

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

Of the

COMMITTEE ON FINANCE

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June 25, 2014
Start: 10:45 p.m.
Recess: 11:26 p.m.

HELD AT: Committee Room
City Hall

B E F O R E: JULISSA FERRERAS
Chairperson

COUNCIL MEMBERS:
Corey Johnson
Helen Rosenthal
Robert Cornegy
Jimmy Van Bramer
Mark Levine
Darlene Mealy
Ydanis A. Rodriguez
Laurie Cumbo
David G. Greenfield
Daniel R. Garodnick
Vincent Gentile
Jumaane D. Williams
Vanessa L. Gibson
I Daneek Miller
Vincent Ignizio

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

Augustine Blackwell

Resident

Harry Silver Housing, Brooklyn, NY

Leonelle Roan-Perry

Resident

Harry Silver Housing, Brooklyn, NY

Gary Sloman

Director of Operations

NYC Department of Housing Preservation
and Development

Elaine Kloss

Treasurer

NYC Department of Finance

Samara Karasyk

Assistant Commissioner

NYC Department of Finance

Lorraine Grillo

President

NYC School Construction Authority

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COMMITTEE ON FINANCE

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CHAIRPERSON FERRERAS: Good evening and welcome to today's Finance Committee hearing. I am Council Member Julissan Ferreras and I chair this committee. We've been joined by Council Members Johnson. We've been joined... sorry, it's a long day. Council Member Rosenthal; Council Member Cornegy; Majority Leader Van Bramer; Council Member Levine and we'll be joined by other colleagues as the evening goes on.

Today is the last day that the Finance Committee will meet as a committee in Fiscal Year 2014. Today... [cheers] today, this committee... [cheers] today this committee will take the necessary actions to allow the City Council to adopt the Fiscal year 2015 budget, which totals approximately \$75 billion. In total, this committee will vote on 22 items this evening. Before I go into details about those items, I'd like to say a few words about my colleagues and what these past few months have meant for me.

This is my first budget as a chairwoman and this is the first step towards passing our FY 15 and I say that because tonight, although I've been here, my son took his first steps at home,

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2 yes, [applause] so we've taken our first steps
3 together. I am proud to have served in this role
4 in a new era of budget negotiations and I'm even
5 more proud of the final result. The budget that
6 will help bridge the inequality gap; a budget that
7 will provide more opportunities and resources to
8 those New Yorkers that need them most; a budget
9 that reflects the input of every community
10 throughout this city because of historic levels of
11 inclusion of every member of the Council. Council
12 members work collaboratively and collegiately with
13 each other and with the administration to
14 accomplish tremendous feats in this budget. The
15 Council scored a lot of wins this year and it is,
16 in large part, due to the diversity of this body,
17 both in personality and perspective. What we all
18 have in common, however, is our shared goal to
19 serve the residents of this city and offer them
20 quality services, greater opportunities and
21 increased access to information regarding agency
22 services at a level that the city has not seen in a
23 very long time. It was my pleasure to work with
24 all of you.

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2 For my fellow Finance Committee
3 members, I want to give a special thank you for
4 soldiering with me through our month-long series of
5 Executive budget hearings, where we sat together to
6 hear from over 50 agencies about how the Executive
7 budget affected their ability to perform their core
8 services. We also heard from the public and we
9 heard how the Executive budget affected their
10 quality of life. We sat together, we listened
11 together; we asked questions together and we will
12 now act together. We heard their concerns and we
13 look forward to taking action. We are able to take
14 what we learned through the budget hearings and
15 share them with our colleagues on BMT and
16 delegations and with one another. I firmly believe
17 that there is a strength in numbers because when
18 concerns are expressed in a collective voice,
19 people listen. So thank you, Finance Committee.
20 Thank you for partnering with me and thank you for
21 making my job as Finance Chair easier.

22 I, of course, have to thank the Speaker
23 of the New York City Council, Melissa Mark-
24 Viverito. I want to thank her for her leadership
25 throughout the budget process and it is because of

1 her leadership that we were able to adopt this
2 progressive, transparent and equitable budget. I
3 also want to thank her for giving me the honor of
4 serving as Finance Chair and allowing me the
5 opportunity to serve the people of this wonderful
6 city. It is my goal not only to make my
7 constituents and my fellow council members proud, I
8 just want to add... and every member of this city.
9 I also want to thank the Speaker's staff, Ramon
10 Martinez; Jeff Rodus for helping me along this
11 budget process, although Jeff is no longer part of
12 the Finance Division. He is now a member of the
13 Speaker's office. He has guided me throughout this
14 budget process and has been with me every step of
15 the way, so thank you, Jeff. He's probably
16 downstairs waiting for copies. And I also want to
17 thank our talented and hardworking Finance staff,
18 under the leadership of the new Acting Director,
19 Latonia McKinney. [applause, cheers] Latonia,
20 please stand. While Latonia has been on the
21 Finance Division for many years, this is her first
22 budget as the leader of the Division, and I want to
23 thank her for the absolute amazing work that she
24 has done throughout this budget process.
25

