Mayor proposed at 30% reduction of the City's capital commitment plan. And I asked what are the plans for the educational capital budget. And obviously he responded with respects to depending on what's happening from Albany concerning the 5-year capital plan, the commitment in order to continue with the proposed 5-year capital plan that's coming forward.

But I ask you your opinion, do you believe as a City Comptroller that the Mayor's proposal for a 30% reduction of the City's capital commitment plan is an appropriate move from your perspective as a City Comptroller?

MR. THOMPSON: Given the short term demands on debt service I would say yes even though as I said in my testimony I think it is important, and no, you know, clearly the need to continue to build schools is important, but at the same point, maintaining state of good repair and maintenance within the City of New York, I believe is important.



We can't let our infrastructure crumble. We can't let roads and bridges, as I said, I do remember what it was like after the mid-1970's. And it took us years to play catch-up given how we ignored maintenance and a state of good repair. We can't afford to do that again.

COUNCIL MEMBER JACKSON:

Comptroller Thompson I saw you on New York One this morning at a press conference with respects to talking about a \$1 billion NYPD overtime. And I didn't see all of it or maybe they didn't expand on it. But what are you recommending in order to bring that in check, in order to reduce that overtime other than saying that NYPD is spending approximately \$1 billion a year in overtime?

MR. THOMPSON: Councilman, it just wasn't NYPD, it was City overtime as a whole--

COUNCIL MEMBER JACKSON:

[Interposing] You mean that \$1 billion was City--

MR. THOMPSON: [Interposing] Yes.

COUNCIL MEMBER JACKSON: --overall?

Overall--I'm sorry.

MR. THOMPSON: [Interposing] Yes.

No. Not--the one thing is, it's strongly

recommended that the City be more, at least a bit more honest. When they continue to come in each and every year with lower than overtime projections. And almost each year we exceed that. I think it's important that first the City look, obviously, for ways to reduce overtime. But secondly that the City be a bit more realistic and perhaps on an agency by agency basis set goals for each agency that, you know, on overtime that they can't exceed. And then let agencies live within it during these difficult times.

COUNCIL MEMBER JACKSON: What, in your analysis, you're saying basically they have basically not realistically put forward the amount--at least I'm hearing it from you, not realistically put forward the amount of over time that they're going to spend. And in essence they shortchange the viewers into thinking that it's going to be let's say \$500 million, in reality it may be \$1 billion. So what was their projected overtime in previous years, in your analysis?

MS. WAGNER: They've been running about \$100 million less every year than what they actually incur by the end of the year. I mean

it's like clockwork. So every year we've been taking them up \$100 million, \$120 million in our reports. And by the end of the year it usually catches up.

COUNCIL MEMBER JACKSON: So they spend at least, at least 10% each year.

MS. WAGNER: Right.

COUNCIL MEMBER JACKSON: And so--

MS. WAGNER: [Interposing] Right.

COUNCIL MEMBER JACKSON: --if you run that every year, then realistically you should project a 10% increase, is that what you're saying?

MR. THOMPSON: Yes. And as Marsha pointed out, like clockwork. It seems to be just about that amount.

COUNCIL MEMBER JACKSON: Do you think that that may be as a result of poor management or the demands put forward, you know, on the City by emergencies, is the cause of that?

MR. THOMPSON: Well. It's called that that happened one year or two years and you'd say it was based on perhaps unforeseen things. I think that it is just an underestimation on their

part constantly of what overtime will be. And each year it seems to come in, as you point out, as Marsha pointed out, about \$100 million higher each and every year.

COUNCIL MEMBER JACKSON: Do you have an opinion 'cause I've asked this question of you every year, I've asked it every year of Mark Page, I've asked it every year of the Department of Education, do you have any idea or--first of all, is the Office of Management and Budget, or is the Department of Education aligned with the Office of Management and Budget Financial Management System as far as OTPS and PS, so that independently the Office of Management and Budget will be able to monitor the Department of Education's budget of approximately \$20 billion, approximately one-third of the entire City's budget without asking them for information?

It's like going to the--a wolf going to the henhouse and asking the chicken, well how do you do this? And the chicken's saying you do it this way, you do it that way? Help me out here. I mean--and his response was that they're trying to get a handle on it but there's still a

long way to go, in essence what I heard. He didn't say that. These are my words. There's still a long way to go.

MR. THOMPSON: Okay. I'm going to answer part of that in a more general sense. I'll let Marsha answer it in a little bit more specifically. Since probably since 2002, since I walked through office or at least, let me be generous and say 2003 the Department of Education has been almost a financial black hole. It has been hard to track money. It has been--they do--they budget in ways that prevents larger accountability. And I believe it is done intentionally.

We've been so frustrated over a period of years, in 2004 we tried to have legislation introduced in Albany to make changes because clearly it was one of the grey areas of Mayoral control that the Department of Education has a budget structure almost unlike most of the other City agencies.

So no, units of appropriation and there was--there have been agreements over the years between my office, City Hall and OMB and the

Department of Education to try and repair and improve their budgeting structure. And more than anything, I'm not going to say structure, to transparency at the Department of Education. It's still an incredibly opaque institution. It still serves--and still serves to frustrate me on a regular basis.

The opportunity to hide money, the no-bid contracts that exist over there, so many different things I find incredible frustrating. So that's in a general sense, that's my response each and every year that you've asked that question. You've gotten a similar response.

MR. BRACONI: And don't forget Snapple.

MR. THOMPSON: Oh, as you said, this goes back over a period of years with, you know, with rules and procurement rules that can change based on anyone's whim.

COUNCIL MEMBER JACKSON: Now I'm going to ask you I guess the big question. Regarding the same issue. Let's look forward. Assuming that you are elected the Mayor of the City of New York. When--how long would it take

for you to get that together so I would not have to ask this question every preliminary budget and every executive budget hearing?

MR. THOMPSON: The one thing I could tell you Councilman is that, wow, it would probably take four months to really have transparency over there, to put a team of people into creating openness, to really bring that Department and put it in the same place that other City agencies are, with the same transparency, same openness. I think it wouldn't take long. All it takes is will--

COUNCIL MEMBER JACKSON:  
[Interposing] Now--

MR. THOMPSON: --it takes desire.

