



THE CITY OF NEW YORK
OFFICE OF THE MAYOR
NEW YORK, NY 10007

FOR IMMEDIATE RELEASE: July 29, 2014

CONTACT: pressoffice@cityhall.nyc.gov, (212) 788-2958

**RUSH TRANSCRIPT: MAYOR DE BLASIO DISCUSSES NEW YORK CITY'S
FINANCIAL PLAN AT THE NEW YORK STATE FINANCIAL CONTROL BOARD
MEETING, TAKES QUESTIONS FROM REPORTERS**

Mayor Bill de Blasio: Thank you very much, Bob. I want to thank you and the governor for the very constructive, positive working relationship we've had on budget matters and so many other matters, and thank you for your leadership of this panel.

I'm just going to give some very broad comments on the city's fiscal status and I'm very pleased to be doing that at a moment where we're in a fiscally sound dynamic.

I want to acknowledge and thank all of the members of this board for all they do for the city and for the state. Of course, Comptroller Tom DiNapoli, Comptroller Scott Stringer – both who've been crucial partners in all we do – Lawrence Golub, Jeff Halis, and John Levin, thank you – and of course, Jeffrey Sommer, the executive director. I want to thank all of you for what you do as part of this important body.

I think everyone knows I was elected with a particular vision of what the New York City government had to achieve for our people. Against a backdrop in which so many people were struggling economically, we presented a progressive vision. But at the same time, I said very very clearly that any such vision could only be achieved in a fiscally responsible manner – that it would not be sustainable, it wouldn't be effective, if there wasn't an underlying sensibility of fiscal prudence.

We are, in this administration, very proud of the path that we've started on these seven months. And we're proud of the things we've started, but we know they only can function properly if we constantly watch our fiscal dynamics and ensure they are sustainable.

I have a quote that I love to reference – it's from someone who I have seen as a great exemplar in the work of government and a true example of all the good that New York City and New York State have done for the world – Franklin Delano Roosevelt, who said, "Too often in recent history liberal governments have been wrecked on the rocks of loose fiscal policy." So President Roosevelt summarized better than I could the notion that if we want to pursue important ideals, if

we want to reach so many people in need and create a more just society, we can only do that if we are fiscally sound.

The team in this administration has done an extraordinary job. I asked those who joined the administration to take on an entirely unprecedented situation, with massive unknowns, particularly around our labor dynamics. The team that saw us through to a balanced budget, saw us through to a greatly improved situation in the relationship between management and labor and put us on such a sound standing for the future – Tony Shorris, our First Deputy Mayor, who’s done an extraordinary job marshaling all the pieces of this government towards effectiveness and fiscal prudence; Dean Fuleihan, my Budget Director; and of course Bob Linn, our Commissioner for the Office of Labor Relations.

Bob entered into a situation that was, again, unprecedented in the city’s history – 152 open labor contracts – never had happened before in this city’s history. I said to him at the beginning of the process, I said to him during the interviews that the measure I would hold for success would be if during the first calendar year during 2014, we could get half of those contracts settled. Given the difficult history, given the length of time that had transpired without contracts having been settled, I thought that if we could get half of them done in the first year, it would be an extraordinary measure of success. By the end of this spring, Bob Linn had gotten 60 percent of all city workers under contract, and we expect to have a lot more progress on that front in the next few months. So that is an extraordinary step forward for the city, writ large, for the relationship between labor and management, for the ability of our workforce to do its job well and productively but, essentially – and obviously greatly of concern to this board – that was the gateway to creating a predictable and sustainable dynamic for the city, and we’re very proud to achieve that – and you’ll see it, obviously, in the details of our report – one of several elements that I think paint a picture of something very positive for the city’s fiscal standing.

We are very very appreciative to the State of New York for the aid that we received in the budget process – an unprecedented level of aid for our school system, and aid we desperately needed to address the needs of our 1.1 million students – a new and unprecedented commitment to full-day pre-K for every New York child. It’s a five-year commitment that will allow us to build this program out effectively, and make it, I think, a transcendent piece of our educational system.

