

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

Of the

COMMITTEE ON FINANCE

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MAY 24, 2022

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B E F O R E: Justin L. Brannan, Chairperson

COUNCILMEMBERS:

Speaker Adrienne Adams
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A P P E A R A N C E S (CONTINUED)

Jacques Jiha, PhD
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Robert Callahan
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1 <INSERT TITLE OF MEETING>

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2 SERGEANT POLITE: Okay Sergeants, please start
3 your recordings.

4 SERGEANT BRADLEY: PC recording is up.

5 SERGEANT PÉREZ: Sergeants, if you can please
6 pause for a moment, have we confirmed the stream?

7 SERGEANT LEONARDO: The stream is good.

8 SERGEANT PÉREZ: Thank you for that. You can go
9 ahead.

10 SERGEANT POLITE: Okay, great. Good morning and
11 welcome to New York City Council fiscal 2023 budget
12 hearing on the Committee on finance. For
13 verification purposes, all members and staff, please
14 turn on your videos.

15 Thank you. To minimize disruption, please place
16 all electronics to vibrate or silent mode. As a
17 reminder, for the viewing public on Wednesday, May
18 25, the public portion of this hearing will be held.
19 Again, that's Wednesday, May 25. Thank you all for
20 your cooperation. Chair. We are ready to begin.

21 CHAIRPERSON BRANNAN: Good morning.

22 DIRECTOR JIHA: Good morning.

23 CHAIRPERSON BRANNAN: And welcome to the first
24 portion of our 10th Day of executive budget hearings.
25 My name is Justin Brannan. I have the privilege the

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2 privilege of Chairing the Committee on Finance. I'm
3 joined this morning by Speaker Adrienne Adams. I'd
4 like to welcome Dr. Jacques Jiha, Director of the
5 Office of Management and Budget. Good morning.
6 Welcome to you and your team. I look forward to a
7 good hearing today.

8 First though, I want to turn to Speaker Adams for
9 her opening remarks.

10 SPEAKER ADAMS: Thank you to Brannan and good
11 morning, everyone. I want to thank Budget Director
12 Jacques Jiha, of course, and his staff for joining us
13 here today. Thank you again Chair Brannan and
14 members of our Council's Finance Committee. Today is
15 the last day that we will meet with the heads of our
16 city agencies and offices for our Council hearings on
17 the mayor's executive budget for FY 23. It is also
18 the day that the rubber hits the road. This is our
19 last public discussion with the Administration on the
20 budget. Our committees and staff have worked hard
21 during these hearings getting important information
22 on agency programs and needs. This morning, we will
23 speak publicly with our budget director to ask
24 questions and share our goals before we hear from the
25 public tomorrow and get down to the hard work of

finalizing this budget. We're heartened by the progress we've made thus far. The executive budget contained funding for a number of needs the Council outlined in our preliminary budget response. This included funding for Council's priorities such as the B-HEARD program that pairs emergency medical technicians and social workers to respond to mental health emergencies, instead of relying on the police, additional Parks Department maintenance workers to keep our city's parks and playgrounds clean and safe, and restoration to some of the cuts to the Department of Sanitation's budget. However, the Council believes there is still a ways to go before our work is done. We must make certain that the funding necessary to meet the critical needs of our city are included in the final adopted budget, and the economic situation over the last several months positions us well to do just that. We're glad OMB increased its revenue forecasts for the current year, and in last week's revenue modification recognized \$1.6 billion in new revenues. On Sunday, the Council released a report showing that the city is an additional \$1.5 billion ahead of its revenue forecasts in the current year. Tax collections are

very strong, and we estimate that the city could end up with over \$3 billion more in revenue than planned by the end of the fiscal year. Additionally, we believe that in the next fiscal year, the city will collect \$1.9 billion more than is currently planned for in the executive budget.

Now we know we need to roll significant amounts of money into next year to balance the budget and that the city faces many risks in the future. But we also know that we presently have significant pressing needs. We can provide ourselves with a responsible cushion accounting for these risks while still addressing the city's critical needs. As I've said before, the last two years have made more obvious what many of us have known all along: That in many cases our most vulnerable neighborhoods are too often further undermined by inequities in funding and services. As we come back from this pandemic, we have an obligation to come back in a manner that addresses these inequities. This is not only the right thing to do, but also the sound fiscal thing to do. You don't keep repairing a house while leaving structural issues that cause the damage unaddressed.

So what do we need to do to make sure that this place that 8.5 million New Yorkers call home is a place where all its residents have as fair and equal a shot to thrive as we can give them? I'm going to hit some critical thoughts, many of which I've been speaking about over the last couple of months.

Health and mental health: Obviously, the first systemic problem the pandemic laid bare is the inequity of access to good health care in our city. It's critical that we put sufficient resources into health and mental health funding. We need to provide access to community based health care in our underserved communities. These were the communities hardest hit by the pandemic, and it's no wonder why. We must put in place the infrastructure to address the inequality by including funding for community health centers in the capital budget.

The extent of trauma caused by the loss of life, the stress dealing with two years of a pandemic and the economic dislocation is virtually unprecedented. Our budget response has called for significant investments in mental health, including investment in trauma centers in every borough, more mental health professionals and schools and an expansion of mental

health care to communities hardest hit by COVID-19.

While we're happy that the executive budget allocates significant funding to B-HEARD, we think a somewhat higher level is needed. Our response contains other important areas that require health and mental health funding which the Administration has not fully addressed in the executive budget. Failure to adequately fund these services now, as we come out of the worst of the pandemic, will only lead to greater costs in the future.

When it comes to housing, we must do everything we can to address our housing and homelessness crisis. Additional funds for supportive housing for vulnerable populations, including justice involved persons, youth, aging out of foster care, and victims of domestic violence is critical. Additional funds for converting hotels to housing for homeless people is absolutely necessary. We can't afford to miss this opportunity which may not continue to exist for long. Ensuring a \$150 property tax rebate for homeowners with total income of \$250,000 or less, will provide sorely needed relief to homeowners, who for years have faced increasing assessed values on their homes, and are now facing significant inflation

as well. Finally, while the Administration did take a good first step towards addressing the need for affordable housing by providing additional capital funding, the real need is much greater. We've called upon the Administration to include \$4 billion annually in the capital budget to address the city's need for affordable housing. As I've repeatedly said, we cannot address homelessness without creating more affordable housing, because without creating more affordable housing there will be more homelessness.

When it comes to youth and education. We have to act now to sufficiently fund programs for our city's youth as they rebound from the dislocation of a pandemic and the isolation of lockdowns and remote learning. While funding added to the executive budget for summer youth employment is welcome additional funding for youth employment programs as needed. In addition, we need more funding to address pay parity for special education pre K provides additional guidance and career counselors in schools, and a city wide expansion of restorative justice programs. And of real significance is additional funding for CUNY Connect. Almost 700,000 students,

many of whom are black and Latino who have left CUNY without finishing their degree, and it's crucial we provide them with resources to complete their education.

Public safety and supporting fairness in the justice system: The Council is seeking additional funding for our district attorneys and public defenders and each borough, more funds for the Board of Corrections and the important oversight work they do is critical so that we may stop the downward spiral of conditions in our correctional facilities. We also need to spend more to empower youth held in juvenile justice facilities. We're calling for a \$5 million addition to the city's efforts to prevent and respond to hate crimes. The increase in hate crimes is a scourge not just on New York City's communities but on this entire country. And we must do everything we can to stop it.

Sanitation: Keeping our streets clean is critical to our recovery. We must restore sanitation cuts and fully fund rat mitigation and litter basket service. Sidewalks teeming with garbage and crawling with rats are bad for business, bad for tourism, and

every single resident and neighborhood in this city.
We've got to fix this immediately.

Food program: It should go without saying the week that we cannot let our seniors and others go hungry and must expand support for senior and other food programs in our adopted budget.

And finally, I call on the mayor and the OMB director to work with us on making the city budget more transparent. We all know that the charter's directive that agency budgets to be structured along the programmatic lines is often ignored. This leads to a budget that is opaque. This is especially true of the NYPD budget. We owe it to New Yorkers to provide not only adequate funding levels for critical programs, but to make sure the budget is presented in a way that allows for proper oversight and control.

I know that we can work together to address these and the other critical needs outlined in our preliminary budget response, but we must build a solid and equitable recovery from this pandemic, and all of the trauma and dislocation it's caused. The cost of not ensuring this type of recovery now will be more for us to do in the long run, not just in terms of the human toll. But in terms of real

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2 dollars. Trust me if we don't take care of our youth
3 and our seniors and those who are housing or food
4 insecure, as well as the mental and physical health
5 of our residents, as we emerge from this crisis,
6 we're going to pay for it for generations to come.
7 And with that, I thank you, Mr. Chair, and I yield
8 back to you.

9 CHAIRPERSON BRANNAN: Thank you, Speaker.

10 Obviously, I echo everything you say. This is a very
11 important time for our city. And it's important that
12 we get this right.

13 The city's economy is growing and the Council
14 expects this expansion to continue through the years
15 of the city's financial plan. City tax collections
16 have been coming in strong, and the most recent data,
17 all taxes through March plus personal income tax and
18 sales tax through April, collections are more than
19 10% above the same period last year. This is despite
20 the fact that our single largest tax, the real
21 property tax is down by 5.4%. The Council believes
22 that the city will end FY 22 with tax revenues 5.1%
23 above FY 21. This will result in around \$3.26
24 billion more in revenue than in the Mayor's Office of
25 Management and Budget Executive Budget forecasts.

There are of course risks: The hazards of controlling inflation, the situation with the Ukrainian-Russian war, and COVID Obviously the principal ones. There are also budgetary risks including future union contracts and ongoing reductions in federal aid. There is also the budgetary risk of inflation. The pandemic disrupted more than a decade of steady economic growth in the city. At the height of the pandemic income measured by gross domestic product in New York City and the rest of the country plummeted. Since then the national and city economies have been boosted by a combination of federal fiscal support, a record high stock market, pent-up consumer demand and a very tight jobs market. Despite the gains of jobs in the hospitality and food service industries, the pace of job recovery in the city still lags behind that of the rest of our country. While New York City recovered close to 72% of the pandemic related job losses as of March 2022, the US recovered 95% of its lost jobs. This means the country is recovering faster than the city of New York. The city's slower pace of recovery reflects just how severely it was

impacted by the pandemic compared to the rest of the country.

Being the epicenter of the virus and given its population density, the city has had to reopen more slowly and cautiously. After today's OMB hearing and tomorrow when we hear from the public, the Council will shift from examining the budget to negotiating the budget with the Adams Administration. In doing so, we need to recognize the strength of the City economy, the needs of the people of the city while practicing prudence in a risky situation.

My questions for OMB today will focus on the property tax rebate, participation in the earned income tax credit, and estimated payment collections on the revenue side. Expense-wise, my questions will focus on pandemic relief funding and collective bargaining.

I want to thank all of the Council finance division analysts, economists, attorneys and support staff that work so hard to make these executive budget hearings a success. Today is day 10 and the final day of testimony from agencies, and it really takes a small army behind the scenes here to make these hearings possible, and we cannot let that work

go unnoticed. A special thanks to our CFO Tanisha Edwards, Managing Deputy Director Jonathan Rosenberg, of course to Jonathan Yedin on my staff, and all of my district staff back home that make sure the potholes get filled while I'm at City Hall holding these hearings. I'll now turn to committee counsel to go over logistics and to swear in the Administration so we can get started.

COUNSEL BUTEHORN: Thank you, Speaker Adams and Chair Brannan. Good morning and welcome to the final portion of the executive budget hearing process as it pertains to agencies. My name is Malcom Butehorn, and I am counsel to the Finance Committee. I would first like to acknowledge councilmembers present for the record. We're joined this morning by Councilmembers Brannan, Adams, Louis, Ossé, Brewer, Barron, Velázquez, Sanchez, Hudson, Moya, Hanks, Stevens, Farias, Ayala, Richardson Jordan, Powers, and Brooks-Powers.

Unlike in past councilmembers and members of the mayoral Administration will have the ability to mute and unmute themselves. We simply ask when not speaking to please remember to mute yourself to avoid background noise. Councilmembers who have questions

should use the raise hand function and zoom, you will be called on in the order with which you raise your hand. We will be limiting councilmember questions to five minutes. The following members of the Administration are here to testify and or answer questions. Dr. Jacque Jiha, Director of Office of Management and Budget, and First Deputy Director Kenneth J. Godiner.

I will first read the oath and ask each of you individually to respond. Do you affirm to tell the truth, the whole truth and nothing but the truth before these committees and to respond honestly to councilmember questions? Director Jiha?

DIRECTOR JIHA: Yes.

COUNSEL BUTEHORN: First Deputy Director Godiner?

DEPUTY DIRECTOR GODINER: I do.

COUNSEL BUTEHORN: Thank you. Director Jiha, whenever you're ready.

DIRECTOR JIHA: Good morning, Speaker Adams, Chair Brannan, and members of the Finance Committee and City Council. My name is Jacques Jiha, and I'm the Director of the New York City Mayor's Office of Management and Budget. I'm joined by First Deputy Director Kenneth Godiner.

The fiscal year 23 executive budget reflects the continuation of a disciplined fiscal management strategy that the mayor first implemented in the preliminary budget to promote efficiency and make New York City a safer and better place to live, work, and raise a family. When this Administration took office, the national economy was strong, though New York City recovery was uneven. Our jobs was lagging. Private employees were returning to their offices at a slow pace. The commercial office vacancy rate was at a record high. And on top of these issues, we faced a \$2.9 billion budget gap.

Against this backdrop, the mayor took the cautious and pragmatic approach to the preliminary budget. The goal was to close the gap, generate recurring savings, encourage energy efficiency, reduce budgeted headcount, and make prudent of new, important investments.

Hence, within two weeks of taking office, the mayor implemented a program to eliminate the gap that ultimately achieved nearly \$2 billion in savings over fiscal year 22 and 23. We also reduced budgeted headcount by 7000 in fiscal year 23 alone.

Preliminary budget investments focused on eliminating everyday New Yorkers, youth, and working families. We added historic levels of funding for the Summer Youth Employment Program and Fair Futures, and baselined Fair Fares for the first time. We also increased resources for mothers and young families, new family home visits which supports regular healthcare visits for first time mothers in 33 neighborhoods hardest hit by COVID, and maternal medical home and obstetric simulation training, which will reduce maternal death and childbirth complications are now founded angry.

To support public safety, the Administration made efficient use of existing NYPD resources by deploying officers to the subway and neighborhood safety teams.

Having met the strategic goals of the preliminary budget, the table was set for the next step in our discipline approach which would be achieved in the Executive Budget. This includes maintaining focus on savings, building reserves, and promoting transparent budget practices to better reflect our true financial condition.

The fiscal year 23 executive budget is \$99.7 billion and it is balanced. The out-year gaps of the

financial plan are manageable at \$3.9 billion in fiscal year 24, \$3.4 billion in fiscal year 25 and \$2.7 billion in fiscal year 26. These gaps are within historic norms, averaging 4.9% of city revenues, which is below the 20-year average of 6.5%. We achieved \$411 million in savings over fiscal year 22 and 23, which brings total saving those years under this Administration to more than \$2.4 billion. Further, we have generated nearly \$4 billion in debt shrinking out-year savings.

Building reserves is a cornerstone of this Administration's fiscal strategy. In the executive budget we added \$200 million to the rainy day fund, bring reserves to \$6.3 billion, a historic level. This includes over \$1 billion in general reserve, \$1.2 billion in the rainy day fund, \$3.8 billion in the retiree health benefit, and \$250 million in the capital stabilization reserve.

We appreciate the Council's ongoing commitment to building budget reserves and look forward to working with you to add more at adoption.

As you know, most of the city's labor contracts will expire by the end of the next fiscal year. In anticipation of reaching agreements with our

employees, we have begun to replenish the labor reserve. In this plan, we added nearly \$1.7 billion it was fiscal year 22 through 26, representing 0.5% wage increase for each of the first two years. We also updated the tax revenue forecast to reflect improved economic conditions. The national economy remains strong, despite the first quarter decline of 1.4% but faces substantial headwinds. Inflation is forecast to be higher and last longer than previously expected. In response, the Federal Reserve has adopted a tighter monetary stance, including raising interest rates to cool demand, which is expected to lower GDP growth from last year's impressive 5.7%. Also, the Russian invasion of Ukraine as to cause increase in food, gas, and oil prices and volatile financial markets.

The resurgence of COVID in China will continue to add pressure on the supply chain.

At the local level, the city's economic momentum has picked up, and we are now poised for an earlier recovery than previously expected, though we face serious challenges ahead. We are now adding jobs at a faster pace than initially. For instance, first quarter job growth for New York City was 7% compared

with 4.7% for the nation. And we have now regained 77% of the job loss due to the pandemic. We now anticipate making a complete jobs recovery by 2024, two quarters earlier than previously expected.

Wall Street had a record year in 2021, earning \$58 billion in profit. Tourism is also on the rise. Since February, weekly demand for hotel rooms has increased by 200,000, and we are now at 85% of the pre pandemic occupancy level. While these indicators collectively suggests a gradual improvement, we have taken a cautious approach to the economic and revenue forecast in the executive budget because the outlook is cloudy. We are already seeing the impact on investment banks of choppy financial markets, reduce underwriting activities, and rising interest rates. The five largest banks posted a collective profit decline of about 36% in the first quarter of 2022, which means it's unlikely that Wall Street will earn the record profits of the last two years.

Stock market underperformance also has a major impact on the city's pension costs. As of yesterday, New York City pension funds lost 8%, which is 15 percentage points below the expected asset return rate of 7%. This is significant, because each

percentage point below the expected return rate increases our pension obligation by \$45 million in fiscal year 24, \$90 million in fiscal year 25, and \$135 million in fiscal year 26. This means that if by June 30, the returns remain at those levels, pension contributions would have to be increased by \$675 million in fiscal year 24, by \$1.3 billion in fiscal year 25, and \$2 billion in fiscal year 2026.