COUNCIL MEMBER JACKSON: Now you say four months. Okay. And we--I know that that's a huge agency or department, \$20 billion, one-third of the City's budget. So let me give you a little flexibility. Let's say a year and a half.

MR. THOMPSON: Oh geeze--

COUNCIL MEMBER JACKSON: Let's say a year and a half. Okay. 'Cause you get in there

and you say oh my gosh, and I was going to really say something else like S-H-I-T--

MR. THOMPSON: [Interposing]

[Laughing]

COUNCIL MEMBER JACKSON: --but you get over there and it's worse than what you expect, so I'll give you a year and a half. Okay? Assuming that the same Mayoral control situation is in and the Chancellor reports to you and you direct that Chancellor to get it in line, if that doesn't happen, would you fire the Chancellor?

MR. THOMPSON: [Chuckling]

COUNCIL MEMBER JACKSON: I--some heads need to roll if in fact a directive goes out that you want the Financial Management System in line with OMB and it doesn't happen--

MR. THOMPSON: [Interposing] Let me say this.

COUNCIL MEMBER JACKSON: --  
accountability stops at the top.

MR. THOMPSON: The one thing I would say is number one, it should not take a year and a half to bring financial transparency to any agency in the City of New York. That's first.



Secondly, what has gone over at the Department of Education since it be--since Mayoral control--

COUNCIL MEMBER JACKSON:

[Interposing] Has--

MR. THOMPSON: --has been wrong.

It has been wrong. It has prevented honest review. It has prevented--each year when you sit down, it's hard for your people to be able to, you know, to be able to review the Department of Education and where the expenditures are going.

I know it is frustrating to OMB as it is to our office as it is to the Independent Budget Office, as it is to the State Comptroller's Office, as it is to many places. It is inexcusable. And the one thing, whoever is held accountable at that point under Mayoral control, the Mayor's accountable. And the Mayor's responsible.

COUNCIL MEMBER JACKSON: Okay.

But, you know, you're talking like a, an--some people would say you're talking like a politician. Because you didn't really answer my question. I want to know are heads going to roll if that doesn't happen. And you know one thing, it's easy

to say--

MR. THOMPSON: [Interposing]  
Councilman. Yes.

COUNCIL MEMBER JACKSON: --and give  
an explanation. Is heads--are heads--

MR. THOMPSON: [Interposing] Yes.  
Abso--

COUNCIL MEMBER JACKSON: --going to  
roll?

MR. THOMPSON: --would I get rid of  
people, yes.

COUNCIL MEMBER JACKSON: Because  
accountability, you say the buck stops with the  
Mayor. And that's what Mayor Bloomberg said,  
accountability is for him. But the bottom line is  
when voters go to the polls, they're not voting  
just for education. They're voting for a whole  
array of things.

And I want to know whether or not  
heads are going to roll if in fact you're the  
Mayor, a year and half from--I'll give you a year  
and a half. If the Financial Management System is  
not aligned and transparent so anyone can see it.

MR. THOMPSON: In a year and a

half? Yes.

COUNCIL MEMBER JACKSON: Good. And I'm going to ask that question of the Independent Budget Office 'cause I ask it of them every year also about the Financial Management System. But they're independent. They're not elected officials like you.

MR. THOMPSON: AT the same point I would dare say that the Independent Budget Office, and as I said I believe that I'd be--let me not put words in your mouth--

COUNCIL MEMBER JACKSON:  
[Interposing] They're here now, and I'm going to ask them.

MR. THOMPSON: --but working with the public advocates--

COUNCIL MEMBER JACKSON:  
[Interposing] [Laughing]

MR. THOMPSON: ---advocate's office if I remember correctly, a few months ago, and I'd like to credit the Independent Budget Office, I believe that you found \$130 million that they had kind of stashed on the side for testing in grades Kindergarten, first grade and second grade. So

let me credit--

COUNCIL MEMBER JACKSON:

[Interposing] We'll take it. We'll take it.

MR. THOMPSON: --the Independent  
Budget Office for that.

COUNCIL MEMBER JACKSON: Thank you.

MR. THOMPSON: Thank you  
Councilman.

COUNCIL MEMBER JACKSON: I hope I  
didn't put you on the spot.

MR. THOMPSON: No--[laughing]

[Audience laughing]

CHAIRPERSON WEPRIN: You did but he  
handled it well.

MR. THOMPSON: Never Bob. Thanks.

CHAIRPERSON WEPRIN: Comptroller,  
once again it's always a pleasure to have you  
appear before this Committee. And we always enjoy  
our close working relationship.

MR. THOMPSON: Thank you  
Councilman, always a pleasure in seeing you.  
Thank you.

MS. WAGNER: Wow.

CHAIRPERSON WEPRIN: We will now

hear from the Independent Budget Office, Ronnie Lowenstein.

[Witnesses leaving the table]

[Pause]

CHAIRPERSON WEPRIN: Ms. Lowenstein. Always a pleasure to have you as well.

MS. RONNIE LOWENSTEIN: Thank you very much.

CHAIRPERSON WEPRIN: You have prepared testimony? Feel free to give it or not give it.

MS. LOWENSTEIN: Okay. You're on. I'm here with my colleague George Sweeting who's IBO's Deputy Director. And I'd like to thank you for sitting here and listening at the end of an extraordinarily long day. And I'd like to thank the Comptroller for his kind remarks. What I'm going to do is give you in less than one minute the main points out of the testimony. And then give you the option to go on or not.

But the three main points I want to leave you with are first of all that IBO is now expecting local New York City job losses of

roughly 270,000 jobs to the trough, roughly the 2<sup>nd</sup> quarter of next year. That's considerably more than we were estimating several months ago.