And at the same time, in the course of the budget process this year, we boosted our general reserves to a historic high, we kept our out-year gaps well below historical averages, and restored – and increased, in fact – funding to the retiree healthcare benefits trusts. These were things that we all thought were important to do for the future of this city. I know that there was a great deal of support for these actions by monitors, including Comptroller DiNapoli and Comptroller Stringer, on the notion that these are the kind of foundational steps we had to take for the long-term fiscal health of the city.

I would also note that the core partner in city government, the City Council, has been a real partner in all we’ve done, that there’s been an atmosphere of cooperation and collaboration. We had one of the earliest budget agreements in recent years this past June. There’s been an openness and transparency in the process that has helped us to focus on the most essential issues, and it’s helped us to keep the focus on fiscal stability as well.

And that spirit of cooperation of the City Council, again, was foundational on a different front – in our relationship with labor – to success. The attitude we took towards our city’s workforce was that we had a series of challenges we had to resolve together – that we could do it collaboratively, that we needed to find cost savings, that we needed to look to the long-term needs of the city, that we would be fair in the process but we had to be mindful of the future. I think our workforce met us fully with those expectations. We ended up with contracts that were absolutely fair to city workers but fiscally prudent and sustainable. And got to some of the challenges that had long gone unaddressed, most notably the deep increases that we had experienced in healthcare costs. A lot of us had looked at this issue over the years and it was plain to see that we could not continue on a path of ever-increasing healthcare costs for our municipal employees. We had to break that pattern. We had to find a productive way forward.

We reached an agreement – an unprecedented agreement – with the municipal labor committee to significantly reduce healthcare costs. It involves a guaranteed and enforceable plan to achieve \$3.4 billion in savings through Fiscal ’18, and then approximately \$1.3 billion in savings every year thereafter. We think this was an achievement unto itself. We think it’s also going to open the door for additional savings as we move forward.

Again, 60 percent of the workforce covered now by contracts – a very clear pattern in place. We think that’s going to allow us to move quickly to close a number of other contracts. In terms of oversight, obviously this board plays a crucial role, as do the rating agencies. We have been blessed to have received very powerful and positive responses from the rating agencies, confirming we’re on a strong and stable fiscal path. Standard & Poors, for example, said the city, “Now has an element of certainty in its financial plan that it lacked in the past, when labor settlements and associated wage and benefit increases were unknown.” And a good friend of mine sitting to my left said in his report on the budget released this week that we have “put New York City on a responsible path.” So we’re pleased that the efforts we’ve undertaken have been duly recognized and affirmed by key monitors.

We also have a great measure from the marketplace. The recent bond sale was a great success. Demand outstripped supply and at low yields we were able to maximize savings for the city.

So, all of that gives us the foundation we need for the future and it’s going to allow us to continue the work that we think is crucial to the economic health of the city going forward, to the social health of the city going forward.

We are going to continue on the path of making deeper investments in education, which I think is essential to the work of creating a more just and fair society, and creating opportunity for all, but it’s also essential to future of this city’s economic vitality – for our business climate, for the strength of our workforce. We’re going to follow through on the commitment for full day universal Pre-K. We’ve more than doubled after-school programs for middle school students and summer enrichment programs for middle school students, which we think will have a profound multiplier effect.

As is well known, we've launched a very ambitious – but, we believe, attainable – plan to create or preserve 200,000 units of affordable housing over the next ten years in a city that is well on its way to a population of 9 million, that – again, to have a healthy economic climate, to have a strong business climate, as well as to be a fair and just place – desperately needs this kind of amount of new affordable housing. 200,000 units is enough to house almost half a million people and that we will achieve over the next decade.