Another concern has been private employees' slowly return to the office, but here we are moving... we are heading in the right direction. Since February, the percentage of employees that have returned to their office was by 10 percentage points. This means more employees are eating at their neighborhood lunch spot and shopping at local stores. However, will remain very cautious as the commercial office vacancy rate still hovers at a record high of 20%, and is not expected to peak until 2023. These factors are accounted for in our tax revenue forecasts, with record Wall Street performance driving a \$1.6 billion upward revision in the current year over our February estimate. By contrast, we added only \$400 million in fiscal year 23 related to a revision of the property tax. Out year forecasts

have been increased modestly by an average of about \$175 million. These additional revenues, along with the savings I described earlier, allowed us to increase reserves and funds new means that advance the mayor's... the mayor's goal of making New York City a better and safer place to live, work, and do business. This includes boosting public health and safety, increasing educational opportunity, providing cleaner and more livable public spaces, fighting food insecurity, and supporting immigrant communities. As Mayor Adam has said, public safety is a prerequisite to prosperity.

In the executive budget, we added \$226 million for the subway safety plan. This includes funds to expand the Behavioral Health Emergency Assistance Response Division initiative, known as B-HEARD to central Brooklyn, Eastern Queens, and uncovered areas in the South Bronx. We also added 1400 new safe haven and _____ beds that are projected to be online by mid-2023.

To speed up DNA analysis that our law enforcement teams need to solve gun crimes more quickly, we have added \$1.7 million to create a dedicated gun crime unit in the office of the medical examiner.

Because young New Yorkers thrive when given the opportunity to learn. We invested 100 million dollars to add 10,000 more spots to Summer Rising. Now a total of 210,000 K-12 students will enjoy enriching summer activities. We also invested \$50 million to expand Career Pathways for CUNY students, including resources designated for Medgar Evers College. This funding will increase scholarships and expand career pathways in technology, healthcare, and green energy. Our recovery depends on guaranteeing that New York City has clean, safe and livable public spaces. In the executive budget, we added more than \$43 million dollars to support more than 700 positions at the Parks Department to keep our open spaces in the best possible shape. A new investment of \$488 million in capital funding will support park improvement projects, including planting 20,000 trees per year to reduce city wide heat vulnerability, enhancing and adding new greenways in Brooklyn, and Queens, and rehabilitating infrastructure including neglected swimming pools.

We added nearly \$80 million dollars the Department of Sanitation budget to expand the organics program to include collections and drop off

sites at schools. To boost cleanliness on streets and sidewalks, we included almost \$2 million to restore twice-per-week alternate side street parking to make room for more frequent street sweeping and public waste container content pilot initiative.

On top of being clean, streets must be safe.

Therefore, we made an investment to advance the New York City Streets Plan, which tackles the Traffic Violence Crisis and promotes a healthier and greener city. Funding for the Streets Plan is now baselined in the financial plan growing to \$770 million annually in fiscal year 26, on top of a capital investment of nearly \$580 million.

The pandemic highlighted inequity in our city and shined a light on food insecurity. In this budget, we increase funding for emergency food assistance, or EFA, by \$30 million next fiscal year, and provided \$1.5 million dollars to support home delivery of nutritional balanced meal for seniors. We also expanded support funding for NYCHA farm programs, which will provide fresh and nutritious foods to residents, and added \$4 million to increase plant-based Lifestyle Medicine Research in our H&H system. We also expanded funding for the city's immigrant

community, with a \$1.6 million investment for Ukrainian New Yorkers impacted by the Russian invasion, another \$1.6 million to increase funding for language access and transitional services within city agencies. To help parents with limited English proficiency, we added over \$7 million in programming to help them communicate with teachers and administrators about their children's education.

Now, I would like to discuss the capital plan, which is \$94.9 billion over fiscal years 22 through 26.

As part of ongoing commitment to crafting a capital plan that reflects realistic benchmarks and timelines, we moved over \$5 billion in projects to out years. This is a shift in timing only, not a cut. And if projects are ready to come online, we will accelerate their funding. Debt service payments in each year of the financial plan are below 15% of tax revenue, the benchmark for responsible and affordable debt financing. In addition to funding the Streets Plan and parks that I mentioned earlier, the Administration made capital investment in this plan that will benefit New Yorkers for generations to come. We added \$5 billion to the capital plan to

support affordable housing, which is now funded at \$22 billion, a record level. This investment dramatically increased resources for housing subsidies for HPD and NYCHA. As part of our commitment to support economic development, we invested \$140 million to develop the Hunts Point Produce Market, which supplies 25% of the city's fresh produce, and improve surrounding infrastructure and neighborhood parks.

Before I conclude, I want to thank the Council for your partnership this year in securing important legislative wins in Albany. With help from the governor's office, and our friends in the legislature we led the fight to put more money in the pockets of vulnerable New Yorkers by increasing the income tax credit for the first time in 20 years. The mayor and Council also prioritize expansion of childcare options across the city. In this session, we secured tax credits that will encourage development of childcare facilities by property owners and employers. Together, we secured an extension of the Design Build Program for an additional five years and expanded state funding for NYCHA by over \$1 billion. Members of this Council testified against the

proposed diversion of \$200 million in city tax dollars annually to the distressed hospital fund that exclusively supports upstate hospitals. For our combined advocacy, the legislature agreed to reduce the diversion by \$50 million annually. This was \$150 million over three years that can now be used to support the critical needs of everyday New Yorkers.

We look forward to working with the Council to the end of session to achieve commonly stated goals, including mayoral accountability for school and the restoration of the Transitional Finance Authority borrowing capacity to pre-pandemic levels.

To conclude, in the face of growing uncertainties, our budget strategy gets the basics right. We have remained focused on achieving savings, promoting efficiency, building reserves, and making cautious revenue estimates to ensure that we live within our means. The mayor prioritized investments that will restore equity, make the city safer, and foster a community where we can all thrive and prosper. Our strategy was validated recently by Fitch Ratings, which revised New York City's credit outlook upward to positive from stable for the first time in more than a decade.

Thank you for inviting me to speak today. And for your continued service to the city of New York. I look forward to working with you to support our mutual priorities as we march towards adoption. Now, I look forward to your questions.

CHAIRPERSON BRANNAN: Thank you, Director. I can always tell it's budget season because the papers on your desk get larger every time we speak.

DIRECTOR JIHA: Yes.

CHAIRPERSON BRANNAN: I think the speaker is going to ask the first round of questions.

SPEAKER ADAMS: Thank you very much, Chair Brannon, and welcome again, Director Jiha. Good to see you good to see that stack of papers on that desk this morning.

I'm just going to start with... with your favorite subject. And that, of course has to do with units of appropriation, or U of A. All of us are here to do the people's business, to manage their money and hopefully provide them with the services they need and want. But we know decisions can't be made behind the curtain, which is why we have these hearings in the first place. Budget transparency is of the utmost importance. Without transparency, none

of us can be accountable for our decisions. But the current method for budgeting does not allow for this accountability to the public. This current budget structured with units of appropriations, or U of A, is anything but transparent. That's why in the Council's budget response, we recommended the creation of over 100 new units of appropriation across 22 agencies to be included in the FY 2023 adopted budget. We didn't want to do that to make your job more difficult. We wanted to do that to open up transparency for the people of the city. We believe that you have had sufficient time to review our recommendations for new U of A's. So how many new U of A's can we expect to see in the adopted budget?

DIRECTOR JIHA: Madam Speaker, like you, we believe that transparency is very important to the budget process. The challenges we have to balance transparency and flexibility, because the agency have to manage the cash flow, and they have... we have to make sure that we ensure that we are timely contracting operations.

We are currently assessing the Council requests related to the units of appropriation. And as I say,

we will work with you to see what additional U of A would be beneficial as we move towards that.

SPEAKER ADAMS: Which agencies have you identified that are in most need of additional U of A?

DIRECTOR JIHA: It's... we... As I said, we're in the process of doing a review, okay? And as we get closer to adoption, we will communicate with your staff, or work with your staff, to make sure that you have all you need. Because as I said, at the end of the day, like you, we are for transparency, but at the same time, we are also trying to find the appropriate balance between transparency and having the flexibility to manage a cash flow, the agency to manage a cash flow on a day-to-day basis and the operations.

SPEAKER ADAMS: So you're... you're...

DIRECTOR JIHA: But we'll move... We'll work with you... with your... your staff, and as we move toward adoption, we will make sure that we... we make sure that we provide you the necessary U of A that you need to make your life easier... your job easier.

SPEAKER ADAMS: So you're still undergoing the process. Can you explain that process? What the

decision making processes that goes into accepting or rejecting the U of A's?

DIRECTOR JIHA: Well, it is... we're looking at different agencies and some agencies have more latitude in terms of... Wherever we see... Because at the end of the day, we also like to see what's going on in the agency as well, okay? And you know, it's not just... we are also an oversight agency, okay? We like to see what's going on in agency. So if we see in an agency as we do the review, that there are areas of concern, even for us, okay?, because we like to see what's going on. We... we like to have a line of sight into the different agencies to see what's going on. So we always go and we do the review ourselves to push agencies to add, you know, more unit of appropriations. And as I said, we're looking into DSS, NYPD, ACS. We have a number of agencies that we are reviewing, okay? And as we conclude our own analysis, we will discuss with your staff, and come back to you with what we believe is appropriate.

SPEAKER ADAMS: I'll just ask one more question, to see if I can dig a little deeper, get a little something else.

Currently, there are 15 agencies that are structured as program budgets, including the NYPD. It will seem that these... these budgets... these agencies could be most easily reorganized so that the U of A's could represent these programs. So I think I know the answer. But is this reorganization currently in the works?

DIRECTOR JIHA: We... As I said, currently, the department PD fund since 2014 expands a unit of appropriation, _____ [84OPS and 64OCPS]. So we... I believe, from my perspective, they have the highest number of U of A's compared with other agencies. So again, it's... it's a question of what we're trying to see. And... and to the extent that we know as we work with your staff, we try to listen to the requests and to see exactly what they're trying to achieve. And to the extent that we could help them achieve, okay?, the clarity that they need, we'll work with them to provide them the necessary tools that they need.

SPEAKER ADAMS: Okay, all right, I'm going to move on from that line of questioning. Let's talk a little bit about investments for our older adults, because they did suffer illness and death due to

COVID at rates higher than any other New Yorker. We know this is particularly true for black and brown New Yorkers in my district. At Allen Rockaway Senior Center, COVID deaths seriously impacted the older adult population, with our older adults becoming homebound, some of them moved away, and some of them just didn't want to risk any exposure at the centers.

How does the pursuit of equity related to COVID factor into the executive budget for DFTA? Specifically, how does the executive budget seek to reengage older adults to seek services through DFTA, given that there is no additional funding for Council priorities like technology, home care, or geriatric mental health?

DIRECTOR JIHA: And... Like you we are very much concerned about food security and to make sure that we provide all the assistance necessary, particularly for folks who are homebound.

As you know, we added in baseline \$15 million in the executive budget for home delivered meals and to provide case management services to... This money was added to the budget. Additionally, we are funding geriatric mental health counselors. We are increasing them up to 88 centers up from 48. But we

also... I also hear you with respect to homebound seniors. So we have to work with you and work with DFTA to see how best we could leverage technology to provide services... to continue to provide services electronically to folks who are homebound, okay? And that should be part of the discussion as we move toward adoptions.

SPEAKER ADAMS: Yeah, I would definitely agree with that. And again, to emphasize that there is no additional funding, you know, for our priorities for the Council's priorities when it comes to DFTA. And we're looking at technology, geriatric mental health, home care.

I also want to touch on something that you touched on in your opening statement, and that had to do with the food insecurity which you just mentioned. And you did mention, I believe was \$30 million of additional funding for food?

DIRECTOR JIHA: Yes.

SPEAKER ADAMS: This is an issue that we can't, you know, get around. It's going to be with us unfortunately, for a very, very long time into the future. Does the executive plan ensure that this is baselined? That... that food insecurity funding is

baselined, that that's a baseline commitment, and if not, why wouldn't it be?

DIRECTOR JIHA: Yeah, we... we added \$30 million to expand the EFAP program and basically focus on areas with food insecurity, and where also there is an insufficient supply of food.

The... We... Currently we are funding EFAP with \$52 million. But again, we will continue to work with the Council and the agencies to ensure that New Yorkers have all the food that they need. We added money for home-delivered meals, so we could pick up additional seniors. So we're doing a lot of things when it comes to food. But again, as I said, this is something that we are willing to work with... to work with the Council to make sure that funding is added and baselined into the budget. We had baselined like 8 million \$8 million in DFTA for seniors. So again, we'll continue to add money as... as we go along into this. But again, this is something that we will continue to work and work with you and your staff as we move forward.

SPEAKER ADAMS: Okay, I appreciate that Director. There's also something else that I'm sure that the Council would like to hear more of, and that's more

of an emphasis on health and mental health which...

You know, we hear a lot, of course, about public safety and the emphasis on that, of course. But when it comes to health, and health services for New Yorkers, a lot of us have been, you know, or know people who've been victims of violence, or have experienced violence firsthand. You're aware that the Council has proposed the establishment of New York State's first trauma recovery centers to serve victims of violence in communities with high incidences of violence. Our proposal called for \$10 million in city funding, which would create the first trauma resource centers in New York, one center in each of the five boroughs. We'd like to hear your, you know, your thoughts on that. Clients of TRCs are 71% more likely to use mental health services, 56% more likely to return to employment, and 44% more likely to cooperate with the legal system to solve crimes and those cases. So what is the Administration's position on trauma recovery centers and the model that was developed to address the needs of underserved crime survivors?

It's... We are always in support of ways that connect New Yorkers to the necessary services that

they need after they experience a traumatic event.

We will work with you to explore the potential models, because there are different models, when it comes to creating these kind of trauma centers. But more importantly, we also have to engage the state.

We have to get the state involved as part of that discussion. But again, as I said, as we move toward adoptions, this is a discussion that we should have with our staff, and also with the state, to see... to explore the different models and see how best to proceed.

SPEAKER ADAMS: That was going to be my next question: Have conversations already begun between the Administration and the state? So I'm going to say that's no, those conversations haven't...

DIRECTOR JIHA: No.

SPEAKER ADAMS: happened, right? Okay. Yeah. We're going to look forward to those conversations. It's really important to initiate that.

I'd like to ask some questions about another prevailing issue in the city, and of course, that's homelessness. During the pandemic, the city began relying on hotel shelters to provide for placement of homeless families with children. As we've begun to

move out of the pandemic, DHS has ended the practice of placing families with children in hotel shelters. DHS decreased the agency's baseline budget for... for these sheltering options. In our budget response, we called on the Administration to reallocate these funds to being the process of converting these hotels into affordable housing for homeless families replicating the cluster site model. The mayor has previously expressed interest in hotel conversions, but we didn't see anything added in the executive plan to address this proposal at all. Is the city pursuing the possibility of converting hotel shelters into permanent affordable housing? And if so, how many units do you believe could be converted into apartments?

DIRECTOR JIHA: We are very much interested. This is a proposal that we have... we have a lot of interest in. We... As you know, with any Administration, things take sometimes a little bit long to... because we are in the process of doing all kinds of analysis to see how best to move forward with this. We are... We look forward to participating in the office conversion task force was created by Chair winning decision to explore the

different options we'll bring some some of our own options to the table.

There actions being taken right now by the state -- I'm pretty sure you're aware of them -- but in particular HONDA, which is the Housing Our Neighbors with Dignity Act. There is \$100 million, that is available now who have facilitated these conversions. There is also... We also appreciate the constant support in Albany from Senator Kavanaugh and Assemblyman Simberwitz to ease these conversions. As I said, the cost per unit will vary, but the... we... we are currently exploring different options. As I said, we have... it's a number of things that have to come together, either, you know, you have to... zoning changes. We have a number of thing that have to take place, okay?, before... before all this can be put together. So... But yes, we strongly support the legislation in Albany, and we continue... we will work with the Council to make sure that we have a solid plan, okay?, that could address these issues. Because to us, this is the path forward that... you know, that idea has legs, because, you know, it's a lot easier to convert a hotel into housing than converting an office into housing, as you can imagine

because with a hotel, we have all the amenities like bathrooms, and so on and so forth that can be used. So it is an idea with a lot of potential, so therefore, we should definitely explore it, and we'll come back to you, and work with you through your task force, okay?, as we move forward.

SPEAKER ADAMS: Thank you. There are there are a lot of strategies that, you know, that we can employ to help this, you know, especially to, you know, to get this going. There are opportunities. Another one is HPDs basement apartment conversion pilot program, which sought to create new affordable housing units in the East New York and Cypress Hills areas in Brooklyn. It provided loans to help homeowners convert basement apartments into safe units. Is the Administration considering continuing this program? I know in my own district in Richmond Hill, it's something that we've been looking forward to. It's safe. We've had flooding issues in Queens that have taken lives, you know, because of climate issues over the past year or so. So what are the Administration's plans to... to continue programs like this? Particularly basement apartment conversion?

DIRECTOR JIHA: The pilot program is still ongoing. And right now we're in the process of collecting all the information that we need on the project costs, processes, in order to understand the challenges, the values, and evaluate how best to assist homeowners and tenants with basement apartments, you know, that are out of compliance.

So we are working with the different agencies to finalize the assessment of this program. And as we approach the upcoming reporting deadline. Again, as I said, it's... the pilot is ongoing and we, you know, we... we are doing our best in terms of collecting the data to analyze the course, but it's still ongoing, and probably, you know, most likely will be expanded into other areas of the city. So we could see the challenges that different communities are dealing with, you know, so that we could make appropriate adjustments to the program.