We're now, based upon this more negative economic forecast, we're now expecting tax revenues to decline \$2.6 billion this year. That's about 7%. And assuming that the Mayor's proposed sales tax increases are adopted, they would also decline \$1.3 billion next year. In the absence of the sales taxes hikes next year's decline would be on the order of \$2 billion.

These tax revenue numbers are significantly below what OMB is forecasting in the preliminary budget. And what that means that even if the Mayor's preliminary budget proposals are adopted in their entirety IBO now says that the City would still be facing a gap, a gap of roughly \$1.2 billion for the upcoming Fiscal Year and another \$4.8 billion for Fiscal '11.

That's the high points. I can go into more detail of any of it. And of course I'd be glad to answer your questions.

CHAIRPERSON WEPRIN: Sure. That's fine. Is--are the numbers going to get worse

before they get better? I mean it sounds like it.

MS. LOWENSTEIN: I think that the risk is all on the down side which is economist jargon for the US economic situation is still deteriorating very rapidly even though our US macro forecast dates only several weeks back, since then we've gotten some really staggeringly bad US employment decline numbers and revisions to recent months that are far greater than anyone had anticipated.

So right now the forecast is declining faster than we can get a handle on it. And yeah, if this forecast isn't right, it's too optimistic.

CHAIRPERSON WEPRIN: Well what should we be doing?

MS. LOWENSTEIN: [Chuckling] Much harder question. There's a whole range of spending cuts and tax increases, certainly the Federal fiscal stimulus is going to help somewhat but not enough to plug the holes. And that's the job that's in front of you.

CHAIRPERSON WEPRIN: Okay. Not a happy picture--

MS. LOWENSTEIN: [Interposing]  
[Laughing] Yeah.

CHAIRPERSON WEPRIN: I've also been  
here since early this morning--

MS. LOWENSTEIN: [Interposing] Hum.

CHAIRPERSON WEPRIN: --so. But...  
Council Member Jackson do you have questions?

COUNCIL MEMBER JACKSON: Oh boy oh  
boy oh boy. Director Lowenstein, let me just say  
that I hope your projections are wrong. But quite  
frankly I've known your projections to be quite  
honest and nonpartisan and somewhat on the mark.  
But if in fact they're right, we're in deeper  
trouble than is being--that it was put forward in  
the Mayor's preliminary budget and obviously as  
you said, you know, the economic situation is not  
getting better, it's getting worse. So in  
essence--

MS. LOWENSTEIN: [Interposing] Um-  
hum.

COUNCIL MEMBER JACKSON: --there  
may have to be adjustments made on a more negative  
point of view with respects to the City and its  
spending and what have you and so forth.



I've said, even as I said earlier, you may have been here, and I was a panelist on the executive budget hearing up in Albany about a month ago, sponsored by the Black and Puerto Rican Caucus. And the Governor's Budget Director was there. The Assembly's budget person was there, call it--he was the Chair. Bill Perkins and Frank Murrow from the Fiscal Policy Institute and everyone is basically in my opinion said that for the next 18 months it's not going to get better. It's going to get worse.

And so I said that the most important thing that we need to do is keep people working. Because if people lose their jobs, you know, they're going to lose, you know, they're going to have mortgage foreclosure issues. They can't pay their rent. They may not be able to pay their car note and so forth and so on.

Do you think it's important to keep people working in order to keep this car moving or just stop the car right now and start taking off the wheels and stuff like that? And...

MS. LOWENSTEIN: Certainly there's real need for fiscal stimulus on an order of

magnitude that none of us have seen in our lifetimes. The question is where that fiscal stimulus comes from. Most logically it comes from the Federal government which is in a far better position to do that than say the City of New York which has a very rigorous balanced budget requirement.

That doesn't mean that it's great to lay people off and the City is trying hard not to do that. But there's a reason that it's the Federal government that's charged with really stabilizing the economy and that's where we're looking to for additional aid. And a large chunk of the recently, you know, adopted Federal fiscal stimulus package recognizes that State governments and local governments are behind the eight ball.

COUNCIL MEMBER JACKSON: Hum.

MS. LOWENSTEIN: And will be cutting back because they have no other choices. And so a large part of the package really is designed to try to bolster Federal--sorry bolster State and local government finances in a way to prevent this important, huge important sector from cutting back and laying off employees and stopping

important infrastructure projects just at the time you want them to ramp up.

COUNCIL MEMBER JACKSON: [Sighs]

Well let me just say that I'm afraid. Because if in fact, from what I'm hearing from you, then that the stimulus package that is already in place is not enough to bridge this gap or to plug the hole in the wall. And that I guess there's talk about another stimulus package.

MS. LOWENSTEIN: I think there's a great deal of discussion at this point about a--of another package, yes.

COUNCIL MEMBER JACKSON: You've heard my pointed questions of the City Comptroller with respects to the Financial Management System of the Department of Education not being aligned where the Office of Management and Budget can independently and transparently without going to DOE look at things, know where things are, and to hold them accountable. I ask you this question. Not if you were the Mayor because you're not--my understanding, not running for Mayor--

MS. LOWENSTEIN: [Interposing]

[Chuckling]

COUNCIL MEMBER JACKSON: --and  
you've always been--

CHAIRPERSON WEPRIN: [Interposing]  
Yet.

MS. LOWENSTEIN: Oh. You want--

COUNCIL MEMBER JACKSON: --yet.  
Nonpartisan--

MS. LOWENSTEIN: -- a promise now--  
?

COUNCIL MEMBER JACKSON: --the  
Independent Budget Office. But I ask you as an  
independent budget person, and your Deputy  
Director is sitting right next to you, my question  
to you is this. How long in your opinion should  
it take for the Financial Management Systems to be  
aligned with the City's Financial Management  
System and be transparent so that the Office of  
Management and Budget, no matter who's the Mayor,  
could independently review and monitor to  
determine whether their spending is in check, to  
make sure that they're not hiding money, this,  
that and the other, how long would it take? You  
heard the Comptroller said four months--

MS. LOWENSTEIN: [Interposing] Yes.

COUNCIL MEMBER JACKSON: --and I gave him the flexibility of another 12, 16 months, to say a year and a half. Do you think a year and a half is enough time for that to happen?

