

Municipal Labor Committee

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

May 28, 2020

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Executive Secretary
ELLEN MEDWID

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

Re: Protecting The City Workforce

Dear Mayor De Blasio:

I write on behalf of the NYC Municipal Labor Committee (the "MLC") to address issues surfacing regarding the budgetary shortfall and its potential impact on the City workforce, many of whom have been designated by you as "essential" in the fight against COVID-19.

The MLC recognizes that the City and State will face financial challenges, ones exacerbated by the irresponsible lack of assistance afforded so far by the Federal government despite New York City being at the national epicenter of the pandemic. Rest assured that the MLC will join you and other New York governmental figures in continuing to press for the needed assistance that New York deserves.

Already some of the typically anti-labor contingent are pushing for you to take an ax to slash the public sector workforce. As we know you recognize, the consequences of such action is likely to exacerbate an already damaged City economy – laid off workers add to the strain on municipal relief and are far less likely to fuel an economic recovery that benefits all New Yorkers. Layoffs will also send an unmistakable message that the public sector workers who have sacrificed on the front-lines for the safety and well-being of the City during this crisis are expendable. At a time when jobs, income and services should be maintained for the people of New York City, the opposite would happen.

Consequently, before any such drastic action is taken, we urge the City to consider utilizing measures that have proven successful to mitigate the impact of the financial toll and hasten the recovery: implementing early retirement incentive programs and obtaining authority to issue debt to cover lost revenue and increased expenses.

This City has faced significant economic downturns before. In 1995, for example, the nation and the City were facing a deep recession, and in 2001, New York City faced the unprecedented task of steering an economic recovery from the 9/11 disaster. The actions taken then provide a blue-print that should be contemplated now.

Offering earlier retirement would allow many higher-salaried New York City workers to leave the public payroll voluntarily. In 1995, the City instituted an early retirement and severance program. More than 18,000 City employees availed themselves of the program with the resulting replacement of higher salaried personnel with lower cost employees. Service reductions were, importantly, minimalized. In 2002, more than 4,000 employees were part of a similar program to positive effect.

The City also has successfully utilized the issuance of municipal bonds to help weather economic downturns, starting with the creation of the Municipal Assistance Corporation to meet the City's borrowing needs when it was on the brink of bankruptcy in 1975 (with a critical element of that success being municipal unions' pension funds' purchase of \$2.5 billion of the bonds¹). More recently, in 2001, the City, through the Transitional Finance Authority ("TFA"), issued bonds for the revenue lost due to the World Trade Center bombing. While typically employed to fund capital projects, one of the key objectives then was to provide operating assistance until the extent of Federal aid could be determined. More than \$2.5 billion of Recovery Bonds were issued to ease the situation.

Municipal bonds are widely recognized as having played a key role in New York City's rebound from both the fiscal crisis of the mid-1970s and the 9/11 attack.² As Council Speaker Johnson observed at the outset of this pandemic, "New York City has a history of selling bonds to rebuild its economy after a disaster, including after 9/11. It was the boost the city needed while we waited on Federal aid to come through and was integral to our ability to immediately begin the cleanup and recovery."³ Indeed, echoing the success of prior TFA financings, legislation has been introduced in the State Legislature that would authorize the TFA to issue up to \$7 billion of additional bonds to pay costs or deficiencies in the City's budget which are, in your judgment, related to, or arising from the COVID-19 epidemic.

We are aware that some skeptics will say, as in the past, that this merely "kicks the can down the road" and that the City should not increase its level of municipal debt. We appreciate that debt has costs and need be re-paid over time. We advocate not a head-long rush to bonding but to obtain now the authority to issue bonds should the need eventuate. Time is needed to ascertain what Federal assistance can be obtained; if aid is forthcoming, the sale of bonds might not prove necessary. Should, however, Federal assistance not be forthcoming, the proceeds from a bond issuance would significantly assist the City in meeting its short-term cash-flow needs. It may be that \$7 billion is ultimately not needed—the City does benefit from having substantial reserves—and the carrying costs would not prove as high. But, this carrying cost remains far less than the human and financial cost that accompanies layoffs and reductions in City services.

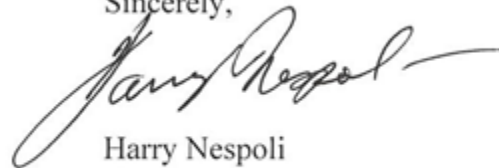
¹ "Welcome to Fear City,'—The Inside Story of New York's Civil War, 40 Years On," The Guardian, May 18, 2015, available at <https://www.theguardian.com/cities/2015/may/18/welcome-to-fear-city-the-inside-story-of-new-yorks-civil-war-40-years-on>

² "How Bonds Helped New York Rebuilt After 9/11," Paul Burton, The Bond Buyer, September 12, 2016.

³ "New York City Council Speaker Corey Johnson Propose \$12 Billion Relief Plan to Help Workers and Businesses Impacted by COVID-19," New York City Council, March 19, 2020.

The City economy under your stewardship was strong prior to the COVID crisis. It will be strong again. The issue is how we collectively bridge this intermediate period. The MLC would welcome the opportunity to meet with you and your staff to discuss these and other possible solutions to these issues so that New York City can remain the greatest City in the world.

Sincerely,

A handwritten signature in black ink, appearing to read "Harry Nespoli", with a long horizontal flourish extending to the right.

Harry Nespoli
Chair

cc: Dean Fuleihan, First Deputy Mayor
Corey Johnson, Speaker of the New York City Council
Scott Stringer, New York City Comptroller