SPEAKER ADAMS: I appreciate. I'm going to conclude in a minute but just, you know, state something and kind of punctuate that. When it comes to basement conversions, in my district a couple of weeks ago, we had a fire and it was deadly. And it was in a basement apartment. To me, this is low

hanging fruit. This is something that's a no brainer. We have many, many basements that are being used by students, by elderly, by single parents, that merely need to be quote unquote "legalized" to make them safe. So for me and a lot of other folks, this is just low hanging fruit that should have happened a long time ago. I'm going to like push this to the front burner with the Administration and just say that we need to make these apartments safe and livable. There was a pilot that's been undergoing for the past two years or so we need... we need to... we need to make this happen to make safe spaces for New Yorkers. And with that, I will conclude, Director, and let my colleagues get in here. I appreciate your testimony today.

DIRECTOR JIHA: Thank you very much, Madam Speaker.

CHAIRPERSON BRANNAN: Thank you, Speaker. Director I want to talk about estimated payment collections.

Since your forecast came out before April collections were finalized, should we expect you to recognize the extra April revenues at adoption, and

how much do you believe should be put away in the rainy day fund?

DIRECTOR JIHA: Um, yeah. As you know, since the executive budget was released on April 26, the city could not reflect the PIT elections for April, as the filing deadline was April 18.

We... Collections are coming much stronger than we anticipated in the executive budget. So therefore, we were as part of adaption reflect the increased collection for fiscal year 22 in... as part of the adoption process.

Regarding the reserves, I don't have anything specific in mind. This is something that we will work with the City Council, as part of the budget negotiation to see how much should be added to the reserves. But our goal is try to maximize both the reserves as much as possible. As you know, we are facing some serious challenges ahead of us. And to the extent that we could build a very strong cushion in anticipation of these challenges, we will be better off.

CHAIRPERSON BRANNAN: Can you explain what's happening with the extension payments? Is the surge

in extensions overpayments which would have to be refunded later? Or is it real money?

DIRECTOR JIHA: I think it's real money. It was true that two solid years, back to back, I mean, \$51 billion in 20 and \$58 billion in 22. So from our perspective, these payments in anticipation of investors fronting the Federal Reserve. They think the Federal Reserve _____ was reached, and that would have impact on the market, so a lot of folks did the capital gains... to get capital gains. And as a result we're seeing it in... in this kind of payments, that we get this kind of windfall that we are experiencing. It's not just in New York City. It's throughout the country, California, it's everywhere. So it is... it is real. It's not... I'm respecting to issue refunds next year as a result of these payments. So from our perspective, it's real payments. It's not overburdened.

CHAIRPERSON BRANNAN: Could you give us a total of ARPA funds that have been spent by the city?

DIRECTOR JIHA: I'm sorry. Can you that...?

CHAIRPERSON BRANNAN: The total of ARPA funds that have been spent by the city?

DIRECTOR JIHA: Yes, the total ARPA funds that have been spent so far... it's like... almost \$1.3 billion in fiscal year 21. And we rolled \$547 out of it in fiscal year 21 into 22. And so for fiscal year 22, we have like about \$3.8 billion, and we expect to spend all that... those resources in fiscal year 22.

CHAIRPERSON BRANNAN: How much of what was originally budgeted for FY 21 was unspent or rolled into the future year?

DIRECTOR JIHA: Uh, \$547 of the \$1.3 in ARPA was rolled into 22.

CHAIRPERSON BRANNAN: Can you can you tell me across all agencies how much ARPA funding is projected to be unspent in FY 22? And how much is being rolled over?

DIRECTOR JIHA: Um, I'm not... We're not expecting to have unspent in FY 22. You know, based on the spending projections and commencements that we're seeing including costs that have been incurred, but require journaling or adjustments... based on those things that we're seeing in the pipeline, we're not expecting have any underspending of the stimulus money in fiscal year 22. But again, we have to wait until the end of the fiscal year to get... to have a

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2 better sense, but based on the projections that we
3 that we're doing right now, we're not seeing it.

4 CHAIRPERSON BRANNAN: Could you tell... tell us
5 what the total budget, as well as previous
6 expenditures of funds received from ARPA and the
7 Cares Act?

8 DIRECTOR JIHA: Uh, the... ARPA's money is...
9 ARPA's money was initially... let me see if I got it
10 correctly... ARPA was like... in 21, it was like
11 \$1.3. For 22 it was \$2.7, so a total of about \$5
12 billion. For CARES... the CARES ACT, it was about
13 \$1.2 In fiscal year 20, and about \$29.7 million, so a
14 total of \$1.2 billion for... for CARES.

15 CHAIRPERSON BRANNAN: And what about the
16 Coronavirus response and relief from the
17 Appropriations Act?

18 DIRECTOR JIHA: I think this is like \$1.5
19 billion.

20 CHAIRPERSON BRANNAN: So what's the total?

21 DIRECTOR JIHA: Well...

22 CHAIRPERSON BRANNAN: All three... All three of
23 those?

24 DIRECTOR JIHA: You're talking about 6... 7... \$8
25 billion.

CHAIRPERSON BRANNAN: Okay, I want to talk about the Equal Employment Practices Commission.

The EEPC performs a vital function for the city, ensuring that city... that city entities enact fair and effective programs of equal employment. The EEPC has a famously small staff with only 14 budgeted positions, and we recently passed a bill... a historic bill for mandating salary transparency, and we expect the EEPC to be doing a lot of work there to make sure it's rolled out properly, and then it's enforced.

The EEPC has requested three additional positions to increase its budgeting staff to 17 heads. This would this would cost approximately \$300,000, including fringe, which isn't much for such a historic initiative. But curiously, this request has been denied by OMB. Could you tell me why?

DIRECTOR JIHA: Um, our modus operandi here is trying to make sure that everywhere... every agency that we can see, to make sure that they use the existing vacancies first before we provide them additional heads. So we are working with that agency to make sure that... Because currently, they have some vacancies. So we want them to backfill those

vacancies first, and as they backfill those vacancies, we add to them if there is a need if they are... you know... if we have resources to do so.

CHAIRPERSON BRANNAN: Okay, let's talk about my favorite subject property taxes.

So as you're well aware, the property tax bills for city homeowners have outpaced household incomes in the last 10 years. This makes helping homeowners with a \$150 property tax rebate proposed by the Council an urgent necessity while we wait for Albany to get its act together and actually get something done. So just to clarify, and for the record, as the Administration support this rebate

DIRECTOR JIHA: We share the Council's concern for supporting homeowners, and we are reviewing the Council proposal. As... as you know, as you fully are aware, the state must first authorize the city to provide this tax relief. And so we are also working with the Council and the state. And so this, along with other priorities that will be discussed as part of the adoption process. Okay, because we cannot do it in a vacuum. We have limited resources. And there are unlimited needs. So therefore, this should be part. So we support the concept itself, okay?

But... but the question of it is, you know, funding... funding is going to be... has to be part of the discussion with the Council as part of the RFP process... adoption process.

CHAIRPERSON BRANNAN: Okay, you know, I agree. I mean, I think we can get Albany to get it done. I think that a rebate-while-you-wait, so to speak, is the way to go to show that the city acknowledges the pain that homeowners are dealing with right now and what they've been dealing with and it's gone unchecked for so long. So have you made your position clear to the legislature?

DIRECTOR JIHA: Yes. We made it clear to the legislature that we conceptually support the concept. It's just a question of as part of budget negotiation, again, we have to make decisions in terms of... We have made choices, you know. So therefore, as part of discussion with... with your team, as we negotiate the budget, we'll come back and make a decision one way or another.

CHAIRPERSON BRANNAN: Okay. So on the Earned Income Tax Credit participation, now that the EITC has been expanded, you know, we believe it's more important than ever to make sure the funds get into

the right hands, into the hands of low income New Yorkers, which is why we're fighting for this. So what is the Administration's plan to increase its outreach program to ensure that all local income... all low income families that qualify for the credit are made aware of it and provided with the means to apply for it?

DIRECTOR JIHA: Yeah, this is very important for us because as you as you can imagine, the mayor really fought really hard to expand the EITC. So... and the reason is we just want to make sure that working... working class folks have the opportunity and have money in their pocket. So therefore it's in our best interest to work with every single agency to make sure we have a high uptake when it comes to this... this program. We... we funded the DCWP to do a major outreach campaign, and we will also work with other agencies, whether it's Department of Finance, you know, with... Basically Department of Finance has all the information, all the data about the different folks, where they live, you know, whether or not they qualify to really push really hard to make sure that we do a major outreach, to increase the uptake, because it wouldn't make sense, after all this work,

okay?, trying to put money in the pocket of people, and that they do not benefit from this very generous program.

CHAIRPERSON BRANNAN: Okay. I think one of the main challenges associated with the EITC is participation.

DIRECTOR JIHA: It is. It is a major challenge. I can remember when I was at DOF, we pushed really hard. Okay, we even filled out the forms for people to just sign. We sent them letters with stamped envelopes, asking them to just sign the applications, and uptake was still very... relatively very small.

CHAIRPERSON BRANNAN: Yeah.

DIRECTOR JIHA: So it's... it's a major concern, but we have to make a big, big, big, big push to ensure that people aren't skipping over.

CHAIRPERSON BRANNAN: I mean, is there an associated price tag for, you know, for that outreach? Or is it baked in?

DIRECTOR JIHA: It's baked in. And again, if needed, we will even do... But we have to find a way that is effective. That's a challenge. We've been spending a lot of money doing the same outreach over and over.

CHAIRPERSON BRANNAN: Right.

DIRECTOR JIHA: For me, it's not the spending.

It's a question of whether the model that we're using is the most appropriate model to do the outreach for these people.

CHAIRPERSON BRANNAN: Okay. So since your forecast came out before April collections were finalized, should we expect OMB to recognize the extra April revenues at adoption?

DIRECTOR JIHA: Yes. Yes. We will. And we will make sure that, you know, particularly for fiscal year 22. And, you know, because the actual data was more than anticipated, so as... as again, as part of the adoption process, we will update our forecast for fiscal year 22 and 23.

CHAIRPERSON BRANNAN: Okay, I'm going to hand it over to my colleagues to ask some questions. I'll just... I'll just remark that a lot of the agencies over the past couple of weeks of hearings have been agreeing with us and saying, "Yes, please tell OMB for us." So they're... they're using us as the emissary here, which is funny to me. But... but, you know, I think we're all in agreement, you know, sort of large print, that getting more funding during

these hard times, given the surplus and coming back strong from COVID while we can: It needs to be the priority right now. And we look forward to... to getting into the final stretch of negotiations here and delivering a budget that brings us back strong and also doubles down on the investments we need to do so.

So I will turn it over now to my colleagues, and maybe I'll come back for more later. Thank you, Jacques.

DIRECTOR JIHA: Thank you.

COUNSEL BUTEHORN: Thank you, Chair Brannan.

We will now turn to Councilmember questions. The hands that I have up so far are Barron, Brooks-Powers, Brewer, Louis, and Sanchez.

We'll start with councilmember Barron.

SERGEANT AT ARMS: Starting time.

COUNCILMEMBER BARRON: Thank you, the Bible says, "For where your treasure is, there will your heart be also." Certainly the treasure in this budget is not with the poor. The poor are getting poorer. The rich is getting richer. Let me point it out for you. We have a \$99.7 billion expense budget, a \$94.7 billion capital budget (and \$5 billion was taken from

that to do some other things), \$6.3 billion in a reserve fund, and now \$3.2 billion more than anticipated from FY 2022.

I want... My first question is: Is that \$3 billion going to be put on to the \$6 billion to give us \$9 billion to work with?

And while all of that is happening in FY 2021, Wall Street profited \$21 billion and in FY 2022 \$58 billion, while just about every agency that came before us, when you deduct the federal money from their budget in 2022. They have a decrease in funding, just about every budget -- and you play with terms that it's an increase from the preliminary budget to the executive budget -- but just about every budget was decreased and the city agency. That's why it's a conservative, Republican, austerity budget.

Over \$2 billion in city agencies suffered PEGS... Programs to Eliminate the Gap. Oh, they call it savings. That's what they call cuts now: savings. And as a result of all of that, with the \$11 billion NYPD budget and 50,000 officers, to this date crime is up, according to police stats, 41%.

I want to know: Have you computed the poverty rate in black and brown communities (some was 30% and 40%). Do you have those numbers? The unemployment rate in black and brown communities is double digit. Some of its going up. The area median income rate in black and brown communities as it relates to income. And that you destroyed the homeless encampments -- that was their life -- and said you were giving them safe haven beds, which they rejected (why don't you give them some permanent housing?), and how are you defining affordable? How are you defining affordable?

So when we look at this budget, the Council led by its speaker is going to be focusing on Council initiatives, \$400 million, and then maybe another \$300 or \$400 million will be added to that, and they'll shake hands and say we succeeded. But you know, the real deal is that it's a damn shame that we have this amount of money in one state -- that's not counting the \$220 billion of the state budget -- in one state, there's over \$300 billion dollars. And we have some of the highest poverty, because this budget doesn't address that. When you talk about 100,000 summer youth jobs, look at the year round jobs for young people: It's dismally low. And when you talk

about an agencies like DFTA, and Youth: All of them are suffering. And if you can't hire people, you say, "Okay, we're not cutting services. We're just not going to allow you to fill vacancies." That's a bunch of nonsense. That will hurt services.

So my colleagues this budget: We need more than a focus negotiation on counsel initiatives. But we need to look at some of these big issues. If we do have around \$9 billion, why do we have to have PEGs, and why not restore the federal money that's going to run out... Even when I was in Albany, and we were trying to get all of this federal money... With all the federal money, it still was not sufficient. So even though the federal money was there, it's not sufficient. And that's going... And it was inefficient in the first place. We got to look hard on this budget. Our people are dying. The crime is high. Poverty is high. Homelessness is high. We need to make sure that every new development has at least 20% or 30% for the homeless, and that we have \$100 million in the State Assembly, which I helped get, for not-for-profits to build a homeless... build housing. This budget needs some serious debate and a strong stance...

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2 SERGEANT AT ARMS: Time expired.

3 COUNCILMEMBER BARRON: ... by the City Council to
4 say, "We're not going to just look at our
5 initiatives. We're going to look at all of the
6 contradictions in this budget, so that we don't have
7 a bloated police budget, and then all of the other
8 agencies are suffering from a serious decrease from
9 FY 2022 because of the federal money running out."

10 Thank you.

11 And if you can answer those questions,
12 particularly the poverty rate and unemployment rate,
13 because that's what causes crime: poverty,
14 unemployment, and mental health issues, not a lack of
15 police.

16 Thank you.

17 Y'all want some answers?

18 DIRECTOR JIHA: We what we'll do is I will
19 provide you the information about the unemployment
20 for... breakdown by different demographics as part of
21 my written answer to you, because we... I don't have
22 that data in front of me.

23 COUNCILMEMBER BARRON: What about the poverty
24 rate?

25

DIRECTOR JIHA: The same... The same poverty rate for (crosstalk)...

COUNCILMEMBER BARRON: You see, this is why (inaudible) this disingenuous conversation on the budget, because we are the majority in New York City now -- black and brown people -- and you don't even have the respect and courtesy to come and say, "This is the poverty rate in your areas. This is what's causing crime. And this is what our dollars are going to do to address poverty. This is without Dallas are going to be doing to address double digit unemployment." And I've seen some figures on workforce development that is laughable. If it wasn't so painful, I wouldn't laugh at the amount of money... \$1.7 million and stuff like that. But it's... But for you to come before City Council that's predominantly black and brown and people of color, and you don't even have the poverty rate, you don't have the unemployment rate, you don't have a plan to eradicate poverty, or at least reduce it, or a plan to deal with our unemployment, and not these dismally small numbers. It's incredible. And the only hope that poor people happen this city is you City Council. It's the only hope. Because as you

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2 see this budget, and you see these numbers... Oh, by
3 the way, is it \$9 billion we have to work with or
4 just the \$6.3 billion in reserves?

5 DIRECTOR JIHA: Currently, the reserve is about
6 \$6.3 billion.

7 COUNCILMEMBER BARRON: What about the \$3 billion
8 that you didn't anticipate, that came in?

9 DIRECTOR JIHA: Uh, that's part of the
10 negotiation with the Council.

11 COUNCILMEMBER BARRON: I understand it's part of
12 the negotiation, but is that available money, /plus/
13 the \$6.3 billion?

14 DIRECTOR JIHA: That's money that is... The \$3
15 billion... Yes... That's... If you want to look at it
16 as \$9 billion, you could cut as \$9 billion
17 (crosstalk)...

18 COUNCILMEMBER BARRON: That's not how I want to
19 look at it. It's how it is. If it's \$3 billion
20 separate from the \$6.3 billion, it's \$9 billion.
21 It's not how I look at it. That's what it is. Is
22 that correct?

23 DIRECTOR JIHA: Yes.

24 COUNCILMEMBER BARRON: Thank you. Just say yes,
25 that's all. \$9 billion, y'all. And we're cutting

agencies and not restoring federal money. \$9 billion, and only \$120 million for the Violence Interrupt teams that are bringing down crime in our neighborhood and their catchment areas, and a dismally low amount for mental health. You can mention that, but when you look at the dollars connected to it, this is incredibly, incredibly inaccurate, and I mean... not inaccurate, but just unacceptable and unconscionable that we would have this kind of money, and he doesn't even know our poverty rate, our unemployment rate. You know why? Because that's not his focus. The focus was to clean up them encampments, so Wall Street can invest more and save the city looks nicer. And you know, these homeless folks: That was their whole life, and you're not putting up... they're not getting no safe beds. It's not going to happen. So Council, I plead with you once again, that you are the conscience of the city, and we have to stop this conservative, Republican, austerity budget with the rich are getting richer -- as you see on Wall Street -- and the poor are getting poorer.

Thank you.

COUNSEL BUTEHORN: Next, we're going to turn to Councilmember Brooks-Powers.

SERGEANT AT ARMS: Starting time.

COUNCILMEMBER BROOKS-POWERS: Good morning. Thank you, counsel. And good morning, everyone. It's great to be here with Chair Brannon and the Finance Committee for our second to last budget hearing. Thanks to the Chair and staff for facilitating, and to the Administration for being here to answer our questions.