And we've made major investments in public safety – our Vision Zero program, to greatly reduce pedestrian and traffic fatalities; our efforts to increase policing in some key areas of the city that have a need. We've put more police on the streets in key areas including through an important reform – civilianization of 200 members of the NYPD – a reform, again, that's been talked about for many years, finally beginning to be achieved and one that we think is fiscally wise and we will build upon.

So I'll finish by saying this – from the point of view of this city – has been a strong start. We know there's a lot more work to do up ahead. We will be constantly looking for efficiencies and cost savings in city agencies. We're proud of the start we've undertaken but we know this work has to be done every single day – and we know there are certainly areas where we can find cost savings going forward. Department of Education is an area of particular interest and one where we think some real savings will be found. And we intend to continue to show that a vigorous and progressive program of helping every kind of New Yorker can go hand-in-hand with a very fiscally prudent approach. I want to thank you for the opportunity to address you and we've submitted the documentation to go along with it – and we appreciate your insight and support.

[...]

Yes, just a brief comment – and would also welcome Tony Shorris and Dean Fuleihan if there's anything they'd like to add. Thank you for your vote of confidence in what we have done with this budget. I just want to say, I take to heart the concern that you've raised about the future, and we're looking at a variety of ways to address some of our future obligations. I think what I want to focus on is the fact that we found, here and now, a productive way of working with labor to address the growth in the healthcare costs that are confronting us right now. I think you've raised a very important long-term issue – and again, I take it to heart and don't want to minimize it – but I guess because I'm an optimist by nature, I would say that it is heartening to see a variety of key institutions in this city – this board and other monitors, and our comptrollers and labor and the city government, both the mayoralty and the council – all recognizing that we have to come to grips with healthcare costs. And the step we've taken initially I think is very promising, because there was a cooperative spirit, and there was a sense that there were many ways we could work together to reduce those costs, and that it was really in everyone's interest and the right thing to do. So, appreciate your comments, look forward to working together, and I want you to know I take them to heart.

[...]

Question: Mayor, I have a question. The [inaudible] budget gaps between February and now have quadrupled as a result of the latest settlements. I'm just wondering how concerned you are

about this in the future, considering especially now that the market is doing well, the city is headed in the right direction when it comes to job numbers. Is that something that concerns you going forward?

Mayor de Blasio: Let me ask Dean to step in after I just make a broad comment. Look, I think we have to be very clear and you've heard the affirmation today – from the state comptroller, city comptroller, financial control board – everyone agrees, the rating agencies, everyone agrees that we're on a strong fiscal footing. And in fact we're going beyond that, we are addressing some of the core challenges we face. This is the first time since the Koch administration that there's been an actual decrease in employee health care costs. And a major reform that is going to yield a lot of savings over the long run. And of course the fact that we decided to increase our reserves, something we think is important to do to guard against future problems. So I think the big top line here is we are addressing the challenges we face from a very strong situation. The labor contracts – we have to resolve what was obviously the number one fiscal challenge facing this city. And we've done it in a fiscally prudent manner. And we are convinced that this is also going to open the door for a lot of other savings going forward. So there's a big multiplier effect here, so we feel good about it. Why don't you – why don't you add?

[Others speak]

Question: You talked about [inaudible] costs and you in particular mentioned the department of education. Can you detail a little more what you might be looking at in terms of that? And also, why you chose to sort of leave that for the future and not really have any significant cuts in this year's budget?

Mayor: Because the work we were doing in this year's budget took an immense amount of time and effort to get right. Obviously the budget process was framed by the labor process. And you know, when we started out, as everyone at this gathering knows, that wasn't a given. We didn't know that we would be dealing with a budget process separate from the progress on labor, or we could get them to align. It was our hop to get them to align. Once they started to align, a great deal of care and energy had to be put into getting that right for the long-term health of the city. The work of figuring how we want to realign DOE started in earnest in the spring, and it will be quite evident in the upcoming budget process. If you want [inaudible] of what we are looking for, we're looking for cost-savings, but we're also looking to understand how we can better structure DOE for the future. Obviously I have some real differences from the previous administration. There were some cost ramifications to some of their policy choices that we will look at very differently. So I'm not going to go into chapter and verse, I'll tell you, by the time we get to the preliminary budget, you'll start to see some real specifics.