1 [applause, cheers] I want to thank the entire staff
2 of the Division. Everyone played an important
3 role, so I want to thank everyone individually, but
4 I won't do that right now. I will say this long
5 list of wonderful people as you are here and around
6 for the sake of everyone that's here and we will
7 read this on the floor, 'cause it's really... you
8 deserve the attention. I want to thank the IT
9 Department, who were on call 24/7 to handle the
10 computer issues. Yes, in this modern day, we have
11 computer issues, that the Division had during the
12 past few weeks. I also want to thank my amazing
13 staff, Jorge Fanjul; Alex Rias; Megan Montalvo;
14 Terry Coles [phonetic]; Tristan Masolai [phonetic];
15 Yvonne [phonetic] and all of my team; Joel Santos
16 [phonetic]. They have done a great job.

17
18 Now with that said, let's adopt a
19 budget! [applause, cheers] I want to say a few
20 words about this year's budget process and
21 highlight a few key components that this body has
22 done. The adopted budget totals \$75 billion, which
23 is an increase of \$1.1 billion from the Executive
24 budget, an increase of \$5.1 billion from last
25 year's adopted budget. This budget is responsible

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2 and is prepared for contingencies. It adds
3 approximately \$1 billion... I'm sorry, and my
4 counsel, Tanisha Edwards; thank you to my counsel,
5 Tanisha Edwards. Yes. [applause, cheers] She
6 actually wrote all this now. It adds approximately
7 \$1 billion to the Retiree Health Benefit Trust
8 Fund, which helps offset a large liability, and can
9 be used to cushion the budget in emergencies. It
10 also raises the General Reserve \$750 million for
11 each year in the Financial Plan. This will allow
12 flexibility in times of increased expenses or when
13 revenues are lower than expected.

14 The Fiscal Year 2015 Budget process has
15 had an unprecedented level of cooperation between
16 the Council and the Administration. By abandoning
17 the budget dance, we were able to focus on
18 priorities that best address the needs of all New
19 Yorkers regarding public safety, employment,
20 education, health and infrastructure. After more
21 than 100 hours of budget hearings, countless rounds
22 of delegation and budget negotiating meetings, and
23 of course, those always fun meetings with the
24 Administration, we were able to produce a balanced
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2 budget that is not only equitable and transparent,
3 but also fiscally responsible.

4 This budget includes over \$687 million
5 to support vital services with \$80 million to
6 support programs highlighted in the Council's
7 Preliminary Budget response; \$15 million to create
8 14 new Council initiatives; \$36 million in
9 enhancements from the Council to increase services;
10 \$51 million to maintain existing Council programs
11 and over \$500 million in baselined funds. These
12 are great numbers. This year the Council was able
13 to talk about enhancements and debate about which
14 new initiatives to create. As a member of this
15 body for five years, I can tell you and my Finance
16 Director, who has been here for 15 years, can
17 attest that enhancements and new initiatives were
18 never part of the Council's usual conversation
19 during this season. This is a big deal, and as I
20 said, the Council scored a lot of wins in the
21 budget.

22 This budget will take police officers
23 out from behind desks and put them on the streets
24 and in particular, in public housing developments,
25 where they can engage in enforcement activities to

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2 make our neighborhoods safer. The Council secured
3 \$6.2 million to fill 200 civilian jobs so
4 neighborhood police officers could go back out on
5 patrol. The Council's championed free lunches for
6 students in our public schools and beginning this
7 fall, every single middle school student will eat
8 lunch for free. This pilot program guarantees that
9 none of the more than 170,000 middle school
10 students across the city will have to go hungry at
11 school and removes the stigma for being a child who
12 can't afford school lunch. Other victories on
13 behalf of the New York City's children include
14 funding 10,700 summer jobs for youth and \$17.5
15 million investment to create 22,000 slots for
16 Summer Out-of-School Time Programs. We also work
17 hard to maintain and enhance services for our
18 seniors. This budget protected and supported New
19 York's growing aging population by including \$17
20 million to keep 57 NYCHA community and senior
21 centers open and additional funding to reduce case
22 management loads for senior case managers from 80
23 to 65 per year. In addition, the Council has
24 secured... we've done a lot... \$10 million to
25 create thousands of additional child care vouchers

1 for low-income families to ensure parents have
2 access to high quality child care. \$1.2 million in
3 funding to support the expansion of worker
4 cooperatives; \$5 million commitment to New York
5 City's parks, with increased funding to park
6 maintenance to hire PEP officer and fund tree stump
7 removal; \$11.1 million for the implementation of
8 the City Council's Merit Based Scholarship Program
9 to provide Merit Based Scholarships to CUNY
10 students; funding to expand the anti-gun violence
11 initiative; \$10.3 million to significantly expand
12 services to New York City's immigrant population in
13 areas of legal services and English.