Expanding access to trauma care in my district is a major priority for my constituents. In addition to creating jobs, a new hospital would dramatically improve access and would address longstanding health inequities in the region. I've been engaging in productive conversation with hospital operators and developers who are interested in establishing a trauma center. Does the city have plans to expand our trauma care network? What funding if any has been dedicated? What partners is the city working with to identify viable sites and conduct other preliminary work?

I'd also like to reiterate the Council's advocacy for the Streets Plan. This funding initiative is

vital to making our city streets safer for all New Yorkers in all modes of transportation.

Council has... The Council has called on The Administration to dedicate \$3.1 billion to fund the Streets Plan. The Administration has committed \$904 million Does the Administration plan to increase this funding? What major priorities is the current level of funding expected to cover?

And on a related note, I would like to ask the Administration about its perspective on recent proposals to modify our speed camera system. In particular, I'd like to discuss the proposal to take revenue from speed cameras and invest it in communities where it was collected, and address some of the systemic imbalances in our infrastructure, many of which encourage drivers to speed in the first place. Has the city considered the financial impact of this proposal? Will the city make a commitment to reinvest those dollars back into those communities from the speed camera revenue?

DIRECTOR JIHA: Let's start with the trauma centers. As I indicated to the speaker, we work with the Council as part of the adoption process to review the different options that... that we could see, and

to also engage the state to make sure that we bring the state as part of the conversation about the trauma centers.

Regarding the Streets Plan: We added about \$580 million to the capital budget for project within the streets plans, this is an addition to \$2 billion that the DOT already has in its capital plan for projects with Streets Plan deliverable. Expense funding was also added to address the Streets Plan requirement. So again, as I said, we... we will continue to work with DOT and work with the Council. It's not what the Council is... has asked for, but again, we are avoiding in a world of limited needs.

Regarding the... the speed camera: There are so many unknowns about the specifics of the authority would be implemented. So we cannot provide you an estimate at this time.

Regarding dedicating revenue for a specific purpose: That... You know, I understand where you're coming from, but at the same time, you also reduce flexibility and our ability to adjust application of funding to where money is needed. But we understand your point, but this is... (crosstalk)

COUNCILMEMBER BROOKS-POWERS: I'm sorry. I'm sorry Jacques. I just take a little exception to that, only because if the speed cameras are really there to ensure greater safety, which is what the conversation has been centered around, it shouldn't be a matter of the flexibility of the dollars. It should be about investing in the infrastructure to support the safety that we all are trying to achieve. So I just want to... I just want to underscore that when you make that statement.

DIRECTOR JIHA: I understand that. That's a valid statement, but this is... the budget is about making choices, about decisions being made by the City Council and the Administration. And as I said, that is part of the budget negotiation, when we make decisions about where money... money is allocated.

SERGEANT AT ARMS: Time expired.

COUNCILMEMBER BROOKS-POWERS: I'm sorry. If you could finish your response.

DIRECTOR JIHA: Yeah. So where money is allocated... The decision about where money is allocated should be made between by the City Council and working with the Administration. So again, it's a... it's a question of whether or not you want to

have a dedicated source of funding or whether or not you need the flexibility to move resources where it's needed. Because you need... you may have all the resources you need, and even though, you know, you dedicated those resources in specific areas, but where you need them the most. Okay, you cannot move those revenues, because they are basically dedicated to a specific area. So again, it's question of balancing flexibility with... with the needs. And as I said, if there is a need, that should be part of the discussion, okay?, as part of the budget process with the Council and the Administration.

COUNCILMEMBER BROOKS-POWERS: I'm looking forward to having further conversations around that, because I think a lot of what I'm hearing from the membership, in addition to where I stand on this is, you know, wanting to see greater investments in the infrastructure to have true safety across the districts in a more equitable way, and where we see the speed cameras and the need for greater safety, the dollars have to follow in the same pursuit.

And then just for clarification, you mentioned the \$500 million with the Streets Plan is that in addition to the \$904 million that the Administration

had already responded with, or is this included in that \$904 million.

DIRECTOR JIHA: Included.

COUNCILMEMBER BROOKS-POWERS: So it's still \$904 million? But in conversations, we can still continue to... to explore how we move the needle on that, is what you're saying? Just to be clear?

DIRECTOR JIHA: Yes. Yep.

COUNCILMEMBER BROOKS-POWERS: Okay. Thank you so much. And it's good seeing you.

DIRECTOR JIHA: Good to see you too.

COUNSEL BUTEHORN: Thank you. And next we'll turn to Councilmember Brewer.

COUNCILMEMBER BREWER: Thank you very much, Commissioner. Am I particularly (inaudible) on your staff, and I do want to thank the Council staff for all their work. So I have a few questions.

I'm really concerned about the nonprofit sector. To the credit of the speaker, she talked about the senior concerns, they need case workers, they need people who know technology. You talked about food, but I don't think you specifically answered her questions about the other types of support mechanisms. But I'm also concerned because the City

Council wanted more money, \$50 million, for the human service workers, particularly for the folks who are not getting the COLA from the state. And I have to say that's the prevention staff.

So how are you addressing those needs? Number one. Number two: It's a sort of a general question, but every commissioner -- and you know, I go back a long time, so I know people on the front line, the middle line, and the top line -- the issue is they can't hire building inspectors, HPD inspectors, public health (inaudible), Consumer Affairs, the list goes on. So how are you going to address this? I think you need more money to pay them, or you need to figure out something that isn't just to fill the vacancies? Because they can't. So how are you going to address this lack of what I consider inspections for the city of New York?

Also, the Board of Corrections gave a really compelling discussion yesterday about the need to have more than 5 people with 5000 persons who are detained, figuring out how they can be effective as a Board of Corrections. And then in your testimony, you mentioned that the Transitional Finance Authority borrowing capacity to go back to pre-pandemic. I'm

not sure that the state legislature supports that.

So I wanted to know if you can comment on that.

So those are some of my questions.

DIRECTOR JIHA: Okay. Let's start with the not-for-profit tax force, and the Mayor's Office of Contract Services: We added money... funding to the... to the MOCS budget basically to tackle the backlog that we are dealing with when it comes to payments to not for profits. And this is an area where we got a lot of complaints. And we're working diligently and trying to make sure that they on-board all the necessary... Because we give them 42 heads to... so they could deal with two hires, so they could try to tackle the backlog that they are dealing with.

Regarding food security: We discussed with you that we added about \$8.8 million for DFTAs budget to deal with home-delivered meals, but more importantly, like you said, we also added about \$6.6 million to deal with case management... to deal with case management. So it's not just the food, we also added money to provide other services.

Regarding the not-for-profit cost of living adjustment that you raised: As I said we continue to

work with the Council, and to evaluate ways we can basically support that sector.

And so... what else? And regarding to TFA, the Transitional Finance Authority: I understand and I hear you that we are not getting support from the legislature in Albany, but we have to make... keep making the case to them, that without the debt capacity, we cannot fund a capital program. And that's a major constraint that we're dealing with. And we have to make sure... we will continue to push to work with the legislature so that they understand that we are asking them to give us authority to borrow money to fund our daily operations. That's not the challenge. The challenge we're dealing with is on the capital side: To fund housing... To fund a bunch of things, we are constrained by our debt capacity. So if you don't have the ability to borrow money, you cannot borrow, okay?, to do housing to do more housing to do my investment. So this where we are pushing to legislature so that they could understand the challenges that we're dealing with on the capital side, because everyone is asking for more and more and more housing, but we are also limited

because we don't have the capacity okay to fund
(crosstalk) ...

COUNCILMEMBER BREWER: The other question I have
is composting and sanitation. Now obviously, if you
have a cut, hopefully we will restore it, because
maybe the basket... litter baskets, et cetera, are
picked up on a more regular basis. But why is it
that composting just in the schools is the only way
that you're addressing composting, when composting
could get rid of the rats, and could in the end save
money? Is there some reason why composting is not on
the list? Mandatory composting?

DIRECTOR JIHA: We understand the importance of
it, and that... we are doing... we are doing curbside
collections at school and also a drop off sites in
schools. So again, we're just looking for the best
method, the most efficient means of doing it. It
doesn't make any sense to have a diesel truck, okay?,
running around a neighborhood, and pick up maybe like
a 10th of the truck capacity? So I would... I
would... I would defer that to Ken to see if Ken can
provide you an answer to this question. But this is
the challenge of dealing with composting. Ken?

DEPUTY DIRECTOR GODINER: You know, the Administration understands the importance of organics, but our previous curbside collection program was not very efficient. As the director pointed out, we were sending trucks out, you know, running full routes, and they were picking up around an average of one ton of material. And, you know, those were in districts where we thought compliance would be would be relatively high from the districts we started in.

We need to find a program, you know, to run an organics program that does not have those inefficiencies, and, you know, actually picks up a lot of material. In the meantime, you know, we're expanding curbside collection at schools, and we're... we're also adding drop off sites at school. So those are all in in neighborhoods. We baseline the current organics program, and, you know, we're looking at to explore how to make the program broader in a way that... that works, to actually pick up material.

COUNCILMEMBER BREWER: I hope you support the mandated bill. Thank you very much. I know my time is up.

COUNSEL BUTEHORN: Thank you. And next we'll turn to Councilmember Louis.

SERGEANT AT ARMS: Starting time.

COUNCILMEMBER LOUIS: Thank you, Malcom. Thank you cheers, and good to see you, Jacques and your team. I'm going to ask my questions, and then you can respond afterwards just for the sake of time.

So the first question I wanted to ask was regarding the B-HEARD program: Mental health for all, also known as the B-HEARD program is a piloted program that I worked on diligently with the previous Administration for a new comprehensive way to deliver universal mental health support to all New Yorkers, especially those that were hit hard by the pandemic, as well as how we are supposed to respond as a city government. I wanted to know if the \$22 million subway safety plan, also known as the mental health plan that you just shared: Is the B-HEARD program in that particular amount of the \$22 million? Because the program that I'm aware of is piloted in central Brooklyn, South East Queens, and South Bronx. I wanted to know if that's in the \$22 million, and will it be expanded to other neighborhoods in the city? And in addition to that, it would be baselined.

The second question is regarding food justice for all New Yorkers: You mentioned \$30 million was implemented for food justice, and it's been said that many pandemic related food programs will be expiring soon. So I wanted to know what the Administration was doing to continue food support in this budget.

And the last question is in regards to maternal health: I wanted to know how much funding is in the budget for the doula initiative for maternal health? And there have been many discussions on birth... birthing centers, from many leaders around the city, so I wanted to know with this new institution, will it be included in the FY 23 budget? Thank you.

DIRECTOR JIHA: Let me begin with the B-HEARD program: The executive budget added \$55 million in funding to expand the program to the rest of the Southern Bronx, Central Brooklyn and Eastern Queens by the end of the fiscal year.

Regarding the food that you just mentioned, we added that \$30 million to expand EFAP... and expand the EFAP program. Now the program is funded at \$52.8 million. We also added \$8.8 million to the home-delivered meal programs, so they good absorb additional seniors.

What else you asked was...? The other question you was about the mental...

COUNCILMEMBER LOUIS: Maternal health. The doula initiative.

DIRECTOR JIHA: The doula initiative.

The doula initiatives in March that was in the preliminary budget added \$30 million to address black maternal morbidity with the new Family Home Visit Program. This includes a citywide doula initiative. It includes the Midwife Initiative, and Maternity Hospital Quality Improvement Network. And so this is work that has been taken by different agencies to make sure that we improve. But the doula initiative itself, I will give you a breakdown on how much exactly. That's part of the \$30 million. But I will provide you details later on about how much exactly is the doula initiative as part of that \$30 million.

COUNCILMEMBER LOUIS: And is birthing centers included in this budget?

DIRECTOR JIHA: I'm sorry?

COUNCILMEMBER LOUIS: Birthing centers. The conversation has been had many times, but I wanted to know if it was included in the budget.

DIRECTOR JIHA: Um, I'm not sure. Let me get back to you on this.

COUNCILMEMBER LOUIS: All right. And last thing regarding B-HEARD: So I did hear about the amount, and that it would be in Central Brooklyn, Eastern Queens and South Bronx, but I wanted to know if this would be baselined as well.

DIRECTOR JIHA: Yeah, the B-HEARD is... basically is baselined... is part of the baseline. The portion of it that is baselined is the portion that deals with H and H. We're still working with FDNY to know what the exact model is going to be in out years. So once we have a sense of the appropriate model, as we work with FDNY, we would baseline that portion of the B-HEARD Program to FDNY in the out years. But right now H and H is baselined... the portion dealing with H and H is baselined.

COUNCILMEMBER LOUIS: Okay, thank you so much.

DIRECTOR JIHA: You're welcome.

COUNSEL BUTEHORN: Thank you, Councilmember Louis. Next we'll turn to Councilmember Sanchez, followed by councilmembers Restler and Ossé.

SERGEANT AT ARMS: Starting time.

COUNSEL BUTEHORN: Actually, Councilmember Sanchez is not in the Zoom at the moment, so we'll turn to Councilmember Restler.

SERGEANT AT ARMS: Starting time.

COUNCILMEMBER RESTLER: Well, firstly, I want to thank Director Jiha, who was gracious enough the day before this hearing to meet with me yesterday on some local issues, and I was... I promised that I would be nice. So here you go, Jacques, I'm going to be nice.

DIRECTOR JIHA: (Laughs)

COUNCILMEMBER RESTLER: Always good to see you and the team at OMB.

DIRECTOR JIHA: Good to see you too.

COUNCILMEMBER RESTLER: I have a great deal of admiration for your deputies and for your... your leadership team and appreciate you always been so responsive and helpful over many years of service.

There were two primary things I wanted to dig in on today: The first is around the Department of Corrections and the decision to significantly increase headcount by nearly 500 individuals between prelim and exec. This is a real concern for me, and I would think it's a real concern for you, because we are not too far away from the borough-based jail plan

being realized, significant population reduction happening within our jail system down to 3300 beds, which is... I hope we could go further, but... but those reductions are necessary and urgent.

We already had far too many DOC officers on payroll that are going to be a... an incredible burden on the city budget. With these additional folks, for OMB, as you do your modeling, aren't you going to have 1000s of additional headcount that you need to get... you need to get rid of in just a few years' time? How is this fiscally responsible?

DIRECTOR JIHA: Yeah. The additional headcount that we provided at DOC is basically to support their effort to eliminate solitary confinement, and for them to implement the model _____ management accountability system, which is the ARMA System, because they need the staff... that level of staffing to make sure to ensure the safety of people in their custody and also the safety of the staff while providing necessarily programming and to ensure continuity of supervision within the units. So again, this is you know... We understand your concern. We understand the... the, the points that you make, but at the same time, if we are going to

make such major program... programmatic changes into what you know... into sort of ending solitary confinement, it also requires... (crosstalk)

COUNCILMEMBER RESTLER: I hear a Director Jiha, but you know what the best way to do that would be? Would be to get the 600 officers who are sitting at home today, and get them to stop their sick-out and show up to work. And so what we need is for some real accountability, and I realize... and the name of the office is Office of Management and Budget, and we need help on the management side over at DOC. We need to hold these folks accountable. The strike via sick-out is totally unacceptable, and we need help in getting those folks back into... back into work. And then we could better manage the... the elimination of solitary confinement, which of course, is a noble goal. I do deeply worry, though, that we are going to have 1000s of additional headcount.

We were... When I worked for the Administration, we were talking about could we transfer these folks to other agencies? Could we think about creative solutions? What would we do about all of these thousands of additional people, and we are now adding 500 more headcount, I can't believe it. I mean, like

I really... It is reckless for us to be doing this, and I really, really, really hope that we can reconsider, and that you'll work with us on a different path forward, where we do not add additional headcount at DOC.

The second thing that I wanted to ask -- and this is me being kind. I would... I apologize if it comes across in any other way, you know that I have deep affection for you. The second thing I wanted to ask is about... the allocation for RAD in the HPD capital budget. So I think there's \$1.2 billion dollars that y'all put in an exec for more RAD and PACT conversions, which I do not think is the right path forward.

I was hoping that you might be willing to make a commitment to us today. If the trust were to pass in Albany, would OMB consider reallocating that \$1.2 billion directly to NYCHA to make capital repairs themselves to improve conditions in our developments?

DIRECTOR JIHA: I cannot make that commitment to you today.

COUNCILMEMBER RESTLER: It was a good try, right? (laughs) But tell me you're open to it.

DIRECTOR JIHA: It's... (crosstalk)

COUNCILMEMBER RESTLER: (inaudible) what do you think?

DIRECTOR JIHA: It's a hypothetical question.

And, you know, again, I don't... I do not engage in these kind of, you know, exercises, for the simple reason that we need to make sure that we provide the appropriate funding at this moment in time, okay?, for NYCHA so they could undertake all the repairs that need to be made. When the choice legislation is enacted, I will... we will have a different conversation...

SERGEANT AT ARMS: Time expired.

DIRECTOR JIHA: ... but at this point in time, I can't... we cannot make that kind of...

COUNCILMEMBER RESTLER: I'll be... I understand you don't deal in hypotheticals, and I respect that. I would just say from a political vantage point, I think it's a nice carrot to offer to the folks in the legislature that you'll take this \$1.2 billion of RAD conversions off the table if they work with us on the trust, and that you'll instead invest that money directly into NYCHA and improving people's lives, which is a desperately, urgently needed investment. So I hope you'll consider it as a recommendation. I

think it would be a worthwhile thing to do. And I want to thank Chairs Brannan... Chair Brannan for his leadership and everyone in Council finance for their great help.

Thank you, Director Jiha, and the team at OMB.

DIRECTOR JIHA: Thank you. Thank you for being nice.

COUNSEL BUTEHORN: Thank you, Councilmember. And for the record, we've also been joined by Councilmembers Carr and Kagan. I see councilmember Sanchez as facts. Councilmember Sanchez is back, so Councilmember Sanchez followed by Councilmember Ossé.

SERGEANT AT ARMS: Starting time.