MS. LOWENSTEIN: Okay. I think there are two things in hand here. First is how long would it take to make them more transparent. And I agree with the Comptroller that there are things you could do to make them more transparent sooner. I'm going to defer to my Deputy Director though in terms of how long it would take to actually get them on the FMS system.

MR. GEORGE SWEETING: And the answer is I don't know.

MS. LOWENSTEIN: [Interposing]  
[Laughing]

MR. SWEETING: --I mean I do know it's been take--this has been a project that has been ongoing for--

COUNCIL MEMBER JACKSON:  
[Interposing] Years.

MR. SWEETING: --years.

[Crosstalk]

MS. LOWENSTEIN: [Interposing]

Years.

MR. SWEETING: --we've had that conversation--

COUNCIL MEMBER JACKSON:  
[Interposing] Since I've been a City Council Member I've been asking this question--

MR. SWEETING: [Interposing] Right.

COUNCIL MEMBER JACKSON: --and I ask it twice every year.

MR. SWEETING: [Interposing] Right.

MS. LOWENSTEIN: [Interposing]  
Yeah.

MR. SWEETING: You know, and I don't, I don't, I'm not part of the process that's trying to integrate them so I don't know exactly what the hang-ups have been. It's certainly a strikingly long process--

COUNCIL MEMBER JACKSON:  
[Interposing] Have you ever had any other process longer than this?

MR. SWEETING: There are, there are computer--the City has a tough time doing these big computer--this is fundamentally a computer system development problem that could be solved

with the appropriate resources put at it. At least that's my understanding--

COUNCIL MEMBER JACKSON:

[Interposing] We have a \$60 billion budget.

MR. SWEETING: And there are choices being made about where to spend those \$60 billion. One point I'd make is, you know, although I think the frustration has grown as people have focused on Mayoral control and trying to resolve the governance questions, but this actually predates that.

I mean the FMS system designed in a time when the DOE was separate, then, the Board of Ed was a separate entity. And even at that time the decision, you know, the system was set up in a way that precluded the desired outside review of their numbers.

COUNCIL MEMBER JACKSON: But now considering that an agency or department is one-third of the entire City budget don't you believe that the Office of Management and Budget should have that in check within the tenure of the Mayor? The Mayor now is coming up on his eighth year, he same tenure as David and myself. I mean if eight

years can't do it... I--

MR. SWEETING: [Interposing] Well  
as I say I don't know--

COUNCIL MEMBER JACKSON:  
[Interposing] I'm begging the question--

MR. SWEETING: --exactly--

COUNCIL MEMBER JACKSON: --I mean  
how long does it take?

MR. SWEETING: And as I say, I  
don't--I don't know what the technical obstacles  
are that are in the way. I've been told it's  
largely technical issues. And I can't--

COUNCIL MEMBER JACKSON:  
[Interposing] Do you think that's just a political  
answer? In essence larger technical issues but in  
reality that means, you know, it's something we  
don't have a handle on so we give you this answer  
in order to appease you?

MR. SWEETING: I believe that there  
are serious technical issues. Whether that's a  
sufficient explanation--

COUNCIL MEMBER JACKSON:  
[Interposing] But serious for eight years--

MR. SWEETING: --I don't know, I--



COUNCIL MEMBER JACKSON: --four  
years? Three years, issues?

MR. SWEETING: I--without knowing  
what the issues are, it's hard to say that. I  
certainly agree that it's frustrating to hear that  
answer year after year after year which is what  
we've heard.

COUNCIL MEMBER JACKSON: The  
Comptroller complimented, you know, Ms. Lowenstein  
and you and the Independent Budget Office for  
finding, what was it \$135 million, that was hidden  
somewhere in DOE.

MS. LOWENSTEIN: It was less  
hidden. It was what on its surface seemed like a  
very simple question. How much are they spending  
on the accountability initiative?

COUNCIL MEMBER JACKSON: Okay.

MS. LOWENSTEIN: And first of all  
there was no commonly accepted definition of what  
the accountability initiative was.

COUNCIL MEMBER JACKSON: I mean,  
who's definition? DOE's definition?

MS. LOWENSTEIN: Well DOE  
ultimately came out with their definition which I

think they came out with just moments after we published ours.

COUNCIL MEMBER JACKSON: Oh--and that's what I was going to ask you--

MS. LOWENSTEIN: [Interposing] Yes.

COUNCIL MEMBER JACKSON: -- definition before or after. As you said, after you came out with your report they--

MS. LOWENSTEIN: [Interposing] Well they--

COUNCIL MEMBER JACKSON: --came out with their definition.

MS. LOWENSTEIN: --they published it immediately after we published ours--

COUNCIL MEMBER JACKSON: [Interposing] Okay.

MS. LOWENSTEIN: --when we went, it went out that we had serious disagreements. We spent many, many months trying to pin it down. And at the end of the day we said no we think this is fair and we noted in the document that there were other things that reasonable people could include.

Then the Department came out and

gave an estimate that was... several million dollars that looked only at the mechanical costs of producing the test as though the test could be given without any additional resources being expended which frankly didn't pass the laugh test.

That was unfortunate. I don't think that helps New Yorkers understand what's going on. I do think it's important to be able to say how much are you spending on something. That doesn't mean that accountability is good or bad it just means that they're transparent and people know where their tax dollars are going. And that's what we do.

COUNCIL MEMBER JACKSON: And in doing this report and analysis, were you able to independently go into a system and determine that? Or did you have to go to OMB, the Office of Management and Budget and get it from them? Or did you have to go to OMB and then go to DOE to get it from them directly and then they gave you what you asked for based on what they wanted to give you, in essence, they foon-spiced [sic] you, spoon-fed you.

MS. LOWENSTEIN: I--George was the

person who oversaw it--

COUNCIL MEMBER JACKSON:

[Interposing] Rather than independently looking at it yourself? And that's what my question is--

MS. LOWENSTEIN: [Interposing] Oh okay.