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15 Other changes to the budget itself
16 reflects the new focus of transparency and equal
17 participation. For example, through negotiations
18 with the Administration, we were able to create
19 several units of appropriation in the Department of
20 Education's budget and we have also reached
21 agreement for the creation of separate units of
22 appropriation for Universal Pre-K and Early
23 Intervention in next year's DOE budget.

24 In addition, the Administration has
25 agreed to 17 terms and conditions attached to

1 individual units of appropriation, which include
2 increased reporting to the Council and increased
3 access by the public to vital information regarding
4 agencies. To get 17 terms and conditions into the
5 budget is a big deal because we have never come
6 close to getting this many terms and conditions
7 included in the budget ever. This accomplishment
8 will help the Council and the public better track
9 spending and the result of spending in individual
10 agencies' budget and allow the Council to make more
11 informed decisions during our budget negotiations.
12

13 With that said, let's discuss the items
14 that the Finance Committee will vote on today.
15 Finance Committee members should have a budget
16 packet that contains all budget-related legislation
17 that must be voted on by the committee and again at
18 the Full Council. [background voice] The packages
19 are coming. [laughter] This packet also includes
20 supporting schedules that are not voted on, but
21 filed with the committee. I want to strongly
22 emphasize that the Finance Committee members will
23 only be given one budget packet, so after you vote
24 on the packeted items, you must bring your packet
25 and all of its contents to the Stated Meeting to

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2 vote again. Non-Finance Committee members will be
3 given their budget packets at the Stated Meeting.
4 A description of all items were emailed to you
5 yesterday afternoon and discussed in conference on
6 Monday by my counsel, Tanisha Edwards, so I will
7 simply list the items. Since I skipped her, can we
8 give her another round of applause, Tanisha
9 Edwards? [applause, cheers] Yeah. So I will
10 simply list the items that are not on our agenda
11 today that require a vote.

12 The first item is Reso A, Capital
13 Budget. The second item is Reso B, Capital Budget,
14 which is the Capital Budget as amended by Reso A.
15 The third item is the resolution adopting the
16 Contract Budget. The fourth item is the resolution
17 adopting the Expense Revenue and Contract Budget.
18 The fifth item is the resolution to approve the new
19 5-year Education Capital Plan and I see our
20 President Grillo here. The sixth item is the
21 resolution approving the 41st year of the Community
22 Development Program and the 40th year of
23 Reallocations. The sixth, seventh, eighth and
24 ninth items are the Property Tax Resolution. I
25 just want to say a quick note that the overall

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2 property tax rate, which this city has discretion
3 to set, is remaining at 12.283 percent, where it
4 has been since 2009. The resolutions we are
5 passing uses the tax rates that calculate the tax
6 rates for the different classes of property based
7 on formulas prescribed by the state law. This
8 year, there is some good news here. For the first
9 time in a very long time, the rate for residential
10 classes of property Class 1 and 2 will be lower in
11 the new fiscal year than in previous years. This
12 is great news; however since the property tax bills
13 have already went out from July, the new lower
14 rates will not show up on homeowners' bills until
15 they are re-billed in November. The re-billing
16 will be retroactive to the beginning of this fiscal
17 year, which starts in day six of July... in six
18 days on July 1st. The 10th item in the resolution
19 approving an Expense Budget modification. The 11th
20 item is a resolution approving a Revenue Budget
21 modification. The 12th, 13th, 14th, 15th and 16th
22 item relates to the Banking Commission
23 recommendations on interest and discount rates from
24 the payment of property taxes and water charges.
25 The remaining document in your packet, which you

