



CBC hosted a special panel discussion of prominent fiscal experts who helped New York overcome some of the most dire crises of the past. They provided insights and lessons from past experiences to help us understand and navigate the looming crisis.

Stephen Berger

Chairman, Odyssey Investment Partners; Former Executive Director, NYC Emergency Financial Control Board; Former Executive Director, PANYNJ; Former Chair, NYS Commission on Health Care Facilities in the 21st Century; CBC Trustee

Stanley Brezenoff

Former NYC First Deputy Mayor; Former President, NYC Health + Hospitals; Former Executive Director, PANYNJ

Eugene Keilin

Principal, Keilin & Co.; Former General Counsel, NYC Office of Management and Budget; Former Executive Director, Municipal Assistance Corporation; Former CBC Chair

Richard Ravitch

Former Chair, NYS Urban Development Corporation; Former Chair, MTA; Former NYS Lieutenant Governor; Former CBC Chair

Alair Townsend

Former NYC Budget Director; Former NYC Deputy Mayor, Finance and Economic Development; Former Publisher, Crain's New York Business; CBC Trustee

Andrew Rein:

Good morning. Welcome. Thank you for joining us today. I'm Andrew Rein, president of the Citizen's Budget Commission, and we are fortunate to have all of you today, and also fortunate to have our panelists, The Sages of the Ages, some of the most wise and experienced New Yorkers who have helped New York State and New York City through fiscal crises of the past, and some of the toughest times we've had, so thank you all for joining us.

It's almost cliché to now say that New York's obituary has been written, and has been wrong. But the obituary's fallacies is not because of happenstance, and it also is not just because of New York's strengths. It's because of people like today's panelists and many other New Yorkers who work tirelessly, creatively, to help New York rise again and again. Yet today, through no actions of our own, we find ourselves in another time of crisis.

We have a health crisis that's already claimed the lives of 22,000 New Yorkers. We have an economic crisis brought on the need to shut down the economy, around 2 million unemployment claims filed in New York, and real national GDP will decline an annual rate of 30% in the second quarter of this year, and a fiscal crisis estimated to reduce below projections to city revenues \$8 billion over 16



months, and over four years at the state level, \$60 billion of state revenue. We're in a fiscal crisis.

This is not only a crisis now, but there is great uncertainty on the economy and on the virus, so these numbers could get worse as time goes on, so hard choices will have to be made. That will take political and civil will, leadership, compromise, cohesion, and yes, sacrifice. Our panelists know all about that. I'm lucky to have them all as friends, and we're lucky to have them here today to talk about the lessons of the past and how they apply to the future. We'll spend a little time on the past, but we don't want to all get stuck in that. We really want to apply those lessons to the future.

I'll do a brief introduction of our guests, preferring to allow our first question as a round robin for people to introduce themselves a little about where they were in the '70s fiscal crisis. But just to do that brief introduction, I will say today we have Steve Berger, he'll talk about the Scott Commission at the state, and he was the first executive director of the financial control board and many other things since, Stan Brezenoff, who from the Lindsay Administration, the Ford Foundation, came back to the Koch administration as HRA commissioner and first deputy mayor.

Gene Keilin, who was General Counsel for OMB straddling two administrations from Lindsay to Beame and eventually head of MAC. Dick Ravitch, who somehow in between saving the UDC and saving the MTA found a little time to probe for some of the most important deals of the fiscal crisis in saving the city and Alair Townsend, who I guess Congressman Koch found out there were great people in Washington, brought her up to be budget director and eventually deputy mayor for economic development.

So much experience in so many different ways, so welcome and thank you all for joining us. Our panelists, thank you for coming today. Hopefully we can see you all on the screen as we do the shift. Thank you very much, Kevin. We are first going to level set. I'll wait for a second.

Andrew Rein: There you are. Okay, let's get everyone on the screen and we'll level set for our diverse audience about the 1970s fiscal crisis. Why don't I start with Steve Berger? And could you tell us about your journey from the Scott Commission to the FCB, what the FCB was, how you got here?

Steve Berger: Let me level set first to give people a sense of what the 70s problems like. The city of New York on the first day of fiscal year had already spent every dollar of tax revenue it was going to collect in that future year. They had spent it. They had borrowed it the year before and more and they had used the very basic borrowing plus capital funds and used it for operating.

So, you had an institution which was a private institution would have been fundamentally bankrupt. I ran the Scott Commission, which was a commission established by Rockefeller and his beating Lindsay over the head with a club. And we hired the Maxwell School and the Maxwell School did a study of the New York City financial situation out of what you saw that the city really was going to run out of money and it was coming very quickly.