COUNCILMEMBER SANCHEZ: Thank you. Thank you so much to the Chairs and Director Jiha, so good to see you again. So I did... First I just want to agree with... with councilmember Restler on... on NYCHA and the RAD program. I think it absolutely works politically. And it's something that many, many residents across the city of New York and many TA's would also, you know... would also be supportive of.

Um, so my first question is in your testimony, and just a moment ago with Councilmember Brewer, before our office's internet decided to cut out, you

were discussing the need to stay below a 15% debt-to-taxes ratio... ratio. But our team internally at counsel, folks from the New York Housing Conference and others, they have estimated and suggested that the debt service would still be below the 15% target, if the Administration added another \$1.5 billion per year on top of the \$500 million on average added by the mayor in the Exec. So, you know, the question remains: We... we at the Council are continuing to push for more capital investment. This is our number one challenge in the city of New York, as identified by New Yorkers through the... through the B-HEARD survey. You know, what... What is your response to that? To adding more... more housing? What are the challenges... those capacity challenges that you mentioned a few moments earlier? What are the challenges to doing more? And I'll just punctuate it by... by saying that, you know, given the high rates of inflation that we're seeing, and seeing a heating national economy, we have a big concern that even... even the... the investments that are being made, and were made in the executive budget, they're just going to keep us at the status quo, and we're not going to

actually be able to increase the amount of production and preservation because of these increasing costs.

DIRECTOR JIHA: Yeah. The, the constraint that I was referring to was not about the debt service constraint. I agree with you. We are below 15%.

And we'll probably stay below 15%. The constraint I was referring to was the transitional finance

authority. We have a limit. The cost... The state constitution limits how much money we could borrow,

based on the value of properties in New York City,

okay? Because property values New York City

declined, because of the high vacancy... all of these

things that we have, that means the debt capacity of

New York City has declined. If the debt capacity has

declined, it means that we cannot... there's a limit

on how much money we could borrow, okay? So right

now, the remaining debt capacity we have... I think

it's around \$8 billion. So that... Because we only

have \$8 billion in total for all of our borrowing

needs left. So right now, if we were to add...

Okay, that's \$4 billion a year in housing, okay? We

cannot do that, because we wouldn't have the capacity

to borrow. We could not borrow money, okay?, to pay

for this. Okay, not even talking about School

Construction Authority. As you know, we have to build schools. We have to make sure our infrastructure isn't... we invest in infrastructure. So every other investment cannot take place because we are limited, okay?, by our borrowing capacity.

And right now, that's where we are. That's the reason why we are seeing the state, okay?, to restore our borrowing capacity to pre-pandemic level, okay? And this is probably where we need your help, okay? We need all the councilmembers help, okay?, to basically push the state to restore the capacity, okay?, so that we could have room in case we have an emergency in case that we have to deal, okay?, with things such as more housing. But right now, we are very limited in terms of how much we could borrow, okay?, to fund a capital program. That's the constraint.

COUNCILMEMBER SANCHEZ: Okay, got it. Well, you can absolutely count on my support for that. And you know, of course, I would argue that, "Sure, let's let's toss in more than \$8 billion. We don't need schools. Let's just build housing." I'm kidding. I'm kidding. For the record. I'm kidding.

But... But no, I look forward to some more conversation on that, because we... we really do need to do what we can.

And then my... my second question, I'm going to ask two questions and see what you have time to answer.

So first, just to kind of circle back on the speaker's discussion with you about units of appropriation: 75% of DOB's budget is in a single unit of appropriation: "personnel". We have at the Council have no visibility into what is going on. So a lot of questions around these grounds. And so the first is can I have a commitment to more transparency within DOB in particular?

And then the last question is on homeownership...

SERGEANT AT ARMS: Time expired.

COUNCILMEMBER SANCHEZ: ... are we going to see commitments from the Administration to increase homeownership opportunities in the next few years?

DIRECTOR JIHA: Yes. As I indicated to the speaker, we will... we will be working with... with the Council. We are reviewing requests to see what we can do in terms of providing more transparency to the budget process, and so we will be making a

request for more unit of appropriations. Again, as I said, it's a question of balancing flexibility and transparency. And I understand exactly where you're coming from. And so our goal is to make sure that we manage this as best as we can.

Regarding homeownership opportunity, this is something this is very important to us. This is our... Our folks have built a wealth in this country by leveraging you know, the ability to borrow, so that you could, you know, as houses appreciate over time, and family build wealth. And this is something that is always of utmost important to us, okay?, as part of building wealth for people for... for different groups in New York City. So again, it's a priority and something that, particularly in light of the fact that we will be operating in an environment where interest rates will be rising significantly, mortgage rates will be rising significantly, so we have to find ways to make sure that we keep housing affordable for folks who desire to own properties.

COUNCILMEMBER SANCHEZ: Thank you so much, Director and thank you Chair.

COUNSEL BUTEHORN: Thank you, and next we'll turn to Councilmember Ossé.

SERGEANT AT ARMS: Starting time.

COUNCILMEMBER OSSÉ: Thank you so much. Good morning, everyone. Good morning, Chair Brennan. You have been killing it during these executive budget hearings. It's... I'm in awe of your... your leadership, and just everything that you've been doing during these past couple of weeks. And hello, Commissioner Jiha. I won't be as brutal or nearly as brutal as Councilmember Restler. He's asking some great questions, but I just have a couple of questions pertaining to my district, as well as the committee that I chair.

You know, there's \$186 million decrease in the Department of Sanitation budget from fiscal year 2022, and it says in the executive budget, that it is due to a lower allocation for uniformed operations. In communities like mine, that is devastating to hear, in the 36th district. We need more street cleanups and waste removal. Is it the case across the city as well? And why did OMB allocate less for uniformed operations for this year?

DIRECTOR JIHA: Yeah. You know, again, I would... I am going defer to Ken to answer that question for you. But again, as a general premise,

our goal is to work with the Council to make sure that as part of the adapted process, to make sure that whatever is needed to make sure the city is clean, okay... to maintain the cleanliness of New York City. Ken?

You're muted.

DEPUTY DIRECTOR GODINER: Thank you, sorry about that.

The reduction you're seeing on the sanitation side is for a reduction in expected levels of overtime, not a reduction in... in routine service. We've baselined a number of initiatives, including increasing from our pandemic low, almost double... more than doubling the number of trucks we have doing litter baskets. We've been, you know, we're partnering with the BIDs to, to bring service up in that way as well. And the mayor announced we invested \$11.4 million in expensing capital on street sweeping program, which will, you know... We talked about it as alternative-side parking, but it's really about, right, getting the mechanical brooms and the street sweeping out more frequently.

So that's the, you know, that's sort of the answer about both why the number is down: We don't

expect to see the kind of high sick leave, right?, that we saw during the pandemic, which, you know, fiscal 22, still covered a large portion of, and we're, you know... That that's really where the reduction comes from, otherwise, we're investing and expanding services there.

COUNCILMEMBER OSSÉ: Thank you, Ken. Thank you, Commissioner. And then just a quick question for my second question, and then I've done for the morning. But it's in regards to our Council's response to funding for DCLA and our cultural arts. I know that there was a \$50 million ask. And this may be a simple question, but I just would love for it to be on the record: Why did OMB not make a \$50 million allocation to our cultural arts in DCLA as requested in the budget response from the Council?

DIRECTOR JIHA: Yeah, we added resources in the executive budget, we added \$5.2 million dollars to support the Cultural Development Fund and other initiatives. And we've also added headcount to the agency, basically to help them speed up the purchasing process for cultural organizations. Because the ability to get equipment system from the city is one of the key ways, this year, to support

the cultural community. So again, it's just a question of... We may not get a full... a full ask, but from our perspective, what we added was very much appropriate for the agency to do... to provide the support that they need to... to the cultural institutions in New York City.

COUNCILMEMBER OSSÉ: I... Maybe I misheard you. You said you added \$500 million for...

DIRECTOR JIHA: No. \$5.2 million.

COUNCILMEMBER OSSÉ: \$5.2 million. Okay.

DIRECTOR JIHA: Okay? For the cultural development fund.

COUNCILMEMBER OSSÉ: I got excited.

DIRECTOR JIHA: (Laughs) Yes.

COUNSEL BUTEHORN: Thank you. We just also want to say for the record, we were joined by Counselors Restler and Yeger. Speaker Adams and Chair Brannan, I'm going to turn it back to you both.

COUNSEL BUTEHORN: Is the Speaker still here, Malcom. I don't see her. Oh, she is.

COUNSEL BUTEHORN: She is probably listening in the background, so I'll turn it to you.

CHAIRPERSON BRANNAN: Okay. Thank you, Jaques. We look forward to spending a lot of time together

over the next couple of weeks. I told my wife not to get jealous.

DIRECTOR JIHA: (Laughs.)

CHAIRPERSON BRANNAN: I will... Look, I think we're all in agreement here, and as The Speaker laid out, and as we've been saying since... since February really, the Council believes that New York City's recovery requires real and meaningful investments. We know that we can't cut our way to prosperity, and I think now more than ever, New Yorkers want to know that the neighbors that they elected are listening and delivering tangible results. They want to feel... They want to feel this budget. They want to feel their lives get easier, get better, based on these... these allocations and investments that we make in our future. And I say it a lot, but it bears repeating: If you want to know what someone cares about, take a look at what they spend their money on. Right, you'll you would find that I really like coffee.

You know, and this is what it's about, right? It's not just an itemized list of income and expenditures, it's truly a moral manifest. And everything in the Council's budget response is

something that the Council believes is worth fighting for. We're not playing a poker game here. Everything in there we feel is really worth fighting for. So I'm proud of my colleagues, and especially the dedicated staff behind the scenes, who works countless hours, late nights and weekends, on this stuff, on my side and on your side, frankly. Very little glory for the guys that do this work. And while much negotiation remains here, we really do look forward to working with OMB to arrive at an agreement that gives reality to a safer, fairer, and a more prosperous city. And I think that's something that we're all certainly in agreement on. So I look forward to working with you. And with that, I think we'll let you guys go early on good behavior. So we appreciate it.

DIRECTOR JIHA: Thank you. Thank you very much.

CHAIRPERSON BRANNAN: Thank you.

COUNSEL BUTEHORN: Chair, we'll stand in recess. We're going to email the Comptroller's team to see if they would like to... if they are ready and want to start now we can just keep the program moving.

CHAIRPERSON BRANNAN: What time did we say for?

12:30? No?

1 COMMITTEE ON FINANCE

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2 COUNSEL BUTEHORN: One.

3 CHAIRPERSON BRANNAN: Oh one. Okay, yes.

4 COUNSEL BUTEHORN: I'll be back.

5
6 [19 minutes and 36 seconds silence]

7
8 COUNSEL BUTEHORN: Good afternoon, Mr.
9 Comptroller.

10 COMPTROLLER LANDER: Good afternoon Malcom. Nice
11 to see you.

12 COUNSEL BUTEHORN: Nice seeing you. We'll just
13 wait for Executive Deputy Comptroller Brindisi and
14 Deputy Comptroller Olson great man we can get the
15 show on the road.

16 COMPTROLLER LANDER: Wonderful. They should be
17 on shortly.

18 COUNSEL BUTEHORN: Thank you.

19 COMPTROLLER LANDER: You guys make quick work of
20 OMB?

21 COUNSEL BUTEHORN: We did. I will take ahead of
22 schedule any day.

23 COMPTROLLER LANDER: No, no sure. It works for
24 us. We're ready.

25 COUNSEL BUTEHORN: Absolutely.

1 COMMITTEE ON FINANCE

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2 COMPTROLLER LANDER: I like seeing Lincoln's
3 porch there in the backyard.

4 [40 seconds silence]

5 SERGEANT LEONARDO: Good morning Executive Deputy
6 Comptroller. Oh, there we go. Okay. You coming in
7 loud and clear. Thank you

8 COMPTROLLER LANDER: All right. I think our team
9 is here. So we are ready when you guys are.

10 COUNSEL BUTEHORN: Thank you. Deputy Comptroller
11 Olson, you should be able to unmute yourself. Just
12 make sure we have audio.

13 DEPUTY COMPTROLLER OLSON: Yes.

14 COUNSEL BUTEHORN: Yes. Perfect. Thank you.
15 Chair Brannan?

16 CHAIRPERSON BRANNAN: Okay, all right. I'm
17 ready.

18 COUNSEL BUTEHORN: Well, you can start with
19 your... your opening and then we will swear in the
20 Comptroller, and just get started.

21 CHAIRPERSON BRANNAN: Okay, cool. Thanks Malcom.

22 Good afternoon, everyone. And welcome to the
23 second portion of today's final executive budget
24 hearing before we hear from the public tomorrow. This
25 is day 10 of the FY 23 executive budget hearings for

the Council. My name is Justin Brannan. I have the privilege of Chairing the Committee on Finance. I'm pleased to welcome my friend and former colleague-turned-comptroller, Brad Lander, to this afternoon's hearing. Welcome Brad to you and your team. You do important work in holding city agencies accountable to the people of this great city, and I thank you for that, and all the work you will do throughout your term.

I never thought I'd be so... I'd never thought I'd be in a place where I'm texting the comptroller about next month fiscal numbers coming out, but here we are.

In the interest of time I am going to forego an opening statement and let us hear directly from the controller but before we do I want to turn it to the mighty Committee Counsel, Malcom Butehorn to go over some procedural items and to swear in the witnesses.

COUNSEL BUTEHORN: Thank you Chair Brannan. Good afternoon, everyone. Welcome to the second portion of today's executive budget hearing as it pertains to agencies and authorities. I want to remind everyone that you have the ability to mute and unmute

yourselves. We just ask when not speaking to please mute yourself to avoid background noise.

Councilmembers who have questions should use the raise hand function and zoom, you'll be called on in the order with which you raised your hand.

The following members of the Office of the Comptroller are here to testify and or answer your questions. Brad S. Lander, Comptroller, Francisco Brindisi, Executive Deputy Comptroller, and Krista Olson, Deputy Comptroller for Budget.

I will first read the oath and ask each of you individually to respond.

Do you affirm to tell the truth, the whole truth and nothing but the truth before these committees and to respond honestly to Councilmember questions?

Comptroller Lander?

COMPTROLLER LANDER: I do.

COUNSEL BUTEHORN: Executive Deputy Comptroller Brindisi?

EXECUTIVE DEPUTY COMPTROLLER BRINDISI: I do.

COUNSEL BUTEHORN: And Deputy comptroller Olson?

DEPUTY COMPTROLLER OLSON: I do.

COUNSEL BUTEHORN: Thank you. Comptroller, whenever you're ready.

COMPTROLLER LANDER: Thank you so much, Counsel.
Thank you so much, Chair Brannon and Councilmember
Baron, and members the Finance Committee and the City
Council. I appreciate the opportunity to comment on
the FY 23 executive budget and I am pleased to be
joined as you see by our Executive Deputy Francesco
Brandisi, and our Deputy Controller for Budget,
Krista Olson.

We are in a unique moment today. Tax revenues
have exceeded projections, billions of dollars of
federal stimulus are flowing through the budget, and
most economic indicators in the city have improved
steadily from a year ago, yet geopolitical and other
risks of the economy are growing by the day,
inflation is at the highest since 1981, the Federal
Reserve has begun tightening monetary policy which
will put a damper on growth. And while tax revenues
are coming in well above projections in the current
year, neither the mayor's office nor the
comptroller's office expect that trend to continue.
It's critical at this juncture that we invest smartly
in our infrastructure and our people and set the city
on a path for long term inclusive recovery. In
particular, with one time surpluses and long term

uncertainty, it is imperative that we shore up our reserves now and we can this year afford to. We recommend a significant \$1.8 billion additional contribution to the city's rainy day fund, as I will discuss shortly, but I'll begin with my office's newly released review of the city's financial plan which is available today on our websites you can get all the numbers there.

As of April The city has regained 79% of private sector jobs lost during the depths of the pandemic. Over the last year private employment in the city has grown 8% and tax collections have increased well beyond expectations. Since the beginning of the fiscal year, OMB has increased the tax forecast for just this fiscal year FY 22 by \$3.3 billion. My office forecasts an additional \$3.3 billion in tax revenues beyond that by the end of the fiscal year, primarily on the strength of tax collections in April. So the city's near term fiscal position is bright, but clouds are on the horizon, the Federal Reserve has begun to raise interest rates and faces the formidable task of controlling inflation without causing a recession, a real challenge and one that will affect people's lives. Recent turmoil in the

stock market, Russia's continued invasion of Ukraine and related supply chain interruptions make this even more challenging.

We believe that economic growth will moderate and tax revenues will drop next year, but our revenue forecast remains above OMB's in each year of the plan. However, those additional resources will be offset by additional spending not yet reflected in OMB's forecast and the fiscal risk will be compounded should the economy slide into recession. Some of these expenditures are perennially under budgeted including overtime, cases at homeless shelters but others relate to the city's use of stimulus funds for ongoing programs such as 3K, which places those programs at risk in the longer term. By FY 26, the city faces a fiscal cliff of \$1.3 billion that will need to be addressed. Current stock market returns decline poses an additional risk to the budget, incorporating combined audited returns which were 0.11% through March, which is far below the actuarial target of 7%. We'll add pension costs, required pension contributions of \$335 million in FY 24 increasing to \$1 billion by the end of the plan, and unfortunately, markets are continuing to fall so the

final returns through June could be somewhat worse.

Combining our assessment of revenues and spending, we forecast as I say a big surplus this year of \$3.1 billion at the end of this year, a small surplus next year, but then gaps of \$5 billion in FY 24, growing to \$6.5 billion in FY 26. And even those estimates exclude the risk of the large labor contracts. You know, most of the city's labor contracts will soon be expired, and the current plan funds only 0.5% raises in the first two years of the plan. Given inflationary pressures, the actual pattern may be far higher, and each additional 1% wage increase will cost the city \$450 million in the first year it's implemented. And the city would also need to cover commensurate cost of the cost of living adjustments to human service contracts. So those are additional risks in the long term plan.