1 have not received; MOU executed between the
2 Speaker, Mayor and the Department of Education's
3 Chancellor about the Five-Year Education Plan,
4 terms and condition and Schedule C. As a reminder
5 to members, Schedule C is a schedule of Expense,
6 Revenue and Contract Budget and the appropriations
7 for the organizations listed in Schedule C are in
8 the Expense, Revenue and Contract Budget. We do
9 not vote on Schedule C separately. Council members
10 will have to sign a disclosure form indicating
11 whether or not conflicts exist with any of the
12 groups listed in Schedule C or Reso A. If any
13 council member has a potential conflict of interest
14 with any of the organizations included, he or she
15 has the opportunity to disclose the conflict at the
16 time of their vote. As a further reminder, please
17 disclose any conflicts you may have with proposed
18 subcontractors that are used by any of the
19 organizations sponsored. These disclosures must be
20 made before the subcontractor can be approved.
21 Jeremy Plofker from the General Counsel's office
22 can assist you with any questions or concerns
23 regarding disclosure.
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2 In front of you... oh, you don't have
3 this yet, but when you get the packet, there will
4 be documents secured with a rubber band. In that
5 packet, you will find the five Banking Commission
6 resolutions that I just mentioned, the four Land
7 Use items and Intro relating to permit fee waivers
8 for homeowners in the Build It Back Program and a
9 transparency resolution. I will speak about the
10 five Banking Commission recommendations for
11 properties with an assessed value of less than
12 \$250,000, which accounts for about 98 percent of
13 all Class 1 properties in the city and 90 percent
14 of all property in the city. The Banking
15 Commission has recommended a nine percent interest
16 rate for property taxes and water charges that are
17 paid late. For properties with an assessed value
18 of \$250,000 or more, the Banking Commission
19 recommended an 18 percent interest rate. The
20 average Class 1 homeowner will be affected by a
21 nine percent rate and will see an increase in their
22 tax bill by \$67.00 if they pay their property taxes
23 late. The Commission also recommended a one
24 percent discount rate for individuals who pay their
25 property taxes early. The discount will save most

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2 property owners approximately \$101.00 on their
3 annual tax bill. Owners of higher valued
4 properties will save a little over \$2,200. The
5 interest rate and discount rates are proposed every
6 year by the Banking Commission and they have
7 remained consistent over the years. This year,
8 like in past, the Council's adopting their
9 recommendation. Representatives from the Banking
10 Commission are here to answer questions on the
11 Banking Commission recommendations.

12 Next, we have four Land Use items.
13 First is the proposed Resolution 62-A, which
14 provides a property tax exemption to the Harry
15 Silver Houses in Council Member Mealy's district in
16 Brooklyn, [applause, cheers] and they have been
17 here since this morning. This property provides
18 288 units of affordable housing for low-income
19 families. The property was formed under Article IV
20 of the Private Housing Finance Law. Its previous
21 property tax exemption has phased out and a new
22 property tax exemption is needed to retain the
23 property in the Article 4 program and maintain
24 affordability. The property's new property tax
25 exemption will be a partial exemption for 50 years.

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2 Next, we have a transparency
3 resolution. This resolution sets forth new changes
4 in the designation of certain organizations
5 receiving local aging and youth discretionary
6 funding, as well as new changes in the designation
7 of certain organizations receiving funding pursuant
8 to certain initiatives in the budget.

9 Organizations appear in the resolution that have
10 not yet completed the prequalification process
11 conducted by the Mayor's Office of Contract
12 Services. The Council and other entities are
13 identified in the attached charts with an asterisk.
14 As with all transparency resolutions, council
15 members will have to sign a disclosure form. As
16 stated previously, Jeremy Plofker from the General
17 Counsel can assist you if you have any questions or
18 concerns.

19 And last, but not least, we have an
20 Intro relating to fee waivers for construction work
21 performed under the Build It Back program. Among
22 other forms of assistance, the Build It Back
23 program provides homeowners and landlords with
24 assistance in the reconstruction or rehabilitation
25 of residential properties that was damaged by

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2 Hurricane Sandy using federal community development
3 back rent disaster recovery funding, administered
4 by HUD. The Department of Building imposes fees on
5 homeowners to cover the cost of construction,
6 electrical and plumbing permits that many
7 participants in the Build It Back program are
8 required to pay, but who are then subsequently
9 reimbursed by HUD. As of April 1st, 2014, over
10 1900 participants have registered with the Build It
11 Back program for assistance for the rehabilitation
12 or reconstruction of single-family homes and 747
13 participants have registered for assistance for the
14 rehabilitation or reconstruction of multi-family
15 homes. Approximately \$18.7 million has already
16 been spent on these homes. To help expedite the
17 rebuilding process and help the Mayor reach his
18 goal of starting work on 500 homes by this Labor
19 Day, the Mayor has submitted legislation to the
20 Council that would waive DOB's permit fees in
21 connection with the work that is officially
22 approved and funded under the city's Build It Back
23 program. The Mayor's Office of Housing Recovery
24 currently estimates that the owners of
25 approximately 5,500 single-family properties and

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2 300 multi-family properties would benefit from this
3 fee waiver and these numbers will likely increase
4 as more owners advance through the Build It Back
5 program process. For the average construction job
6 costing approximately \$40,000, the amount of
7 required alteration work permit fees that would be
8 waived pursuant to this legislation would be \$350.

9 Those are all of our items for today.

10 [background voice] As we wait for the remainder of
11 the budget documents, we will take testimony on the
12 Land Use items, the five Banking Commission
13 resolutions and the Sandy fee waiver bill. First,
14 I will allow Council Member Mealy to say a few
15 words.

