Municipal Labor Committee

125 Barclay Street, Room 540 / New York, NY 10007-2179 / (212) 815-1474

September 30, 2020

Mayor Bill de Blasio
City Hall
New York, New York 10007

Re: Layoffs

Dear Mayor de Blasio:

On August 24, 2020, the MLC wrote you urging that action to lay off 22,000 municipal workers, many of whom performed essential functions during the height of the pandemic, be delayed until after the November 3rd elections. The events of the last two weeks reinforce that position.

We indicated in our August letter, and you have agreed, that the City and the MLC will jointly pursue State authorization for the City to have an early retirement program similar to the ones previously implemented successfully. The MLC also committed its support to gain City Comptroller approval for the further refinancing of existing City debt. And, finally, the MLC agreed to lobby for City authority to issue bonds to cover lost revenue and additional expenses related to the impact of the COVID-19 virus.

Governor Cuomo, whose approval is needed for the retirement incentive and debt issuance, has said the State will not take any action on these matters until after the November elections. As he has indicated, that will provide time to better assess the likelihood and extent of Federal assistance.

We realize that delay will have some associated cost but, as set out below, the City possesses sufficient funds to absorb the cost. In assessing the viability of our request, we ask that you consider the following factors:

- *Refinancing*: As indicated above, the City has in this fiscal year (FY 2021) refinanced existing debt reducing the City's debt service cost by more than $613 million across FY 2021 and 2022. With low interest rates continuing, the City Comptroller projects that the City will save an additional $175 million in debt service costs this year. And that is before a potential further refinancing of debt that would produce additional savings of $100 million. The total of these actions, not reflected in the current budget or financial plan, is more than $900 million.

- *Reserve for Prior Year Expenses*: Each fiscal year the City establishes a reserve for expenses incurred in that fiscal year but not yet paid by June 30th. If it subsequently determined that more funds were reserved than required, the City can account for it as a general reduction in the current year's expenditures. For the last 10 years this has provided approximately $400 million of savings each year. The City is expected to recognize this in the November 2020 or January 2021 budget modification. This $400 million, too, is not reflected in the current budget or financial plan.

- *Revenue Stabilization Fund*: An amendment to the City Charter and associated State legislation were accomplished last year that allows the City to recognize in the current fiscal year the budget surplus from prior years. As recognized by the State Comptroller in his August 2020 Report, there is a current balance of $488 million that could be used to cover current year expenses.

- *Retiree Health Benefit Trust Fund*: Pursuant to legislation adopted in 2006, the City pays retiree health costs from this fund. If the fund maintains a positive balance that permits the City not to transfer funds in the current year for retiree health care costs, resulting in a savings in that year. Costs are paid from the fund, reducing the balance. For example, in FY 2021, the City made no contribution to the fund and therefore financed the retiree health expenses with the existing monies in the fund. The current fund balance is $2.1 billion and can be used to substitute for City support of retiree healthcare expenses.

- *Review of Actuarial Assumptions*: Finally, as indicated in our letter of August 24th, the Actuary is reviewing current assumptions and will present suggestions next week that should result in savings in FY 2021 and FY 2022.

In summary, the City has available:

- $1.83 billion in savings during FY 2021-FY 2022 that have not been incorporated in the City budget/Financial Plan, and

- $2.573 billion in reserve funds.

While the MLC recognizes, as we have stated in the past, it would be imprudent to exhaust all reserve funds. That is not what we seek. Rather, we ask for what now is little more than a month's delay to determine the likelihood of (i) obtaining Federal aid, (i) authorization to issue bonds,(iii) the use of savings this year, (iv) the availability of an Early Retirement Incentive Program, and (v) the use of reserves. And, while delay comes at some cost, think of the incalculable cost in both livelihood and morale to those municipal workers who would lose their jobs during these challenging times and the resulting loss in the delivery of services to the millions of residents of this City. Waiting until after the November elections is a small price to pay.

Sincerely,

Harry Nespoli
Chair

cc: Dean Fuleihan, First Deputy Mayor
Renee Campion, Commissioner of Labor
Sherry Chan, Chief Actuary for the City of New York
Henry Garrido, District Council 37
Michael Mulgrew, United Federation of Teachers
Gregory Floyd, Teamsters Local 237
Mark Cannizzaro, Council of Supervisors and Administrators