This combination of baseline gaps economic risks, and the unknown cost of labor contracts and pension contributions makes it imperative that the city shore up its reserves this year. Just yesterday, my office released a new recommended framework for the city's rainy day fund, which would take saving for economic downturns out of the vicissitudes of the annual

budget process. I was there. I know how hard it is to commit enough resources when it's just the annual budget negotiation. So we propose a formula: We believe the city needs 16% of tax revenues in the rainy day fund to stabilize revenues for the whole length of a recession, so you don't have to cut the central services or lay off teachers, right at the hardest moment. If you've got 16% of taxes in your rainy day fund, then you can get through that recession without harmful cuts to core services.

We estimate right now that if you add together the Rainy Day Fund and the retiree health benefit Trust, which has been used as a rainy day fund, there'll be about \$5.1 billion at the end of FY 22, which is only 7.3% of tax revenues, that's only enough to provide budget relief for less than half the length of an average recession. I'm proposing a formula based on a best practice in the Commonwealth of Virginia, that would require a minimum of 50% of the increase in any given year in the city's non-property taxes above their historical rate of growth. And that's happening this year. So those guidelines I mentioned, you know, we're going to recognize \$3

billion more revenue just between now and the end of the year that is in the executive budget.

So we propose to put \$1.8 billion of that into the rainy day fund, along with planned deposits of \$700 million for a total of \$2.5 billion this year into the rainy day fund. While that contribution is a big number, it's still only 55% of our forecast for surplus revenues beyond what was recognized in the executive budget, so there still would be significant amount of new revenue even beyond that contribution.

What that would do was help us achieve a balance of 10% in the rainy day fund, enough to provide a cushion for the first two years of a recession. We think it's not only prudent but also reasonable and achievable, and really will enable us to show up in the times of most need. Going forward establishment of a formal policy, including those targets and rules for deposits and withdrawals, we believe should be required by the Council, the Council could pass a law requiring the Administration to establish a formula and report every year on whether it's met.

Preparing for the future also means that we must use every dollar of federal stimulus and infrastructure funding wisely. We released a report

last month that found that through the first eight months of FY 22, DOE had spent less than 25% of planned recovery funds and the critical areas of academic and instructional support and social and emotional well-being. I understand that schools face many barriers to implementing those programs, but we cannot afford to squander this opportunity. And our students, especially those with special needs or trauma cannot wait for the services that they need today. I'm pleased that DOE says they've spent another \$500 million since our report came out. But I continue to urge DOE to be more transparent and provide more clear outcomes metrics on that funding. I also fully support the Council's call for 100 additional shelter-based community coordinators to better serve the 101,000 students who lack permanent housing.

And a sustainable fiscal future also requires addressing the city's broken property tax system, as you guys know so well because folks in East New York and Bay Ridge and the Northeast Bronx are all treated unfairly as well as folks in Staten Island and southeast Queens by our current property tax system. If we work together, then the expiration of 421-A on

June 15, could give us a real chance to build that broad coalition of homeowners who would benefit and the exploration could provide momentum to develop a more equitable, more transparent and more sustainable framework, both to levy taxes fairly and produce actually affordable housing, which of course 421-A does not do. So let's work together on this after June 15.

Back here in the city as the Council negotiates a final budget, you have the opportunity to ensure that we're adequately funding and delivering services to all New Yorkers, from sanitation to public higher ed. We've been doing town halls around the city and I've heard loud and clear from New Yorkers about sanitation issues. People from Staten Island to the Bronx to Bushwick think their neighborhoods are dirty and that they're overpaying for substandard service. 311 complaints for dirty conditions grew 73% from 2020 to 2021. I was happy to see some additions to sanitation's budget, but the \$48 million cut to the FY 23 budget from prelim remains. As Chair Nurse has urged: Strengthening curbside composting and adding options not curtailing them is critical to meeting our climate goals and cleaning up our neighborhoods.

Now cleaning up our neighborhoods should not mean harassing New Yorkers living on the streets or subways. Throwing away someone's belongings does not address their lack of a place to live or make anyone safer. We won't solve the homelessness crisis nor reduce crime by deploying our city's resources to criminalize poverty, to incarcerate more black and brown New Yorkers, or to pay correction officers for not showing up to work. People need resources, peer led outreach and an appealing alternative. I support new funding in the executive budget for safe haven and stabilization beds. I believe those new facilities should provide private rooms that offer true dignity. And these temporary solutions must connect New Yorkers to services and to truly affordable permanent housing. The need is immense and the addition of affordable housing in the executive budget capital plan will quickly be absorbed by capital... by construction cost inflation. So it's critical and I agree wholeheartedly with what Speaker Adams said in her state of the city and Chair Sanchez's advocacy that the city commit \$4 billion dollars in each year of the capital plan and restore planned headcount cuts

to the Department of Housing Preservation and Development, as well as Department of Buildings and make sure vacant positions are filled to get that genuinely affordable housing built. We also need to support communities by adequately funding initiatives like the right to counsel, source of income discrimination investigations, justice-involved supportive housing, and community based solutions to gun violence. These initiatives are not only the right thing to do, but will also reduce the use of high-cost homeless shelters and jails.

Since I took office, as several of you know, my Administration has been working hard to do what's ever in our power to speed up the contracting process for nonprofits and other critical vendors that serve the city. We're moving forward with clearing out the backlog of unregistered contracts and I remain hopeful and committed to working with all the key players involved in the procurement process, including the Council to make real quantifiable progress. That's not all our nonprofits need. They also need the resources to provide services amidst rising costs. In particular childcare providers have struggled amid reduced enrollment and increased cost

during this pandemic. Using new funds allocated in the state budget, the city has the opportunity to improve access for families while also addressing funding deficiencies for providers and workers. We should ensure that every child regardless of immigration status, has access to quality early childhood education and care. So I was pleased to join councilmembers Cabán and Hanif yesterday in calling for the city to fund child care for undocumented children who are currently ineligible for state and federal funding. The state ought to fix that, but they have not. And so this year, a relatively modest commitment could make sure all undocumented kids have access to the early childhood education they deserve. And finally, at this important moment, I fully support the Council's continued and expanded support for safe and affordable abortion care. We do have some additional work to make sure that that money can get spent, that there's transportation and childcare that ensures access to those services.

If you take away one thing, though, from my testimony today, it really is that given the combination of those excess tax revenues -- \$3

1 billion above plan -- significant increases one time
2 from personal income tax sales tax and business
3 taxes, we need to make that significant contribution
4 that we can afford at this moment to make that
5 significant contribution of an additional \$1.8
6 billion to the rainy day fund in that next economic
7 downturn, which I pray is not soon but whenever it
8 is, we're making the decision now: Will we have the
9 resources to continue to provide services like
10 childcare, to continue to keep our full complement of
11 teachers, to provide the relief that's in our budget
12 for low-income New Yorkers during that recession in
13 what we do today? This is a unique moment. And I
14 really hope the Council will be a strong advocate for
15 it, and that the mayor will agree as well. Thank you
16 so much for this opportunity to testify. And we are
17 happy to take your questions.

18 CHAIRPERSON BRANNAN: Well, thank you very much,
19 Brad. A couple of quick things. I wanted to talk...
20 There was a Bloomberg article from May 10 that
21 reported that your office had asked the General
22 Counsel to review whether a former Chief Investment
23 Officer had complied with ethics rules, as governing
24 an allowable career transition out of the city's
25

pension system after accepting a position with an investment firm.

So are you comfortable with the current rules governing those involved with our pension investments and... and our their need for changes?

COMPTROLLER LANDER: So that's why I have this review underway. You know, it was... as was reported in the press, the Chief Investment Officer, Alex Doñé, from the prior Administration, departed from the... from the comptroller's office, and then was hired by Platinum Equities, which is one of the many investment funds that the city's pension funds invest in. And I asked the General Counsel to look at two things: Both the... the specifics of this situation, were the appropriate rules followed, was, uh, you know, I know conflicts of interest guidance was requested, and I want to make sure that everything was done according to the rules. But I did also ask her to take a look at the rules themselves. We do have very extensive internal processes. There's multiple committees for, you know, that review. We've got an investment committee that reviews every proposal before it goes forward. There's consultants to all five of the pension fund boards, and they

review them, and then the trustees themselves review them. But, you know, it's appropriate for people to say, "I worry about kind of revolving door issues," and I want to see whether our post-employment rules should be strengthened. So when I get the results of that internal review from my general counsel, I'll be glad to forward them on to the City Council and work with you, and if we think there's any need to tighten up, or strengthen our rules to prevent not only conflict but any potential appearance of conflict, then we would, you know... we'll both make that transparent, and we'll work with you to make any changes that are needed

CHAIRPERSON BRANNAN: With regard to pension assets: So there was a New York Post article from May 14 that reported that more than half a billion dollars of pension system assets previously invested in Russian companies had been frozen by Vladimir Putin. So will the pension system be required to cover the cost of these frozen assets?

COMPTROLLER LANDER: So a couple of things about that Post article: That number combined the city and the state. So the city's Russian... The city's holdings of Russian securities were about half that.

I think about \$271 billion prior to the invasion. That was less than 1% of total holdings in the pension funds. Were talking about a pretty modest percentage. All five funds move quickly. We were the first public pension funds in the country to move to divest Russian securities, but that was right at the same time when all the sanctions were applied, and when Russia froze its stock market. So it hasn't been possible to sell your Russian securities since the invasion began. So those monies are frozen, they're hard to value what they're actually worth, and we are committed to divesting them, as soon as we can.

You know, in the meantime, they sit on our books, and we don't need to put new money in to cover them. You know, we've got \$265 billion, you know, currently in the pension funds. Now, it is a concern, as I mentioned in my testimony, that stock market returns are down. Last year, we had an amazing year 26% returns. This year, as of the first quarter, it's basically flat, you know, 0.1%, and we've got this actuarial target of 7%. And assuming those numbers you know, stay low or get lower, it will mean that the city over time has to contribute more into the

pension fund. Now, last year, those 26% returns meant the city had to contribute less... about \$8 billion less, and these amounts are smoothed over five years. It's a pretty wise system, that in a good year, you reduce the amount the city has to contribute, but you smooth that over five years. In a bad year. You increase the amount the city has to contribute, but you smooth that over five years. So as I mentioned, this will add, you know, the... the returns, the stock market decline will add some long term cost to the city to make sure we can meet our obligations to our retirees, but the pension fund is well funded, and we've got a great team making sure that we do a little better than... than our peers a little better than the markets do. And then this long-term system for smoothing returns, both when the markets are up or down to make sure we can meet our long term obligations.

CHAIRPERSON BRANNAN: How do you think going forward should we be engaging with pension boards on the issue of vetting geopolitical risk of investments in developing markets and the issue of investing retirement funds in countries with human rights violations?

COMPTROLLER LANDER: Well, let me, you know, separate those two questions. You know, I mean, how... You know, we, we do an asset allocation that looks across a broad set of categories, and you really want to be diversified because you don't know where problems are going to arise. And so you want a good strong mix of US public equities, of US fixed income, of global equities, and global fixed income, and of private markets as well in infrastructure, and real estate and, and private equities. And I think we've got a good asset allocation. We talked at the prelim, and I'm glad to talk some more today about our efforts in Albany to get a little more flexibility.

But yeah, look, there's going to be geopolitical risks, and it's hard to predict where they will arise, you do your best to be wise about where you're investing and where you're not. And then we have a very active, responsible investing program, in which, on some rare occasions, we make decisions not to invest in something at all we've divested fossil fuel reserves, we've divested private prisons, we've divested gun manufacturers. But you know, if you divest all of the activities about which there are

problems, you wouldn't have an awful lot to invest in, and so we also take a very active approach.

So we do a lot of shareholder activism. Last year, I joined the investors who were pushing at Wendy's, for example, the only remaining fast food company that doesn't meet the Fair Food pledge or good conditions for immigrant tomato picker workers in Florida. And we're one of the leads helping push change there. Similarly, in Amazon, we are leading a proxy campaign to encourage investors to vote no on the two Amazon directors who are supposed to be providing oversight of the company's workforce management. And clearly, they're not because of high injury rates, high turnover rates, and union busting activities. So we try to combine this shareholder activism and responsible investing with broad asset allocation. And then in some rare cases, as with fossil fuel reserves, or Russia, with divestment.

CHAIRPERSON BRANNAN: Thank you very much. I will turn it over to my committee colleagues.

COUNSEL BUTEHORN: Thank you, Chair Brannan. We'll first turn to Councilmember Barron.

COUNCILMEMBER BARRON: Thank you very much, Mr. Comptroller. How are you?

COMPTROLLER LANDER: Good to see you,
Councilmember Barron.

COUNCILMEMBER BARRON: Yes. I want to ask a
couple of questions. One: There's a formula you
discussed on how to get money into the reserve or
rainy day fund. That would take the discretion away
from the City Council and the mayor?

COMPTROLLER LANDER: It would not take the
discretion away. What we're propo... Let me say two
different things about kind of the idea of having a
formula, and then about what the formula we're
proposing.

COUNCILMEMBER BARRON: If you could do this...
Brad, I'm sorry. Hold that. I just want to get it
all out, because... (crosstalk)

COMPTROLLER LANDER: Ask your questions. I'll
take my notes.

COUNCILMEMBER BARRON: Yeah, that would be good.
So that's one thing I'm concerned about, you know,
just... just how that goes.

COMPTROLLER LANDER: Yep.

COUNCILMEMBER BARRON: And then secondly, about
the, what?, \$265 billion pension fund. What is the
state's pension fund total? And how do you determine

what it will be invested in, because there's a lot of racism in the... in the investment of pension funds, you know, Israel, Russia, but when I look at places like Africa, or the Caribbean or Latin America, or companies coming out of these countries, we don't see the same kind of numbers even though the city is majority black, Latino, and Asian. So I just wanted to hear some about that. And then when you say, "building more affordable housing", how are you defining affordable... housing affordability? And I plan on introducing some legislation for nonprofits or not-for-profit organizations. You know, Comptroller, we are having a big problem. If I was to secure a million dollars for one of my not-for-profits, they couldn't even spend it because it's reimbursement. So I'm looking to put forth some legislation. Would you support it to say, once they get approved, then they get a contract, that they should get all that money up front, and then just monitor how they spend it and make sure they make an accountability for it. That's been a big problem.

And then finally, the... the three point reserve money. This is a big debate for me. I understand the outer years, and I just need to get some clearer

numbers on that. I heard it was \$3 billion, \$3 billion, and \$3 billion. And you're saying the last 3 years, it's \$5 billion and \$6 billion. But what happens if you live in communities where it's raining every day? And so we don't have to save for a rainy day, because it's raining today. Now, I'm not saying ignore the reserves, and don't put the \$1.8 billion in from the \$3.2 billion that's the current and put it in reserve. But when we have... And then I heard it was another \$2 billion that might be available in 2023. So we can have a total of almost \$11 billion. When you add the \$6.3 for the, you know, reserve fund, and you add the \$3 billion that we didn't expect to get this year -- that's \$9 right there -- and then maybe another \$2 billion next year, they're talking about anticipating. Let's take that off. Let's just say the \$9 billion, and then at the same time you have this conservative Republican austerity budget, where we have the less... we have the less the federal money that has that run out... out of the 2020. So every agency is getting less because of the reduction of the federal money. And then at the same time, this conservative mayor is cutting PEG agencies. So when you put the PEGs with the federal

money gone, and can't hire new hires, I mean, this is a drastic situation, you know, for the agencies, and... and they're using language like, you know, "Hey, you know, like, we have an increase since the preliminary budget." But it's not. It's much less for each agency. And so, you know, how do we say, Okay, well, unless maybe use \$2 or \$3 billion to restore the federal cuts -- which wasn't enough in the first place, remember that? It was good to get those federal money for the agency, but that didn't, you know, close the gap that we have based upon COVID, it just helped some.

So we're in a real bad situation as the economics of Wall Street looks good, \$51 billion in 2021 and \$58 billion profit in 2022. It's really looking bad in our communities.

And then finally, how do you... Do you know, the poverty rate and our neighborhoods, black and brown poor neighborhoods, and unemployment rate? And a lot of people don't understand when they do unemployment? They're talking about those who are receiving unemployment benefits. But when you look at who's not in the... in the workforce, it is much higher.

COMPTROLLER LANDER: Absolutely. And I don't know if you're a subscriber to our monthly economic newsletter...

SERGEANT AT ARMS: Time expired.

COMPTROLLER LANDER: ... but we have been focused on this question, you know. Unemployment nationally has been up until now at historic lows, but New York's average as a whole is about double that, and then for black New Yorkers, it's about double the city average, which means four times the national average. And we've been highlighting that in our monthly economic newsletters. So yes, I mean, that if you're a black New Yorker, it does not feel like unemployment is at historic lows. And so if the Fed raises interest rates to combat inflation, and that means less job creation and job cuts, yes, like that's, you know, people call it soft landing, because we hope to be able to reduce inflation, which has taken a bite out of working class people, for sure, without driving us into recession, but along the way is less job creation, and in some cases, potentially even some job losses. So it's worth being honest and calling out. And, you know, to your point about funding services, look, I mean, as long

as we got 50,000 homeless people, for example, we should, you know... I wish we could spend more money to provide them homes. That's why I recommend a much more significant increase in the capital budget.

But the rainy day fund challenges this, like whatever level of services we contract to provide this year, most of that is headcount, you know, most of that is teachers and social service workers and the you know... and 3K folks, and you get at a level that you've got to pay. That goes up a little, you know, because of inflation and cost increases, and then if your revenues decline, you're stuck at a moment of economic downturn or recession not being able to afford that base level of core services that you had right at the hardest moment when you least want to have to make cuts, and that's what your rainy day fund is for. What you try to do is say when we get revenue above expectations, some chunk of it needs to go in a in that rainy day fund...

(crosstalk)

COUNCILMEMBER BARRON: I'm all right for the rainy day, but there's not enough chunk for today. It's raining every day in our neighborhood.