16 COUNCIL MEMBER MEALY: Thank you, Madam
17 Chair. I want to thank the whole Finance and all
18 my colleagues on this great legislation. I want to
19 ask all my colleagues to vote on Resolution 62.
20 This resolution provides a sorely needed tax
21 exemption for the Harry Silver Housing in my
22 district. This cooperative is one of the few
23 affordable homeownership opportunities for working
24 families in the Crown Heights. It was also the
25 only Article 4 housing cooperative in the whole

1 city that did not have this exemption. I am so
2 thrilled that we were able to sponsor this
3 resolution and it will be for 50 years. They will
4 love this and I want to thank our whole body just
5 to make sure that we have 288 affordable housing.
6 Harry Silver is like a little oasis. If you were
7 to go there, you would never it's there, but it's
8 beautiful; big, so I am honored that this is going
9 through right now. Some of the cooperatives are
10 here tonight. Could ya'll please stand 'cause
11 ya'll stayed all day. [applause] It's much more...
12 288 units. We thank you. Thank you, thank you,
13 thank you and which we need affordable housing now,
14 this is what we do and that makes our job so
15 special here. And I want to say that they just
16 came just here this late hour just to see the hard
17 work for years they have done for the collaboration
18 of this, the payoff. I thank them for their
19 patience through this tough process. I definitely
20 also want to thank the Speaker Mark-Viverito for
21 allowing this vote to happen and I want to thank
22 Chair Julissa Ferreras for having her hearing...
23 Julissa Ferrer... for having this hearing in her
24 committee and I urge all my colleagues to vote on
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COMMITTEE ON FINANCE

this resolution and I thank you and I thank you and
I thank you, Harry Silver, for being strong and
hanging [applause] on in there. Thank you so much.
Thank you, Madam Chair and this whole body. Thank
you. The only one in the whole city, picture that.
Thank you.

CHAIRPERSON FERRERAS: Thank you very
much, Council Member Mealy. Is there anyone here
who would like to say a few words on the Land Use
items, including Harry Silver? [applause] You may
approach the mic.

[Pause]

CHAIRPERSON FERRERAS: You don't have
to be shy. This is your house. [laughter]

AUGUSTINE BLACKWELL: Good evening,
everyone.

[crosstalk]

CHAIRPERSON FERRERAS: You have to
press the button and you have to say your name for
the record.

AUGUSTINE BLACKWELL: Good evening. Is
it on? Yes, okay.

CHAIRPERSON FERRERAS: Is it red?

[crosstalk]

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AUGUSTINE BLACKWELL: Good evening.

[crosstalk]

CHAIRPERSON FERRERAS: It's red.

AUGUSTINE BLACKWELL: I am Augustine Blackwell, Harry Silver.

LEONELLA ROAN-PERRY: I'm Leonella Roan-Perry [phonetic] from Harry Silver housing and we're here representing our shareholders, all 288 units and we want to say thank you to our council member, Darlene Mealy, for working tirelessly and working with us and trying to get this passed. We would also like to thank the City Council also and we want to say thank you. It's been a long time coming and this will help a lot of families and we want to say thank you for supporting affordable housing. Thank you. [applause]

CHAIRPERSON FERRERAS: We will now hear from Elaine Kloss from the Banking Commission. Miss Kloss, I'm sorry. We're going to bring up HPD. A member has a question. Thank you. What's five minutes when it's 11:10 in the evening? HPD. Thank you. Council Member Rosenthal.

GARY SLOMAN: Gary Sloman on behalf of HPD.

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COMMITTEE ON FINANCE

COUNCIL MEMBER ROSENTHAL: Gary, it's good to see you. I know how hard you work on these projects. Was there ever an ability to get this affordable housing into perpetuity?

GARY SLOMAN: No, the statute provides for 50 years and there are also constitutional limitations as to how long we can give tax exemption, but this is a statutory provision that specifically allows for 50 years.

COUNCIL MEMBER ROSENTHAL: And in your negotiations with the... I guess with the owner? With... there was no interest, no taste for...

GARY SLOMAN: Well, this is basically the owners negotiated with HCR, which is the state agency responsible for supervising this housing, and the results were that the development was coming back under HCR supervision, after having not been supervised, and in...

[crosstalk]

COUNCIL MEMBER ROSENTHAL: Right.

[crosstalk]

GARY SLOMAN: Return was getting the 50 exemption and limitations on the income of incoming cooperators.

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COMMITTEE ON FINANCE

COUNCIL MEMBER ROSENTHAL: Oh, it sounds great. Just always looking for affordable housing you know, lasting beyond our terms, but...

GARY SLOMAN: [interposing] Right.

COUNCIL MEMBER ROSENTHAL: Thank you very much.

GARY SLOMAN: You're welcome.

CHAIRPERSON FERRERAS: Questions? Thank you very much.

GARY SLOMAN: You're welcome.