MR. SWEETING: [Interposing] Okay. There were--for some pieces of it, we were able to directly observe the numbers out of the data systems but for many pieces of it we were not and we were dependent on information largely from DOE. We really didn't work with OMB on it. It was with DOE.

And, you know, at times there really was no alternative source other than what they gave us. We pushed them very hard on what they gave us. We used, you know, at times they had made public statements that indicated one way of looking at the numbers and so we were able to total them up and then compare that to what they were telling us. Sometimes they matched, sometimes they were wildly different.

So it was a back and forth between, well, a month ago the Deputy Chancellor indicated

that it could be something like X amount, but you're only telling us it's Y amount. And so we went back and forth on how do you close that gap.

At the end of the day, yes, we were dependent on their numbers but I think we pushed them hard enough that we got a reasonable accounting.

COUNCIL MEMBER JACKSON: So just my final question is as an Independent Budget Office, I conclude based on your response to my questions that it is not very transparent and it appears as though--for the Independent Budget Office to do this analysis it was very frustrating. Am I right in those two conclusions?

MS. LOWENSTEIN: Certainly it's not transparent. There is nobody in town who would tell you that the Department's budget is. It's not. That's our job. You know, for good or bad, I don't know, I don't think I would use the term frustrating. It was--we thought it was real value added and worth the time and effort it took--

COUNCIL MEMBER JACKSON:  
[Interposing] Value added--

MR. SWEETING: [Interposing] Did

it--

COUNCIL MEMBER JACKSON: --value added tends to give a positive aspect, when you say value added, that means it added something to it and from what, with your response that I received, it was nothing that was added to it.

It was basically a negative situation because one, it took longer in order to do the analysis because you had to constantly flesh it out, flesh it out, flesh it out and some of the information changed on you. So when you say to me as--not a budget person, value added, I get a positive spin on that. And my understanding, everything that I've heard, it was not positive at all.

MS. LOWENSTEIN: I guess what I was saying was it was well worth doing--

COUNCIL MEMBER JACKSON:  
[Interposing] [Laughing]

MS. LOWENSTEIN: --that's all.  
George can speak to the frustration factor.

MR. SWEETING: I wouldn't necessarily qual--you know, frustration is one word, you know, that some people use. But I think

you touched on it in, you know, in how long it took. And I think that's a key issue because as Ronnie said, this should be a pretty straightforward question to answer.

If, you know, we were asked by the Public Advocate, what are we spending on this particular program. And that is something that, you know, City officials, City Council Members and even the public should be able to get an answer to that pretty straightforward--

COUNCIL MEMBER JACKSON:

[Interposing] Right.

MR. SWEETING: --from the material that the City normally produces. And it took us a long time and a lot of IBO resources. And there are, you know, other ways that those resources could be used. There are other questions that could be answered with those resources.

COUNCIL MEMBER JACKSON: Well I hear you loud and clear and I'm listening to your responses and also I have opinion about your responses.

And I say to you that I'm glad that you're there in order to give an independent

viewpoint which everyone looks forward to, especially members of the City Council 'cause, you know, from an analysis point of view we hear from our own financial people. We hear from the Comptroller's Office. We hear from the Independent Budget Office. We hear from the Office of Management and Budget. We hear from the State Comptroller's Office.

And so I say to you that the Independent Budget Office is very important for us from a nonpartisan independent point of view. So please keep doing what you're doing.

MS. LOWENSTEIN: Thank you for listening at 4:40 on a long day--

COUNCIL MEMBER JACKSON:  
[Interposing] [Chuckling]--

MS. LOWENSTEIN: --so thank you.

COUNCIL MEMBER JACKSON: --thank you.

CHAIRPERSON WEPRIN: No problem. Thank you very much. We're now going to hear from the public. I have five people that have signed up. Three from DC 37, if you could all come up. And if there's anybody else that would like to



testify, speak now. Come on up now. Henry Garrido, representing Lillian Roberts from DC 37, the Assistant Associate Director, Moira Dolan, Assistant Director, Ralph Palladino, Vice President, Local 1549, Richard Anderson from the New York Building Congress, my frequent testifier and always welcome, and Stephanie Gendell from Citizen's Committee for Children, if you could all come up.

[Witnesses getting settled]

CHAIRPERSON WEPRIN: Yeah, we're going to do three minute timer for each of you but I'm going to use my discretion but just keep in mind we've been here since early this morning, or I have. Robert and I have.

[Pause]

CHAIRPERSON WEPRIN: Yeah you can pull a chair up. Richard you can pull a chair up. Go ahead proceed.

MR. HENRY GARRIDO: Good afternoon. My name is Henry Garrido, I'm the Assistant Associate Director, DC 37. I'm here on behalf of Lillian Roberts our Executive Director who due to scheduling conflict could not be here with us

1  
2 today. I'm going to briefly go over my testimony  
3 understanding you've been here, huh, for a very  
4 long day. But we'll submit it for the record so  
5 if you have any questions please feel free.

6 CHAIRPERSON WEPRIN: That's fine.  
7 We're always happy to hear from DC 37. So we  
8 appreciate the close working relationship with  
9 this body. And I know that will continue.

10 MR. GARRIDO: Yeah. Essentially  
11 you say this. There's been a lot of discussion  
12 about the City budget and where we can find ways  
13 to save money. And we have always been at the  
14 forefront and believe that there are other  
15 alternatives that the City government should look  
16 into as it applies to contracting out and the  
17 amount of money that is spent every year.

18 SERGEANT AT ARM: Quiet please.

19 [Off mic]

20 MR. GARRIDO: We have, we have  
21 again done our research and we're not just, again,  
22 just talking about this, but we have a research  
23 paper which was introduced, which was a white  
24 paper which was sent to all City Council Members.  
25 Please, if you have a chance, take a look at it,

Massive Waste in a Time of Need. It is a report on the latest on the more than \$9 billion contracting out budget that the City is doing, particularly as it applies to professional personnel services contracts.

We want to highlight that the State of New York which is always going to the same tough fiscal crisis has taken the position to Executive Order 6 that it is going to look to see areas where contracts could be ended and where the work can be done in-house. Again we--the paper's here and it has a lot of recommendations.