COMPTROLLER LANDER: Well this takes me to the question of your (inaudible). And, look sometimes I say the following, Councilmember. Like, on a rainy day, right now, you really wish you had a better sewer system, you know, like economic downturn, you need a fiscal reserve on a rainy day, you need a better sewer system that's not going to flood you in your basement. So I hear you. But that's why I actually think our formula for this rainy day fund contribution you're going to like. And let me try to explain it quickly, because I didn't do this too much in my testimony. First, we're not proposing that the state established a formula. And obviously the comptroller can't establish a formula. We're proposing that the Council and the mayor create a long-term formula, and say this is... so that each year, we're not just negotiating how do we how do we come up with a more formulaic approach of how big we think that fund needs to be? And in good years, what we put into it? And then let's just like show that in the budget docs: Were we able to do what we said by that formula? So it wouldn't tie the hands of the Council and the Mayor. But it would at least give a rules-based formulaic guidance that took it out of

every year's annual budget process. And the formula... And I'm going to get Francesco Brindisi, who's on here, because he was the one that like, did the research and found this good approach in Virginia. So he came to me and said, Brad, you know, the property taxes are pretty steady. They've got their problems, to be sure, but they're pretty steady. We use that every year to pay the cost of the year before. But these non-property taxes: Personal income tax, sales tax especially, they kind of jump around from year to year. So we're not really doing baseline budgeting. So in the good years, in the years when those taxes jump up, and we have a lot more this year than we did in the preceding year, let's take just half of that difference and put it in the reserves, you got half new money in that case that you could spend on contemporary needs above what you were planning and take half of that increase and put it to the reserves. And that's what we propose as a formula for consideration by the mayor and the Council. It so happens that this year, those non-property taxes are well above expectations, and that's why we're proposing this additional \$1.8 billion, which still

leaves something like \$1.3 billion more than was in the executive budget for the Council and the mayor to deploy while still making that big contribution... (crosstalk)

COUNCILMEMBER BARRON: And if you will, real quick Comptroller, could you speak to the legislation to let not-for-profits get their... (crosstalk)

COMPTROLLER LANDER: Yes. I'll tell you where we're doing this, because it's really interesting. I've learned some things since I got here, because I care so much about how long it takes to get the nonprofits their resources. Obviously, I've worked in the nonprofit sector. I know so many folks who are providing essential services. And you're right, we still have contracts, you know, that started last July 1 with, you know, precarious nonprofits. And they had to start feeding seniors and taking care of young people and... and here we are in May... almost done with May and they still don't have their contracts registered. So they've been putting that money out almost all year, and they haven't seen any reimbursement.

So there is a provision for advances. I will say nonprofits can, in the most cases, get a 25% advance on there contracts... (crosstalk)

COUNCILMEMBER BARRON: I'm familiar with that, but in the interest of time... I'm familiar with that. I'm talking about legislation that will let them receive their whole... (crosstalk)

COMPTROLLER LANDER: So the one question is...

COUNCILMEMBER BARRON: Because even when they get the advances, and they have to do to bridge loans, some of them might even get 50%, but then the second half, they have a problem. So... And then it gives the white... white not-for-profits who have millions of dollars from other sources, they can always take care of themselves, but our not-for-profits, I can't even give them a million because they don't have a million this.

COMPTROLLER LANDER: I like that the... the CMS groups the violence interrupters get a 50% advance where most of the nonprofits only get a 25%.

COUNCILMEMBER BARRON: They're the ones who are complaining, because then when it comes to the second 50% they have a problem. And so they... It catches

them in mid year. But what do you feel about them getting all that money up front.

COMPTROLLER LANDER: Just to be clear, with the... Well, if you get a 50% advance, don't you don't have to wait till you spend it all you get the 50% advance and then as soon as you spend the first 10% actual money, you put that 10% in for reimbursement.

COUNCILMEMBER BARRON: It sounds good, but they're still having problems.

COMPTROLLER LANDER: I agree. But the system is broken. I'll send you our action plan because if you... if the system were working, you'd get your 50% advance. You'd submit that reimbursement for your first 10% and you'd see it before you ran out of your advance. But the system is broken because both registration and payment takes too long. So we do have to fix that. And we're working hard to try to.

COUNCILMEMBER BARRON: Would you support them getting all their money upfront?

COMPTROLLER LANDER: I'll...

COUNCILMEMBER BARRON: Think about it.

COMPTROLLER LANDER: I'll think about it. I like in advance, and I like us paying on time.

COUNSEL BUTEHORN: Thank you Councilmember Barron. Next we'll turn to Councilmember Sanchez.

COUNCILMEMBER SANCHEZ: Thank you, and good to see you Comptroller as always. So my... my question... I'm a broken record, so it's great. But my question is on housing, and the Council continues to call for \$4 billion for the investment in preservation and new construction of affordable housing. I know we're aligned on this. But earlier this afternoon, when we were in conversation with the OMB director, the OMB Director pointed to limitations due to the state constitution, the city is predicting that property values will be declining, that will decrease our borrowing authority... our borrowing capability. And they pointed to their push or a push to increase the transitional finance authorities, debt capacity for New York City. And so my question for you is what... what is your position on that? Do you think that New York City needs to raise our debt ceiling from the Transitional Financing Authority? In order to... (crosstalk)

COMPTROLLER LANDER: No, I don't believe that we need to. We are nowhere near the limits. And the set of things we have to do are, are significant. So

I guess a couple of things here. First, the Administration reduced the capital budget by about 5% from prelim to exact because they don't have the capacity to deliver on projects in a... in a timely way. And so they cut the capital budget, not because we don't have more need, but because we don't have the capacity to move the projects. You know, you've heard of HPD, how they don't have enough staff to close the deals. And so even if the money is in the capital budget, they can't get it out the door. And that's true across the board. To their credit, First Deputy Mayor Lorraine Grillo has created a Capital Project Management Reform Task Force. She wants to solve that problem. But today, the biggest limiting factor on our ability to spend capital is our capital projects management system. And then, you know, the... the Administration earlier this year proposed that \$19 billion increase, and we opposed it at the preliminary budget because we thought you know what they were showing -- and maybe Francesco you have the numbers at your fingertips -- was that we were going to have a problem because the... like... we came close to hitting that ceiling about \$4 billion away in four years. But even since prelim, because of

rising property tax values, we have a lot of room in our... under our debt ceiling. So Francesco, do you have those... those numbers?

EXECUTIVE DEPUTY COMPTROLLER BRINDISI: Yeah.

There were... It was the affordability statement that they first talked about this. We had about \$4 billion in 2025 left for... for borrowing, and it's now \$12 billion in 2026. So it's threefold, the amount already just a few months afterwards, right?, so the property values in the assessment roll have rebounded. And that's one of the reasons why OMB creates the tax revenues projection over the financial plan.

COMPTROLLER LANDER: There... This... I mean, there is a real set of concerns about doing capital and infrastructure spending better, but like, let's get the reforms that Lorraine Grillo is working on, let's make more strategic use of the federal infrastructure money that we're receiving. And that I think OMB could do a lot to say, "Here's how we're going to use it most strategically." We're far from needing an increase in the in the debt limit.

COUNCILMEMBER SANCHEZ: So we are... or are not expecting property values to decline and sort of reduce our capacity to borrow?

COMPTROLLER LANDER: We're not. They... They at one point were projecting for them... well, go ahead Francesco. Why don't you give the give the economist answer?

EXECUTIVE DEPUTY COMPTROLLER BRINDISI: The first time they approached us and they brought up the idea of the raising the DFA debt capacity, it was at a period of time when we didn't know what the values would be from DOS for 2023. Now, the property values in 2023 are much better than OMB was expecting. So in that sense, property values have gone up and therefore they create more room for... for debt without having to raise the DFA limits.

COUNCILMEMBER SANCHEZ: Got it, got it. And if I if I can use my last 30 seconds: Is... is there any amount or at any point where your office controller would... would recommend that we do go to the state and then and try to increase our limits with the TFA.

COMPTROLLER LANDER: There would be. So first, I do want to say with respect to the request we both share a \$4 billion into the... into the... for

affordable housing into the capital budget for all the years of the plan, we could do that and still not hit the debt ceiling. So it's not a reason not to make that commitment.

Now, we... we may need to increase the proportion of our expenditures that go to...

SERGEANT AT ARMS: Time expired.

COMPTROLLER LANDER: ... in the era of the climate crisis, with aging infrastructure, with big need for affordable housing, it may be that relative to the past, more of our resources need to go into infrastructure in the capital budget. And if that's the case, we'll need to find ways to commit those revenues, and that may mean that at some point, we would have to go to the state to increase our borrowing capacity. Before we did that, I would want to do everything we could to make our capital projects delivery system more efficient, so we could actually deliver the projects we budget, which we can't today. I would want to maximize every penny we could get from the federal infrastructure bill, which is this once-in-a-generation opportunity right now and spend all we could, and I'd want a lot more strategic approach to the capital budget. That 10-

year capital strategy right now doesn't build on state of good repair of the infrastructure. It's not really grounded in how much housing need and how to get it built. To have just like a good plan, and when those three things are in place, if then it looks like we're going to hit the debt ceiling that I would join the Administration in going to Albany to seek the increase.

COUNCILMEMBER SANCHEZ: Got it. Thank you so much, Comptroller. Appreciate it.

COMPTROLLER LANDER: Thank you.

COUNCILMEMBER SANCHEZ: Nice to see you, Francesco.

COUNSEL BUTEHORN: Thank you, Councilmember Sanchez. Chair Barron? Uh... Chair Brannan? Sorry.

CHAIRPERSON BRANNAN: We're all set?

COUNSEL BUTEHORN: Yes.

CHAIRPERSON BRANNAN: Thank you Comptroller and your team. I look forward to continuing to working with you.

COMPTROLLER LANDER: Thank you so much Chair Brannan. As always

COUNCILMEMBER BARRON: Chair Brannan, this is the second time they gave me the Chair,

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2 COUNSEL BUTEHORN: (laughs)

3 COUNCILMEMBER BARRON: so I just wanted to
4 whether there's something in this. Should we make
5 this switch now?

6 CHAIRPERSON BRANNAN: Malcom said that and the
7 stock market crashed.

8 COMPTROLLER LANDER: I was... I was looking to
9 see if it was April 1 when they made Charles the
10 Chair of the Finance Committee.

11 CHAIRPERSON BRANNAN: The whole market just
12 crashed when he said that.

13 COUNSEL BUTEHORN: Good seeing you Comptroller
14 Lander.

15 COMPTROLLER LANDER: Nice to see you as well.

16 COUNSEL BUTEHORN: Alright everyone, we will be
17 in recess till approximately 1:15 where the
18 Independent Budget Office will be our last and final
19 portion of today.

20 CHAIRPERSON BRANNAN: Thank you.

21
22 [6 minutes of silence]

23

24

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2 COUNSEL BUTEHORN: Mr. Callahan, I just wanted to
3 do a mic check with you. You should be able to
4 unmute yourself, just to make sure we can get audio.

5 MR. CALLAHAN: Can you hear me?

6 COUNSEL BUTEHORN: Yes. And we're swearing you
7 in, because you may answer questions, right?

8 MR. CALLAHAN: That's my understanding, yes.

9 COUNSEL BUTEHORN: Okay. Alright, thank you. So
10 everyone, we're just waiting for Elizabeth Brown, and
11 then we can go ahead and get started.

12 SERGEANT AT ARMS: It looks like she is logging
13 on right now.

14 COUNSEL BUTEHORN: Perfect.

15 SERGEANT AT ARMS: Good after Ms. Brown. This is
16 the Communications Director. Can we do an audio
17 check please?

18 ELIZABETH BROWN: We can. Hello.

19 SERGEANT AT ARMS: Great. Alright. You're
20 coming in loud and clear. Thank you.

21 ELIZABETH BROWN: Great. Thanks.

22 SERGEANT AT ARMS: Yep.

23 COUNSEL BUTEHORN: Perfect. Chair Brannan? Make
24 sure I get the right Chair.

25

CHAIRPERSON BRANNAN: I just got back from the beach.

COUNSEL BUTEHORN: Okay. If you are ready, we can begin the third and final portion of today's hearing with the Independent Budget Office. You can do your opening statement and then I can swear in the IBO team.

CHAIRPERSON BRANNAN: Great. Thank you, Malcom. Good afternoon, everyone and welcome to Part three of our final agency Executive Budget Oversight Hearing for FY 23. This is day 10 of our budget hearings this year. My name is Justin Brannan. I'm Chair of the Committee on Finance.

We will now begin the final portion of this hearing represents the last day before our public portion tomorrow. A warm welcome to George Sweeting, Acting Director of the IBO and his team.

Since Friday, May 6, this committee has conducted nine days of financial oversight hearings and heard from more than 20 city agencies, boards, and offices. We deepened our oversight and analysis of the proposed FY 23 executive plan. We vigorously questioned the executive branch to see how taxpayer dollars are being spent as we emerge from COVID-19

and begin our new normal. We've held this Administration to task to make sure that all budget dollars are spent wisely, efficiently, and most importantly, fairly.

COVID-19 cast a harsh light on the inequities that exist across this city. COVID-19 disproportionately affected black and brown New Yorkers who even before COVID were faced with unequal distribution of resources by our city government. The Speaker and myself have consistently said that we aim to not only having the FY 23 budget be sound and balanced, but also fair and equitable. So we now turn to budget negotiations, this Council will stand up for all New Yorkers and work to have the budget that reflects those priorities.

I want to thank again, the entirety of the finance division truly for all their long hours and hard work that they put into all the reports, questions and briefings for the executive budget hearing process since the beginning of May. I also want to thank the Council's IT Division and the Sergeant at Arms who are behind the scenes and working every single hearing that we hold to enable this committee to conduct its budget oversight

functions, and enable the public to follow along at home. So I'll now turn it to my committee counsel to swear in our final witnesses from the IBR.

COUNSEL BUTEHORN: Thank you, Chair Brannon and welcome to the final portion of the executive budget hearing process as it pertains to agencies, authorities, offices, and boards. My name is Malcom Buethorn, and I am Counsel to the Finance Committee.

I just want to remind members on the zoom that you have the ability to mute and unmute yourselves. We just ask when not speaking to remember to mute yourself to avoid background noise.

Councilmembers who have questions use the raise hand function and zoom you will be called on in the order with which you raised your hand.

The following members of the IBO are here to testify and/or answer questions. George Sweeting, Acting Director, Elizabeth Brown, Communications Director and Robert Callahan. I will first read the oath and ask each of you individually to respond.

Do you affirm to tell the truth, the whole truth and nothing but the truth before this committee and to respond honestly to Councilmember questions?

Director Sweeting?

DIRECTOR SWEETING: Sorry, I was muted. I do.

COUNSEL BUTEHORN: That's okay. Ms. Brown?

MS. BROWN: I do.

COUNSEL BUTEHORN: Thank you. And Mr. Callahan?

MR. CALLAHAN: I do.

COUNSEL BUTEHORN: Director Sweeting whenever
you're ready.

DIRECTOR SWEETING: Okay. Thank you. And
greetings, Chair Brannon, and thank you for the
opportunity to discuss our latest economic and tax
revenue forecasts and our analysis of the mayor's
executive budget. In the interest of time, I'm going
to just summarize our written testimony which was
submitted earlier today. We also released our
report... a fuller report evaluating the executive
budget a few weeks ago.

So distilling that executive budget report, we
conclude that the recovery from the pandemic-induced
recession continues to pass... surpass earlier
expectations, including our own from just three
months ago. Personal income tax, sales tax, property
transfer taxes are all doing particularly strong this
year. The one big exception is that the real
property transfer tax fell, but... I'm sorry, Real

Property Tax fell but that was expected given adjustments the Department of Finance had made property values for 2022. Very strong income tax collections in April led the IBO to raise our total tax forecast for fiscal 22 to \$68 billion. That was a 4.5% increase from the our forecast back in February. There's also good news on employment data, which showed that the annual benchmark revision process that's done by the Labor Department also suggested continued recovery. In fact, recovery stronger and faster than, again, we had anticipated. The benchmark showed the city added 100,000 more jobs in calendar year 2021 than previously estimated. And this puts the city on course to finally surpass its pre-pandemic employment level by... in early 2024. IBO had previously predicted that that would be mid-2025. So again, that's... that's good news on the employment front. However, not all indicators are flashing green. There are many risks to our economic forecast, particularly related to how the Russian invasion of Ukraine ends, and what the final resolution there turns out to be. There are also renewed supply chain disruptions, high energy prices, and perhaps most... most concerning the path of

monetary policy. With high inflation spurring the Fed to tighten monetary policy in an effort to slow the... slow growth and prevent expectations of continued rapid price increases from becoming really embedded in the behavior of firms and employees. They've... they've began a process of tightening monetary policy and raising interest rates, reducing the size of their balance sheet.

Our forecast assumes that the Fed does succeed in bringing inflation under control, and manages to do it without bringing on a recession. But even success here still means that growth... economic growth will be slowing. The resulting slower economic growth means tax revenue growth in 2023 through 2026 will be slower than we forecast back in February. We now have an estimate of tax revenue growth, averaging about 2.2% annually over that period, and had previously been 2.4%. For 2023, there is good news on the property tax in that revenue rebounds as assessments recover, particularly from what Finance had done in 2022. But most other taxes are predicted to decline in 2023, because of the slower growth brought on by... by monetary policy.

We actually are projecting that total tax revenue in 2023 falls by 0.6% from 2022. And it does resume in 2024. But again, because of the slower economic growth, the pace of tax revenue growth in our estimates will be lower than we... we had anticipated earlier in the year.

But just to compare our forecast with OMB's, even though we are lowering our tax forecast, it remains above OMBs throughout the plan. The difference is about \$2.5 billion in 2022, \$1.5 billion in 2023, and \$1.6 billion on average in 2024 through 2026. I will say that these estimates are based on data that was available in late April, early May, and, you know, the news has continued to be quite strong on... on tax revenue, and we may still be a little bit behind the curve there.