CHAIRPERSON FERRERAS: We've been joined by Council Members Gibson, Mealy, Rodriguez, Cumbo, Greenfield, Garodnick, Gentile and Williams. We will now hear from Miss Elaine Kloss from the Banking Commission.

{Pause}

ELAINE KLOSS: Good evening, Chairwoman Ferreras and members of the City Council Finance Committee. I'm Elaine Kloss, Treasurer of the City of New York. I'm here today to testify about the resolutions adopted by the New York City...

[crosstalk]

CHAIRPERSON FERRERAS: I'm sorry, Miss, Kloss, we got to adjust your microphone 'cause we

1
2 can't hear you, so maybe you can swing it on the
3 other side of the binder and bring it closer to
4 you.

5 ELAINE KLOSS: I'm here today to
6 testify about the resolutions adopted by the New
7 York City Banking Commission and recommended
8 Council...

9 [crosstalk]

10 CHAIRPERSON FERRERAS: I'm sorry, we
11 got to... we're having technical difficulties.

12 [background voices] Alright, yes.

13 ELAINE KLOSS: Alright. I'm here today
14 to testify about the... [laughter] No, not working?

15 [background voices]

16 CHAIRPERSON FERRERAS: On her... on the
17 side, Gina, right there and bring it real closer.

18 Perfect.

19 ELAINE KLOSS: I'm here today to
20 testify about the resolutions adopted by the New
21 York City Banking Commission and recommend to the
22 Council regarding the interest rates for the late
23 payment of property taxes and water and sewer
24 charges and for the early payment of property taxes
25 for Fiscal Year 2015.

As required by the City Charter and Administrative Code, the New York City Banking Commission sent a letter to City Council on May 20th, 2014 with these interest rate recommendations for late payment of property taxes and water and sewer charges and for early payment of property taxes for Fiscal Year 2015. As you are aware, interest rates have remained historically low during the past year and the prime rate has remained at 3.25 percent since January 2009. The Banking Commission recommended that the City Council adopt the same rates as in effect for Fiscal Year 2014. These rates are nine and 18 percent for the late payment of property taxes and water and sewer payments on properties with assessed values below \$250,000 and \$250,000 or more, respectively. The discount rate for early payment of property taxes is one percent. The interest rates charged for the late payment of property taxes and water and sewer charges have remained unchanged since Fiscal Year 2005.

The discount rate on the early payment of property taxes was lowered from one and a half percent to one percent for Fiscal Year 2012.

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2 According to our records, in Fiscal 2014, property
3 taxes paid early totaled \$2.2 billion and the city
4 granted a discount of 19.8 percent. The net cost
5 of this discount to the city after recognizing the
6 interest earned on the taxes paid early was \$18.1
7 million. In Fiscal 2014, approximately 168,500
8 property owners with properties assessed values
9 under \$250,000 who paid their taxes early received
10 an average quarterly discount of \$38.00. There
11 were about 6,000 property owners with properties
12 assessed at \$250,000 or more who paid their taxes
13 early and received an average annual discount of
14 \$2,232. The number of early taxpayers was
15 consistent with prior years. Thank you for your
16 consideration and I'll be happy to take any
17 questions you have.

18 CHAIRPERSON FERRERAS: Council Member
19 Cornegy followed by Council Member Rosenthal.

20 COUNCIL MEMBER CORNEGY: Good evening.
21 So I was wondering if you could give me some
22 clarity on assessed value and if you could just re-
23 quote those numbers for me; you went over them very
24 quickly about who it affects.

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COMMITTEE ON FINANCE

ELAINE KLOSS: It affects property tax owners with assessed property values under \$250,000 or \$250,000 or more.

COUNCIL MEMBER CORNEGY: Right, so I've had difficulty understanding the difference between assessed value and market value and what does that number relate to in market value?

ASSISTANT COMMISSIONER KARASYK: Hi, I'm Samara Karasyk, Assistant Commissioner of Finance and I'm here to help answer those kinds of questions. So assessed value is set by state law, so it basically tells us that we need to value properties in a certain way for market value and then we take a ratio of that market value for assessed value. So in your district, you have a lot of one to three-family homes...

[crosstalk]

CHAIRPERSON FERRERAS: I...

[crosstalk]

ASSISTANT COMMISSIONER KARASYK: I think so...

[crosstalk]

CHAIRPERSON FERRERAS: I'm sorry, if everyone could please keep it down. Thank you.

1 COMMITTEE ON FINANCE 31

2 ASSISTANT COMMISSIONER KARASYK: You
3 have some larger buildings too, but for those one
4 to three-family homes, there's a ratio that we
5 apply to the market value, which is six percent.
6 So for somebody to have more than \$250,000 of
7 assessed value, that is a very expensive home,
8 about... I think it's somewhere about in the 90's
9 percent of properties have less than \$250,000 on
10 their assessed value.