We believe that the continued use of contracting out undermines the Civil Service System. We'll make this available to you. Yes. Undermines the Civil Service System and wastes millions and millions of dollars. With that I'll take any questions but I know that we have a long panel so thank you.

CHAIRPERSON WEPRIN: Thank you.

And send our regards to Ms. Roberts. Go ahead.

[Witnesses discussing who goes next]

MS. MOIRA DOLAN: Thank you Council

Members, and as my colleague has already done the contracting out part I will focus on the proposed cuts in the executive budget to civilians. The cuts total \$995 million including 1,200 civilian layoffs, the majority of whom are represented by our DC 37 locals and the additional loss through attrition of 2,400 civilian positions.

These layoffs include over 250 permanent Civil Service workers in ACS and over 200 permanents in the Department of Homeless Services. The Department of Education's headcount reduction includes layoffs of 344 non-teaching positions.

It's clear from the agencies that are targeted that these severe cutbacks will harm the children both in homes and in shelters and in the schools where they will not have access to necessary services. It's clear that these workers who are not highly paid, who do not have expense accounts, do not have excessive bonuses, are the ones who will feel the most pain from these cuts: the pain of eviction, the pain of foreclosure and the need to turn to public assistance.

The cuts remain in the executive

budget despite the economic stimulus bill passed by the Congress and signed by President Obama.

Just today the Secretary of Education was urging School Districts to spend money now and spend it fast. And yet these cuts remain on the books.

The pressure to reduce other titles, proposed cuts, in Department of Ed may have eased up but DC 37 continues to receive layoff notices and schedule layoff meetings.

The stimulus funds must be used to preserve the good jobs, not replace them with the lower paid contracted out work which is in effect union busting as my colleague Henry has already testified.

We've seen in particular in the Housing Authority that this contracting out of services is not working. The community based organizations that have been contracted to provide services to community centers, in some cases, are not able to stay open until 10:00 P.M. And so City workers have been hired back already in order to keep those services going. I see that the Housing Authority is here today. Perhaps they can elaborate on what's happening with the centers.

Also in the budget area we understand that the Council has just received the budget mod in order to get the cultural and the libraries paid. So we eagerly await that approval at the next stated meeting.

DC 37 is a member of the one New York coalition fighting for fairness and we support progressive tax revenue options in the budget in order to save jobs and provide services to the City. Thank you, if you have any questions.

CHAIRPERSON WEPRIN: Thank you Ms. Dolan. Mr. Palladino--

MR. RALPH PALLADINO: - - off but-

CHAIRPERSON WEPRIN: [Interposing]  
Okay.

MR. PALLADINO: I'm abridging.

CHAIRPERSON WEPRIN: We'll give you extra time.

MR. PALLADINO: The 18,000 members of Local 1549 are very concerned about the potential loss of services and their jobs that will occur if the Mayor's budget proposals become

1  
2 reality. People will need more government  
3 services as the current economy continues to  
4 spiral downward. This is especially true since  
5 community based non-for-profit services will be  
6 cut back. Who will service the public if City  
7 employees are laid off or if positions are  
8 attritted?

9                   It is not the public's interest to  
10 cut back vital programs such as child care and  
11 child health clinics. How can single parents work  
12 after losing their benefits? How can agencies  
13 like DCAS reduce their workforce when more Civil  
14 Service tests will have to be given in the future  
15 because of the provisional rights legislation?

16                   Local 1549 proposes that the City  
17 Council: 1) support Speaker Quinn's proposal for  
18 fair taxation and apparently the City  
19 Comptroller's. The personal income tax rate for  
20 the wealthiest 5% is less than half of what it  
21 used to be. It's only fair that those who  
22 benefited from the Bush policies and caused the  
23 crisis now pay their fair share. There is no  
24 evidence that rich people would leave this City if  
25 their taxes go up. Studies such as the one

Princeton in New Jersey showed that it will not.

We can civilianize the workforce. The City will save \$170 million, and wasteful contracting out, the City would save tax dollars. How could the City, I should say, use tax dollars to support sweat shops and a new form of wage slavery?

The City would save \$2.5 million by hiring full time clericals and another \$5 million by ending the 311 call center contract. End corporate welfare it doesn't work. Jobs are not created, read the Daily News. Make sure that the stimulus package funding designated by the Federal government reaches the City. It means more income for the City.

It is wrong not to use stimulus funding in order to expand the food stamp eligibility. The funding will help needy families and businesses which in turn means more tax dollars for the City. To say that we must honor the work ethic by not accepting this benefit and expanding it, at the same time laying off City employees makes no sense.

City workers should not be made to



pay for the crisis they did not cause. Our members average about \$30,000 a year. This is below poverty wage. \$12,000 a year in salary is the average wage for the City. It's \$70,000 less than a recent study showed that would be a middle class income for City people.

We have some members that are homeless in Local 1549. Our pensions average \$11,000 to \$16,000. Telling us we must pay \$1,200 to \$1,400 a year out of pockets for health benefits that we gave up wages for in the past is highway robbery.

Finally it is important that the City follow the example of President Obama and seek ways to stimulate growth. That's what the rally at City Hall was about, 75,000. That's what the Daily News poll said the other day, 70% support fair taxes. So let's carry out the peoples' will.

CHAIRPERSON WEPRIN: Thank you.

Mr. Anderson.

MR. PALLADINO: You're welcome.

MR. RICHARD T. ANDERSON: Mr. Chairman, thank you for this opportunity to

testify on behalf of the New York Building Congress. And thank you for your long time leadership of this Committee. Council Member Jackson it is good to see you.

Without question, New York City and New York State face substantial budget challenges in the coming year and beyond. Both levels of government have been considering difficult choices to address operating deficits in the coming fiscal year but I'd like to talk for a moment about the capital budget Mr. Chairman.