The implications of the revenue forecast, combined with our re-estimates of spending proposals in the executive budget, leads IBO to estimate that 2022 will have a \$2.2 billion additional surplus over and above what OMB had previously identified. If all the additional surplus from 2022 is rolled into 2023, then that year surplus grows to \$3.2 billion under our estimates. And again, these are relying on tax

revenue estimates from about six weeks ago at this point.

For 2024 to 2026, expenses exceed revenues. So we do see a return to gaps beginning in 2024. It's around \$3 billion or so for each year 2024 through 2026. These gaps are, given... given the city's ability to deal with these in the past, we think they're... they're manageable. And it's always important to remember that these... each... each one of those years, 2024 to 2026, has \$1.25 billion in reserves already budgeted into the... into the operating budget. So that... you know, is there and available. It's unallocated to any other spending, or any other service provision, and would be available if the city faced a significant revenue shortfall or the need for additional spending.

One factor contributing to the out year gaps is that the city is increasing its use of federal COVID aid on services that are likely to continue after 2025. And that's... 2025 is important because that's when the federal funding begins to run out. And city funds will be needed to replace these... the federal funds that are will no longer be available. Our estimate is that it's \$1.1 billion in 2026. There

are other areas where IBO expects greater costs than the mayor. There's uniform overtime, particularly in the NYPD, charter school tuition, and the costs of the expanding the housing voucher program.

There are a number of threats or areas of concern to this somewhat stable picture in terms of the city's fiscal condition. One is labor contracts.

The executive budget did at \$1.7 billion to fund 0.5% raises in each of the first two years of new

contracts. It had been at zero. But particularly given how high inflation has been in the last year or so, we think it's unlikely that the unions in a city will be... will settle on a contract at those levels.

Just by point of comparison, the last... in the last pattern that was used for... for settlements, pay increased by 7.4% over 44 months. So that's

significantly more than what's currently allocated in the labor reserve. And given inflation, which wasn't

really much of an issue three or four years ago, it's going to be hard for the city to settle on contracts

that don't wind up significantly increasing labor costs. There may be some offsets from healthcare

savings, but we don't see that that being sufficient

to cover what are likely to be the wage increases in a contract.

Another significant threat or risk is that the the Federal Reserve can't pull off the... the very high wire act of controlling inflation while avoiding a recession. The continued disruptions from what's going on in Ukraine, rising interest rates, soaring energy prices have already sparked sell offs in equity markets. And New York City... New York City's budget has benefited significantly in recent years from the near-record profits and bonuses on Wall Street. They were helped a lot by... by very low interest rates. But there... there is a real risk that the Fed can't pull this off, and we wind up in a recession. The starting point of our economic forecast relies on information and projections from Moody's Analytics. When we started our forecasts back in in March, Moody's was saying that there was a one in three chance of a recession. They're now saying there's a one in two chance. So that's shifted under the grounds of our... of our forecast.

And finally, it's, you know, the impact of the pandemic still remains as a... both a public health threat but also an economic threat, particularly in

the long term demand for office space. You know, in light of the general success with remote work, many firms are... are moving to hybrid schedules. This is likely to reduce the demand for office space. We don't see this happening during the financial planning period, because so many of the office... the leases between tenants and landlords extend for many years, in many cases, it's 10 to 15 years. And so even if currently a firm is not using all its space, they are -- in most cases, not all, but in most cases -- they are, are continuing to pay their rent. And that's allowing the city to continue to receive property taxes. But this will not hold and the risk of significant changes in the income generated by office buildings, and therefore the market value of the buildings, and therefore the tax... tax levy from those buildings could definitely be significant over time. And that's certainly an area we're paying a lot of attention to.

So I'll leave it at that. Thank you again, and happy to take any questions.

CHAIRPERSON BRANNAN: Thank you, George. So I think as you outlined, and as we've been discussing today with OMB, there's a considerable level of...

there's a tension between considerable level of confidence and uncertainty regarding the city's economy today versus over the next few years. And the causes, you know, including the Fed raising interest rates, and high inflation, and supply chain disruptions, the war in Ukraine, how much of a threat do you think they will likely pose to the City economy?

DIRECTOR SWEETING: I mean, certainly, if the Fed doesn't... isn't able to manage this really quite difficult task of raising interest rates sufficiently to, you know, slow the economy and reduce inflationary pressures, that... you know, that would that would mean we're into a national recession. And a recession is never good for the New York City economy. So that... I mean, that... that is that is definitely a risk. And it's, you know, it's probably the thing we're... we would list as the highest risk for the city right now. So how this plays out in terms of what the Federal Reserve is trying to do.

CHAIRPERSON BRANNAN: What's the like the likelihood of a recession within the next year or two?

DIRECTOR SWEETING: You know, as I mentioned in my comments, the... the firm that we start our economic forecasts with, our macro forecasts, has recently changed their projection to a one-in-two risk, so... which is, you know, is extremely high. I guess that was... Actually our forecast was premised on conditions where they were assuming a one in three risk. I guess you'd have to say that that's becoming pretty a pretty high... high risk position to be in.

CHAIRPERSON BRANNAN: And how prepared do you think we are as a city for the next few years as economic growth is expected to slow?

DIRECTOR SWEETING: You know, the city has been building up reserves. I know there was a lot of discussion earlier in the day about the exact size of the reserves. The... You know, I think there's... there's an interesting discussion, not just about sort of the short term, but long term as the city looks to stabilize how it's using the rainy day fund, you know, what... what... exactly how much do you want to routinely save there? The Comptroller's Office mentioned if you had 10% of the operating budget in reserve each year, you could... you know, you could expect to endure the first year... or year

to 18 months or so of a recession, without... you know, you could rely on those reserves for that. They've actually argued for putting in about, I think, 17%, which by their estimate would cover the full duration of recession.

When IBO is has looked at issues around rainy day funds, we've tended to focus more on a reserve that would be sufficient to get you through a couple of years. And that gives... It's not that you don't need more money than that, but that couple years would give you enough to get to... you know, to avoid having to immediately impose tax increases and immediately cut spending. You'd have some time to work it out a little bit, to see whether there would be federal assistance coming, whether there would be authority from the state to change taxes.

You know, these are... I don't think there's a simple right or wrong answer there. But I think it's very important that the city began to think about this. I think the... the Comptroller's recent report was quite useful in laying out the questions that have to be answered and suggesting how it gets set up. But you know, given their estimates of what one to two years would take to get through, the city

probably is close to that right now with its... its reserves, although it gets little messy and convoluted. There's some in the rainy day fund, we still count the retiree Health Trust Fund as a... as a reserve. There's the money in the general reserve. You know, it's in... it's in various places. One of the advantages of the rainy day fund is presumably we could be more transparent on all this...

CHAIRPERSON BRANNAN: And what about inflation? Has your office performed any research on currently how high inflation is impacting, or is going to impact our budgets in terms of revenues and expenditures?

DIRECTOR SWEETING: Yeah, we... We've not done any explicit work on that.

CHAIRPERSON BRANNAN: Okay. Okay, I want to leave some time for my colleagues to ask questions. Malcolm, I'm not sure who's up.

COUNSEL BUTEHORN: Councilmember Brewer is.

COUNCILMEMBER BREWEER: Thank you. Thank you, George. Two questions: One is the borrowing in Albany. When I asked the OMB Commissioner, he simply said, "You know, we need it for housing," because I

think Albany is not willing to change the limits.

And I just didn't know if IBO has a position on that.

And second, the speaker asked so correctly this morning, and we've been asking for years about the units of appropriation. Is IBO ever able to break those down? Or is that something we just have to keep hammering away at the OMB on the units of appropriation, maybe even in a charter change? So those are my two questions. And thank you for... we love IBO. Thank you.

DIRECTOR SWEETING: Thank you. So on the U of A question first, I mean, you know, the... the charter actually has language that is pretty specific, in terms of what... what level U of A's should... should be at. They're supposed to be programmatic. And there are many agencies in which the U of A's are much broader than single programs. So I'm not sure you need more charter. It's... It's how do you get how do you get the city to operate within the charter, you know, on this on this topic?

We've done some work on... We, probably 10 years ago, did a project where we created what we call a program budget. And we actually at that time were... that was done with considerable cooperation with OMB.

And OMB took most of our definitions of programs -- , they call it the functional analysis -- but they actually produced a document that does break down the budget into functional... functional areas for selected agencies. There are some big agencies that aren't included in there, but... So again, that's a start that could be used. You know, there we went below unit of appropriation to budget code and then object code to build the... to build up what was what was a program for a functional area.

So anyway, I... You know, there we have done some work on that. I'd be happy to walk you through the... what's left of it. You know, it lives on in that functional analysis report that OMB does.

In terms of the... when you say the... you're referring to the debt limit? To be frank, we... we were a little surprised to see, and we still haven't quite figured out... we need to discuss more with OMB, but it wasn't clear to us that there was an immediate need for the city to be raising its debt limit. I mean, the... part of that may have been motivated by the fact that, you know, Finance, The Finance Department had cut the assessments, which means that they started by cutting the market values

of properties very aggressively in 2022, in anticipation of the impact of COVID. Notably, for 2023, they've reversed... not all... not all of that, but they've reversed a significant share of those cuts. And so the sort of standard growth and property value that you expect in the city has resumed, for the... It will be in effect for the 2023 assessment role and 2023 tax bills. And, you know, our forecast assumes that that values continue to grow, you know, somewhat slower than they were during the 20-teens, pre-COVID. But, you know, that there is there is growth in the in the property tax and the market values, and that, you know... as that continues to grow, the borrowing limit goes up. So, you know, at the moment we didn't see... you know, it wasn't clear why there was this move for... for raising it.

COUNCILMEMBER BREWER: Thank you very much.

DIRECTOR SWEETING: Mm-hmm.

COUNSEL BUTEHORN: Thank you, Councilmember Barrom. Ah. Councilmember Brewer.

DIRECTOR SWEETING: A long day.

COUNSEL BUTEHORN: Thank you. We're going to turn to Councilmember Sanchez.

COUNCILMEMBER SANCHEZ: He's ready to say, "and it's over." No, I promise, just a quick follow up. So, Hi, George, good to see you. So just to follow up on your question... the... the line of conversation on the on the city's debt. So do you think... Is it your assessment that the city could add \$4 billion of investment to affordable housing capital without raising the debt limit?

DIRECTOR SWEETING: I don't know if we've tried to answer that specific question, carrying it forward every year. I mean, there's obviously a lot that could be done. You know, if you were... if you were concerned about it, about having the space for it, you know, there are things that also could be done just in the in the city's capital plan, in terms of the realism of when money would actually be... be used. So I think you definitely want to look a little more comprehensively than just against the debt limit. But we've not done that.

COUNCILMEMBER SANCHEZ: Thank you.

COUNSEL BUTEHORN: And now I know who I'm calling on Councilmember Barron.

SERGEANT AT ARMS: Starting time.

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2 COUNCILMEMBER BARRON: I just wanted to check all
3 the numbers. Are your numbers... Are you in
4 agreement with OMB's numbers of \$3.2 billion more
5 than anticipated in terms of FY 2022 revenue? \$6.3
6 billion in our reserve fund? And then another \$2
7 billion, I think, for FY 2023. Are you in agreement
8 with those revenue numbers?

9 DIRECTOR SWEETING: Um. I get... We... I'd have
10 to see exactly how you're calculating that. I mean,
11 we... for example, we project that there will be a...
12 on top of what OMB has projected for 2022 \$2.2
13 billion in additional.

14 COUNCILMEMBER BARRON: Okay, so it's the... it's
15 really \$5.2 billion for 2022 that your projecting?

16 DIRECTOR SWEETING: Well, I think it'd be more
17 like \$7 or \$8 billion.

18 COUNCILMEMBER BARRON: Oh, that's (crosstalk)

19 DIRECTOR SWEETING: By our calculation, OMB has
20 has... has already planned... built into the plan,
21 the transfer of... in terms of pre-payments that they
22 were going to make.

23 COUNCILMEMBER BARRON: Right.

24 DIRECTOR SWEETING: And whatever...

25 COUNCILMEMBER BARRON: Actual revenue.

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2 DIRECTOR SWEETING: That generates about \$5.9
3 billion by our calculator.

4 COUNCILMEMBER BARRON: \$5.9 billion. Add that on
5 to the \$6.3 billion in reserve?

6 DIRECTOR SWEETING: Well some of that is money...

7 COUNCILMEMBER BARRON: I mean in terms of
8 money...

9 DIRECTOR SWEETING: Some of that... some of the
10 \$5.9 is being used to add to the reserves.

11 COUNCILMEMBER BARRON: Yes. I mean... but
12 they... they said there is \$6.3 billion in reserves.

13 DIRECTOR SWEETING: Okay.

14 COUNCILMEMBER BARRON: And then the \$5.9 billion
15 is that added on to the...?

16 DIRECTOR SWEETING: Some of that \$5.9 is being
17 used to build those... what they're identifying as
18 the surplus.

19 COUNCILMEMBER BARRON: So how much?

20 DIRECTOR SWEETING: When they get to \$5.9, that
21 that includes, for example, you know, the additional
22 contribution to the rainy day fund.

23 COUNCILMEMBER BARRON: And this is what \$1.8?

24 DIRECTOR SWEETING: That's the current amount, I
25 believe. Robert, is that the...?

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2 MR. CALLAHAN: I believe, I believe that would be
3 with the \$700 million that's being contributed this
4 year.

5 COUNCILMEMBER BARRON: So that total is...?

6 MR. CALLAHAN: If I... if I hear... if I
7 understand correctly, I believe it's with the prior
8 balance \$1.2 billion in the rainy day fund will be
9 the conclusion of this year.

10 COUNCILMEMBER BARRON: Right. So then you would
11 subtract that from the \$5.9?

12 DIRECTOR SWEETING: Yeah.

13 COUNCILMEMBER BARRON: Okay, I got it. So then,
14 it's actually about, what?, 4.7 that we can add on to
15 the 6.3? I'm just saying, you know, money
16 available... not so much just the same kind of...
17 (crosstalk)

18 DIRECTOR SWEETING: Well, some of... some of the
19 money they're planning on rolling forward to prepay
20 2023 expenses, particularly...

21 COUNCILMEMBER BARRON: Yeah, what they do with
22 it. I'm just saying, what's available.

23 DIRECTOR SWEETING: Right?

24 COUNCILMEMBER BARRON: I mean... I mean, you can
25 roll and all that. Because I'm concerned that

there's always a lot of emphasis -- and should be -- on reserve, and rainy day, as I was telling OMB it's raining every day in our community. So we never have a sunshine day where we can sit back and say, "Hey, let's wait for the rainy day and save for that to come." So how do we balance, you know, using what's really needed for right now and, in communities like, you know, with 30% and 40%, poverty and double digit unemployment, that's raining every day. So it's just looking at these numbers. And then unemployment? Don't they compute that based upon who's receiving unemployment benefits, and if you're not receiving those benefits, you will not be included in that number?

DIRECTOR SWEETING: The unemployment rate is actually... it's based more on a survey, it's a sample survey that's done on a monthly basis...

COUNCILMEMBER BARRON: Based upon those receiving unemployment benefits, correct?

DIRECTOR SWEETING: While they asked, you know, are you working? Are you looking for a job? Are you... Are you... How many hours a week are you working?

COUNCILMEMBER BARRON: Is the survey that loose?

DIRECTOR SWEETING: Well, the...

COUNCILMEMBER BARRON: I thought it was some deep scientific stuff.

DIRECTOR SWEETING: It's um...

COUNCILMEMBER BARRON: Only because I...

DIRECTOR SWEETING: That's really the... that's the source for the unemployment.

COUNCILMEMBER BARRON: Okay, because the... I've seen what working with CSS, Community Services Society, and we would do those who are 18 and over, eligible to be in the workforce, but they're not in the workforce, the numbers are astronomical in the black and brown community.

DIRECTOR SWEETING: Yup, and again, that data is coming primarily coming from the... from that survey. Because they ask, you know, they ask, "Are you looking for work?" And if you're, if you say you're not looking for work, then you're not counted in the, in the labor force.

COUNCILMEMBER BARRON: Right. And then there's a small sampling in the survey. Well...

DIRECTOR SWEETING: Yeah, it's fairly reliable. It's, it's the best we've got anyway.

COUNCILMEMBER BARRON: Alright. Thank you very much.

DIRECTOR SWEETING: You're welcome.

COUNSEL BUTEHORN: Thank you, Councilmember, Baron. And Chair Brannan, I will turn it back to you.

CHAIRPERSON BRANNAN: Thank you, Malcom. IBO, I appreciate this. I spend more time on your website than I care to admit.

DIRECTOR SWEETING: Sorry about that.

CHAIRPERSON BRANNAN: I appreciate all the work that you do, all the ways that, you know... that you see a page of numbers differently from what other people might see. It's important... It's important as we negotiate this budget. It's important that we learn how to traverse the next couple of years and for the city and our economy. So I appreciate all that you do. And I appreciate you... you joining us today.

DIRECTOR SWEETING: Thank you.

CHAIRPERSON BRANNAN: Thank you, George.

Malcom, I think we're done, right?

COUNSEL BUTEHORN: We are done. That's it.

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CHAIRPERSON BRANNAN: All right. I just want to, before we close out, I really want to just give a shout out to the entire finance team, Eisha Wright, Raymond Jeski, Paul Simone, Dulhania Sempora, Emra, Alia, Surilian, Chima, Jon, Sebastian, Julia, Florentine, Jack, Dan Croup, Jonathan Seltzer, Neven, Jack, Assis, Hector, William, Nashia, Paul, Andrew, the support staff, Nicole and Maria, Malcom of course. You know, we've been ride or die on this the past couple of weeks, so... and of course Tanisha and Jonathan and the whole crew here at 250.

So, this is the final portion of our 10th day. Tomorrow we will hear from the public and... and I will close it out now. So with that this meeting is adjourned. Thank you

[Gavel]

C E R T I F I C A T E

World Wide Dictation certifies that the foregoing transcript is a true and accurate record of the proceedings. We further certify that there is no relation to any of the parties to this action by blood or marriage, and that there is interest in the outcome of this matter.



Date 07/12/2022