11 COUNCIL MEMBER CORNEGY: Right, so I'm
12 still a little concerned because even that
13 percentage for a district like mine, which we have
14 new homes... not new homes, which we have some
15 homes selling now for \$2.1 million...

16 ASSISTANT COMMISSIONER SARASYK: But a
17 \$2.1 million market value home, the assessed
18 value's going to be six percent of the \$2.1
19 million, so that doesn't touch them.

20 COUNCIL MEMBER CORNEGY: And so you're
21 saying 96 percent...

22 [crosstalk]

23 ASSISTANT COMMISSIONER SARASYK: I
24 can...

25 [crosstalk]

1 COMMITTEE ON FINANCE 32

2 COUNCIL MEMBER CORNEGY: Of people...

3 [crosstalk]

4 ASSISTANT COMMISSIONER SARASYK:

5 Follow up with you...

6 [crosstalk]

7 COUNCIL MEMBER CORNEGY: Won't be

8 affected?

9 [crosstalk]

10 ASSISTANT COMMISSIONER SARASYK: On the

11 exact number, but it's somewhere 90 something

12 percent of the homes are going to be less than

13 \$250,000.

14 COUNCIL MEMBER CORNEGY: Yes and

15 therefore get the nine percent tax rate.

16 ASSISTANT COMMISSIONER SARASYK:

17 Exactly. [background voice]

18 COUNCIL MEMBER CORNEGY: Yes, thank

19 you. We...

20 [crosstalk]

21 ASSISTANT COMMISSIONER SARASYK: I have

22 some great property tax guides that are online, but

23 I can ship your office a bunch of them if you want

24 'cause they will... they're really helpful for the

25 constituents to explain this kind of stuff to.

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COMMITTEE ON FINANCE

COUNCIL MEMBER CORNEGY: I would really appreciate that.

ASSISTANT COMMISSIONER SARASYK: Okay.

CHAIRPERSON FERRERAS: Council Member Rosenthal followed by Council Member Greenfield.

COUNCIL MEMBER ROSENTHAL: I threw you off. I apologize. First, I'd like to apologize to Council Member Cornegy for throwing him off there. Thank you so much for your testimony today. I have some concerns about the one percent discount rate for early payers. I see in your testimony you mentioned that it went down from 1.5 percent to one percent in 2012. Did you consider bringing it down another half percent this time around?

ELAINE KLOSS: We did consider it, yes and the Banking Commission voted to keep it where it is, where it has been.

COUNCIL MEMBER ROSENTHAL: Can you give me some of your reasoning behind this because I look at it and I see it as a sort of a soft like tax rebate for very wealthy people. People who have enough money to pay their taxes early, right, who have money in the bank, are now getting a one percent discount on their property taxes and I

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2 don't know why we're doing that now and so I just
3 wanted to understand better your thinking about why
4 you wouldn't bring it down another half percent and
5 maybe save the city another \$10 million.

6 ELAINE KLOSS: We had considered and
7 ironically in past years, the arguments... we had
8 considered it in other... in past years, the
9 argument had swayed the other way. People were
10 trying to encourage us to increase it, so...

11 COUNCIL MEMBER ROSENTHAL: I understand
12 that...

13 ELAINE KLOSS: [interposing] Yes.

14 COUNCIL MEMBER ROSENTHAL: But I'm
15 wondering about this year.

16 ELAINE KLOSS: It was discussed. The
17 members had concluded that we would keep the rate
18 the same. Interest rates have stayed about the
19 same for the past few years.

20 COUNCIL MEMBER ROSENTHAL: You know,
21 I'm not trying to be rude, but I'm not... I... it
22 would help me to get some details of their
23 reasoning why. I understand what the conclusion is
24 and I'm not trying to be tough on you. I just am
25 trying to understand why they decided. Was it

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2 because the economy axed? Was it because people
3 have in their bank accounts... why? I don't... I
4 understand economics a little bit, so you can give
5 me... please explain to me why they decided not to
6 decrease it because what I'm seeing is a tax
7 giveaway for the wealthy and I'm just trying to
8 understand the reasoning of the Banking Commission.
9 I understand perhaps it was too late to consider it
10 this year and perhaps what we're going to do is
11 work on it for next year. I get that...

12 ELAINE KLOSS: [interposing] Of course.

13 COUNCIL MEMBER ROSENTHAL: And I'm
14 going to strongly encourage this Banking Commission
15 and this body to push that very hard. I see this
16 as a loophole, a soft loophole for the rich and I'm
17 trying to understand why the Banking Commission
18 chose to leave it at one percent.

19 ELAINE KLOSS: Actually I think there
20 are more people that take this discount. There
21 were almost 169,000 with properties assessed below
22 \$250,000 that took the discount versus the 6,000
23 with the higher assessed values that took it.
24 There are more people in the lower bracket for the

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assessed values that took advantage of the discount.