Concern about the City's financial outlook, for example, led to the Mayor last year to stretch 4 years of City-funded capital program commitments into 5 years, effectively reducing the City-funded portion of the capital commitment program by 20% annually for Fiscal Year 2009 to 2012, and more recently, to propose additional reduction of the capital budget by 30%. These kinds of budget reduction measures are problematic for several reasons.

First, the capital commitments for infrastructure projects that are delayed or subjected to extended time lines as a result of

such measures will be further diminished because construction cost escalation in the City, though it has abated somewhat in recent months, remains above the normal rate of inflation and will lessen the value of future spending.

Second, infrastructure investment is the lifeline of the economy. It creates and attracts jobs, stimulates private investment in neighborhoods and businesses, generates tax revenue and forges lasting quality of life improvements

Third, stretching or cutting the capital budget fails to deal with the underlying issues concerning how the capital budget is funded, largely through the City's heavy reliance on debt.

The Building Congress believes New York City can and should do more in planning for its future. Now is the time to explore and implement new dedicated and recurring sources of infrastructure financing, such as those successfully employed by the New York City Municipal Water Finance Authority.

Furthermore, to help identify

potential funding sources, the City should undertake an examination of its assets and recommended standards and legislation to maximize the value and use of them, like the initiative currently underway by the New York State Commission on State Asset Maximization with regard to State assets.

The City's analysis should include two things: a comprehensive citywide inventory of revenue-generating assets and how those assets are priced today, along with recommendations on adjusting fees and prices for assets that are under priced; and secondly a comprehensive Citywide inventory of non-revenue generating assets not required for essential public services, with proposals on ways to generate revenue on any number of those assets, particularly land resources not used productively today.

This kind of analysis, given its importance and sheer volume of work involved, should not be a one-time effort, but an ongoing function of government. The Building Congress recommends that the City create a mechanism for continued analysis and assessment of previous

measures taken to maximize its assets, such as a City Council committee with involvement from the Office of Management and Budget that is charged with that responsibility.

Finally, Mr. Chairman, the Building Congress urges the City Council, working with the Mayor, to establish a more thorough and effective evaluation procedure for capital needs assessment. The current year 10-Year Capital Strategy, 4-Year Capital Plan and Annual Executive Budget process should move beyond an exploration of agency capital requests to dynamic planning and priority setting.

The City Council should have a committee directly responsible for working on this process with the Office of Management and Budget and the Department of City Planning or charge the Finance Committee to create a Subcommittee for Capital Planning. While no one measure will solve all of the City's budget issues, much can be done to enhance capital planning and secure more reliable funding for the City's capital program from year to year.

Cutting the capital budget,

however, is not the answer. During New York's last fiscal crisis in the 1970's, all capital spending was virtually eliminated for a period of time and the City paid a high price for it. We must not let that happen again. Thank you.

CHAIRPERSON WEPRIN: Thank you Mr. Anderson.

MR. ANDERSON: Let me get out of your way.

MS. STEPHANIE GENDELL: Hi, I'm Stephanie Gendell from Citizen's Committee for Children. We appreciate the severity of the budget crisis we're facing but we did not think that the Mayor's Preliminary Plan does not go far enough to protect New York City's children from shouldering a disproportionate burden of the economic downturn.

It's actually more important than ever that the core services that protect children and support families be protected. The Preliminary Budget proposes \$231 million in reductions to services for children and families on top of the reductions in November and the over \$72 million in reductions in last year's adopted

budget.

We are especially concerned about the impact this plan would have on the Administration for Children's Services. ACS is the emergency responder for the children in this City, and for many families ACS might be the last place to turn when other services are no longer available. We believe that ACS should have been held to the same standard and levels of cuts as the other emergency responders in the City such as the Fire Department and Police Department and apparently the Corrections and Sanitation Departments.

While the proposed budget protects core services in ACS, there are also several troubling reductions that may well impede the agency's ability to ensure that children are safe. These include 608 staff layoffs with a staffing reduction of almost 1,000 with attrition, the reorganization of the Family Preservation Program, the 5% reduction in administrative payments to foster care agencies and a 10% reduction to foster parent supports.

In addition, there are other

struggling New Yorkers out there that are going to need services such after school programs, the children's dental clinics, school based health services, health clinics and also summer youth employment programs.

We believe that progressive tax increases must be implemented, as they were after the September 11<sup>th</sup> attacks. As such, we support Council Speaker Quinn's proposal to increase personal income taxes for the City's highest earners and we oppose the Mayor's proposal to implement a City sales tax on shoes and clothes under \$110.

We had conducted a poll in 2008, in December 2008, and we found that 73% of New York voters supported raising income taxes over reductions in government services. In the testimony we list some of the cuts that we think are most concerning. I won't read them all to you but you'll see them in there. And we also include a chart that outlines all the cuts to children's services. Thank you.

CHAIRPERSON WEPRIN: Thank you. We appreciate you all coming. I believe Council



Member Jackson had a brief question.

COUNCIL MEMBER JACKSON: First let me thank all of you for coming in and giving testimony regarding your specific constituencies. First let me ask Dick concerning the Building Congress with respects to you basically, I heard you in your testimony, the delay in 30% of the capital. You believe that that's the wrong direction.

And I don't know if you was here when I asked the City's Comptroller's opinion on that. Were you here? No. And basically I asked him did he concur. And he said under the circumstances, considering the budget situation, that he could agree with that particular aspect of a reduction in the capital. So obviously you disagree with that.

MR. ANDERSON: Yes we do because we don't think the Mayor or the Comptroller or anyone else has really explored the options. Let's be creative. Let's look for different sources of revenue, particularly user charges that are appropriate for certain City capital construction projects like what the Water Board does. People

pay reasonable water and sewer charges in order to finance one of the world's best environmental quality programs in this City--

COUNCIL MEMBER JACKSON:

[Interposing] You mean our water system, yes.

MR. ANDERSON: Our water system.

And our waste waster disposal system. And there are other sources of revenue that are directly related to the facilities. And the second thing we testified about was how do we make better use of City assets? And that should be explored further. So we're not prepared to accept a 30% reduction in the capital budget without this kind of examination.