Question: So Mr. Mayor, some members on the board mentioned just now that they would like to see the city come up with a plan to address retiree healthcare obligations, which is obviously something that's been an ongoing concern across many administrations. But can you kind of address that and speak to the specifics?

Mayor: Yeah, I'll start and again, welcome my colleagues. I think we've done that. I think we implicitly did that by bending the cost curve on healthcare for the first time in recent memory.

Again, you have to go back to the Koch administration to see anything this substantial, in terms of actually coming up with a systemic way of reducing employee healthcare costs. And that is not finite to the term of the labor contract. It continues to grow thereafter. So we feel great about the fact that we're going after the root cause of the problem, in terms of employee healthcare costs. We're doing it with labor, not in an antagonistic manner. In fact, labor I think is convinced that it's in everyone's interest to continue to find deeper savings for the fiscal health of the city. And we're adding to the reserves, so if you listen to the concern raised – which I thought was an important and fair concern – we're addressing it in two separate and important ways, by increasing reserves and by reducing employee healthcare costs.

[Others speak]

Mayor: And we're not done. This is one year. This is how we've started, we intend to do more.

Question: I have a question, it might be for Mr. Linn, you have given us a figure – I think the total cost of all contracts was \$13.4 million, and then another \$4.35 –

Bob Linn: Billion.

Question: Billion, I'm sorry.

Mayor: What we love [inaudible] in Sally's dream world [laughter]

Question: I think it totaled about \$17.8 billion. I haven't added them up yet, but the figures in DiNapoli's report look like more than that, it looks like about \$20 billion throughout the cost, from 14 to 21.

Mayor: Do you know off hand or else we should get back to [inaudible]

Question: Just one other question for you, is it fair to say then that you're considering doing a peg this year in the [inaudible] question?

Mayor: No, we are looking at some cost savings agency by agency. We're looking at reforms - obviously civilianization of the police is an example of that. That's going to be a case-by-case basis, and that's ongoing work. That's going to be happening every year that we're here. There's not an overall [inaudible] program anticipated.

Question: So when you say some of Bloomberg's policies had cost too much, [inaudible] which policies?

Mayor: Well again, we'll outline that as we get into the budget process. But I think if you look across the board at the way the DOE was structured, and the costs associated with it – look at the consulting contracts – things we've talked a lot about before in the past. We're doing a systemic review of DOE led by Chancellor Farina, to align it to our values and to determine what is going to be most effective. And within that we're certain not only will there be a more effective approach, but there will cost savings.

Question: There's going to be bank settlements, there's about \$4 billion that the state is going to have windfall. What should it do with it?

Mayor: Well, look. I would say this without getting into the nuances of the legalities. I think we are trying to make important investments as a city that we think are the long-term health of the city. And certainly I would say the same for the state: the investments in education, the investments in affordable housing, while being fiscally prudent. So I think that's a good pattern to continue replicating as we get additional revenue. Does anyone want to add? Last call?

Question: Mayor, you voted for a zoning resolution that allowed Extell developments to create entrances for subsidized tenants. Why did you vote that in 2009?

Other speaker: That's not on this topic –

Mayor: Yeah I'll speak to the problem. The concept of that resolution was to increase the amount of the housing. It was not evident at the time the nuances of where the doors would be. We made very clear as an administration that we're going to be changing the approach going forward, this was a development that was obviously well along. But on new development that we approved, and that we're part of building, we believe there should be a much more equal approach to all residents. And you'll see that play out in the actions we take. Thanks everyone.

Question: [inaudible]

Mayor: Last I heard, yesterday, nothing has changed since. So both thank god, [inaudible] I had the pleasure of meeting with each of the NYPD detectives and also the U.S. marshals. They were lucid and energetic and doing very well, last I heard their story.

###