COUNCIL MEMBER ROSENTHAL: Oh, wow, that's new information.

ELAINE KLOSS: So if... if you...

[crosstalk]

COUNCIL MEMBER ROSENTHAL: I'm sorry.

ELAINE KLOSS: Think about...

[crosstalk]

COUNCIL MEMBER ROSENTHAL: I did not...

[crosstalk]

ELAINE KLOSS: If you think about...

[crosstalk]

COUNCIL MEMBER ROSENTHAL: Understand that to be the case.

[crosstalk]

ELAINE KLOSS: This way... if you think about 175,000 people took advantage of it, 169,000 were people with properties assessed below \$250,000 and 6,000 were above the \$250,000 threshold, so there are actually a lot more.

COUNCIL MEMBER ROSENTHAL: Right. Oh, absolutely. I... my bad because that... those were not the numbers I had gotten, so I apologize. If I

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2 could get those exact details and if you have
3 breakouts from the assessed value to market value
4 on those homes and the exact numbers at each level,
5 I would really appreciate that. Thank you very
6 much.

7 ELAINE KLOSS: You're welcome.

8 CHAIRPERSON FERRERAS: Thank you,
9 Council Member Rosenthal. Again, members, I just
10 want to remind you it is 11:25. Maybe we could
11 vote the budget out... p.m. Maybe we could vote
12 out the budget before a.m. That'd be awesome.
13 Council Member Greenfield.

14 COUNCIL MEMBER GREENFIELD: In the
15 interest of time, I'm going to waive my questions.
16 Thank you, Madam Chair.

17 CHAIRPERSON FERRERAS: Yes.

18 [background voices] We will now take questions if
19 members have. Thank you very much. Since we have
20 lots of items, I will run down the items
21 individually and take questions on items as they
22 are listed. Do we have any questions on
23 Educational Capital Plan or the MOU? Does anyone
24 have any questions on the Educational Five-Year
25 Capital Plan or the MOU? Thank you, President

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COMMITTEE ON FINANCE

Grillo, for being here. I know you're very excited about that. Expense or Revenue Budget Modifications; Expense and Capital Resolutions; the Build It Back Fee Waiver Bill; the Community Development Block Grant Program; the Land Use items; the Property Tax Resolution; the Transparency Resolution? If no one has any additional questions, I will have Billy Martin and the Committee Clerk... [background voice]

[Pause]

CHAIRPERSON FERRERAS: Alright, I will ask Billy Martin to read the roll.

COMMITTEE CLERK: William Martin, Committee Clerk, roll call vote, Committee on Finance. Council Member Ferreras.

CHAIRPERSON FERRERAS: I vote aye for the last time on FY 14 and I urge my colleagues to do the same.

COMMITTEE CLERK: Rodriguez.

COUNCIL MEMBER RODRIGUEZ: Aye.

COMMITTEE CLERK: Van Bramer.

COUNCIL MEMBER VAN BRAMER: Aye on all.

COMMITTEE CLERK: Gibson.

COUNCIL MEMBER GIBSON: Aye on all.

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COMMITTEE ON FINANCE

COMMITTEE CLERK: Cornegy.

COUNCIL MEMBER CORNEGY: I'd like to explain my vote. No, I'm just kidding. [laughter] Aye on all, aye on all.

COMMITTEE CLERK: Cumbo.

COUNCIL MEMBER CUMBO: Aye on all.

COMMITTEE CLERK: Johnson.

COUNCIL MEMBER JOHNSON: Aye with thanks to the Chairwoman and the staff.

COMMITTEE CLERK: Levine.

COUNCIL MEMBER LEVINE: Aye.

COMMITTEE CLERK: Miller.

COUNCIL MEMBER MILLER: Aye on all.

COMMITTEE CLERK: Rosenthal.

COUNCIL MEMBER ROSENTHAL: Aye on all.

COMMITTEE CLERK: Ignizio.

COUNCIL MEMBER IGNIZIO: No on Reso 298, 299, M-79. I'd just like to disclose that my daughter attends PS 36, of which receives funding in this budget. Thank you.

COMMITTEE CLERK: By a vote of 11 in the affirmative, zero in the negative and no abstentions, all items have been adopted with the exception of the Tax Resos, which have adopted by a

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COMMITTEE ON FINANCE

vote of 10 in the affirmative, one in the negative
and no abstentions. Thank you.

[Pause]

COMMITTEE CLERK: Thank you, council
members, for signing the Committee Reports.

CHAIRPERSON FERRERAS: Thank you very
much again to my colleagues. Now let's go through
this again across the hall. I will call this part
of this hearing to adjourn.

[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. I further certify that I am not related to any of the parties to this action by blood or marriage, and that I am in no way interested in the outcome of this matter.



Date: 06/30/2014