COUNCIL MEMBER JACKSON: Everyone

talked about, from the Federal perspective, the stimulus package. Everyone talked about shovel ready projects. I mean construction is your business, is that correct?

MR. ANDERSON: Yes.

COUNCIL MEMBER JACKSON: So you

agree that in order to get the economy moving, to get people working as they say that Wall Street, every layoff on Wall Street impacts two or three

other individuals. So do you believe there should have been any reduction or expanding from four years to five years as far as the capital plan or?

MR. ANDERSON: Stimulus money can be used productively not just to create construction jobs but to stimulate the economy. You get--it's a win/win situation. The problem with stimulus money is it runs out. And what we're recommending is ongoing, dedicated sources of revenue, local and State revenues, to sustain capital programs in the years ahead. Stimulus money cant do that.

COUNCIL MEMBER JACKSON: Okay. Thank you. Let me turn to the unions. You talked about the contracting out. I don't know if you were here earlier during the testimony concerning DDC, the Division of Design and Construction as far as one of the locals of DC 37, they have their own in-house designers and what have you. With respect--not what have you, but other titles and in order to do the work.

Rather than DDS contract out the entire job, you know, that I've heard from you, from members of DC 37 that the design, they can do

themselves all in-house. Have you estimated how much would be saved if in fact the City used its own resources on projects where the City's designers were involved with that?

MS. DOLAN: Henry Garrido works extensively in this area--

COUNCIL MEMBER JACKSON:  
[Interposing] Press the mic please.

MS. DOLAN: --of contracting--

COUNCIL MEMBER JACKSON:  
[Interposing] Can you press the mic?

MS. DOLAN: Oh sorry. Okay. Henry Garrido my colleague works extensively on the area of contracting in along with John Foster and Claude Fort in Local 375.

I can tell you that the design-build process can be done with full-time annual workers who are dedicated to one project or more than one project so that if work is not proceeding for whatever reason in construction, it may be temporarily stopped, that they can go to another project and they can be using their time effectively. And they can, they have ways to bill that time within their own, it's called IFA

agreements.

So we do believe that it is more cost effective to use trained, experienced architects, engineers, to do these construction programs. Obviously we're not going to be laying every brick and digging every hole. But there is a way to coordinate our resources without having time and money wasted on work that's not getting done.

COUNCIL MEMBER JACKSON:

[Interposing] So--

MR. GARRIDO: [Interposing] And by the way if you want a number--

COUNCIL MEMBER JACKSON:

[Interposing] It's in the--

MR. GARRIDO: [Interposing] It's in there, yes.

COUNCIL MEMBER JACKSON: --it's in these white papers, you call it?

MR. GARRIDO: Yes.

COUNCIL MEMBER JACKSON: Now. What I'm hearing from all of you is at least from DC 37 and from you Dick, representing the building trades, is that correct?

MR. ANDERSON: The New York Building Congress.

COUNCIL MEMBER JACKSON: The New York Building Congress. Is that enough is not being done in order to deal with the deficit situation. And I'm hearing from you that you can save money by not contracting out so much what have you and so forth, and this will mean employment for your workers and also save the City money.

What I'm hearing from you is that you disagree with a 30%, when I say you, meaning the Building Congress that we need to look at other things that work such as with the water sewers that we're building now. And in essence if in fact the Mayor and his people did this and turned us around for the executive budget I think we would have a consensus situation if in fact that happy medium can be reached.

Am I wrong in that? If in fact they really sit down and discuss this and come to some compromise?

MR. ANDERSON: If I could comment on that Mr. Jackson. This kind of a financial

situation that the City is facing is unprecedented for a long time. And it's going to take certainly some budget cutting. It's going to take some very creative management, public/private cooperation.

It's going to take some new revenues. It's going to have--it's going to take a careful examination of all of our assets. So there is no single solution. Certainly help from the Federal government is very, very important. But as I said before it's not a panacea because it will run out. It might be good for one year or two years or three years but then--so we need to do all of these things to examine this very critical situation. It's too easy to just cut the budget.

COUNCIL MEMBER JACKSON: Well I want to thank you all for coming in--

MR. PALLADINO: [Interposing] Can I say one thing about the contract if you don't mind?

COUNCIL MEMBER JACKSON: Sure. Go ahead.

MR. PALLADINO: Is that the other issue I think that's forgotten in this is that the

people that--the 1,200 clericals in the City that are now for private companies, they are making very low wages. The profits that are made are very high. And yet those people are making substantial, you know, terrible wages. If they were employed by the City, the City would save money, yes, but then those people would have more of a living wage--

COUNCIL MEMBER JACKSON:

[Interposing] Right.

MR. PALLADINO: --and would be able to be spending more to help businesses that would help pay taxes. And they themselves would be paying more taxes. So that also would lead to revenue for the City. It's not just the issue of the City, how much money it puts into the budget for contracting and that.

COUNCIL MEMBER JACKSON: Good.

Well--

MR. PALLADINO: [Interposing]

There's a ripple effect.

COUNCIL MEMBER JACKSON: I had said earlier that the most important thing right now for the people that I represent are jobs, jobs,



jobs. That's the most important thing. And we need to work together as a whole family, rich and poor and middle class, so that we all can survive this economic downturn over the next 18 months.

So I want to thank you all for coming in.

[Applause]

MS. DOLAN: Thank you.

MR. GORIDO: Thank you.

MR. PALLADINO: And thank you for staying.

CHAIRPERSON WEPRIN: Thank you all for coming. The Finance Committee is now adjourned. The Economic and Youth Development Services will reconvene tomorrow at noon.

[Gavel banging]

[END TAPE 1002]

C E R T I F I C A T E

I, Laura L. Springate certify that the foregoing transcript is a true and accurate record of the proceedings. I further certify that I am not related to any of the parties to this action by blood or marriage, and that I am in no way interested in the outcome of this matter.

A handwritten signature in cursive script that reads "Laura L. Springate". The signature is written in dark ink on a light-colored background.

Signature     Laura L. Springate    

Date     March 18, 2009