Hugh Carey got elected governor and right after his election, I met with him and said, "This whole list of things you wanna do, you're not going to be able to do because there's no money." He said, "Don't be silly. Arthur Levitt says (he was the controller) there's plenty of money." And then the governance got seated, and we were sitting, I was commissioner, sitting in Carey's office with plenty of the guys and we were focused on the UDC crisis, which came first.

And in the middle of that discussion, I said to a group of people, a whole group, I said, "We got to solve this because in three months, the City of New York will be out of money." And Hugh Carey took his glasses, put them on the table and said to me, "I never want to hear again that the City of New York will be out of money." And that takes you to either Mr. Keilin or Mr. Ravitch or somebody, because that was the beginning of denial and well, you know what was about to hit the fan.

Andrew Rein: Let's turn to Mr. Keilin now. Gene, welcome today. Thanks for joining us. Tell us a little bit, and you can even spin back a couple of years on what you're doing to facilitate borrowing and then hit where Steve left off.

Gene Keilin: I hadn't thought about that, Andrew. And I probably should keep it in the archive, but in fact, I was working for the city. As you mentioned this, the general council, the budget office. And my function every year in the spring time was to go to Albany and try to get help for the city's budget. Albany was not very much in the mood to provide that help. It wouldn't reduce expenditures. It wouldn't increase revenues. It certainly wasn't going to increase state aid.

The one thing it would do was to allow the city to borrow money, to cover its budget gaps and then it changed the law so that the city could count those borrowed funds as revenues. The consequence was that the city always reported a budget surplus when in fact, as Steve indicated, it was running a very substantial budget deficit. If you run a deficit, you have to be able to borrow money.

In the spring of 1975, New York City had a total budget of about \$12 billion. It had an accumulated deficit, these monies that were spent ahead that Steve mentioned, of \$6 billion or half the budget, those numbers were pretty big back then. And it was running an annual deficit of \$2 billion.



At that point, spring of 1975, the city's leading bankers who had been its principle lenders came to see the mayor and the governor and told them both that nobody would lend the city a nickel under any terms that the amount of the borrowing had gotten so high, and the explanations for it so vague, that the city was not trusted in the bond markets and it was hard to see when the city would ever be trusted again.

The state's answer to that or its first answer to that was to create MAC, the Municipal Assistance Corporation for the City of New York called MAC while we were drafting it and instantly called Big MAC, once it was adopted and implemented. It was a kind of financial heart-lung machine. Its function was to borrow money on the city's behalf, while overseeing the city's reform of its books and its budget practices with the aim that the city would eventually get back into the bond markets on its own, no longer need the heart-lung machine.

Why was it created? Well, it was created because as Steve says, the city needed borrowing to pay its bills, but it was the only technology available. One piece of history that's worth remembering: 1975 was not the first financial crisis for New York city in the 20th century. In the 1930s, the depths of the great depression, there was another financial crisis almost as big in its own times as 1975 was for us.

The city had \$2 billion of debt in those days, and that was more debt than the other 48, all 48 States in the union combined. The solution to that crisis was what was called the bankers' agreement. The city bankers came in and said, "We will lend you money, but here are our terms." And the terms were extremely strict. They limited the expenditures. They limited taxation, particularly on banks. They charged very high interest rate for very short-term loans.

The only way for the city to get out from under the bankers' agreement was the same thing that applied in 1975; city had to demonstrate that it was capable on its own of running a tight financial ship. I've always thought it was a poetic justice that Fiorello La Guardia was elected mayor in those days in order to take the city from a distress to a success.

So, we had La Guardia and Koch as two of the city's great populous mayors who were both elected and immediately charged with responsibility to demonstrate their financial acumen and their financial responsibility. Both succeeded wildly.

Andrew Rein:

Thank you very much. I will mention in that first fiscal crisis is when the Citizens Budget Commission had its founding and was very helpful to the city. We will do maybe another program on the Citizens Budget Commission history, but why don't we turn to Dick? And so, how did you get dragged into this?

Dick Ravitch:

Well, I had been asked by the governor to try to save UDC from bankruptcy. We were successful with doing that, because we learned early on that the holder of a general obligation bond did not have a security interest in any of the revenues that UDC was receiving. And therefore, we were free to take a revenue away from the existing creditors of UDC and pledge it to get fresh money.

And that was what led to the creation of the Municipal Assistance Corporation, because we took that lesson and took the sales tax away from the City of New York and made it payable to the Municipal Assistance Corporation.

I was the only person in the room with Governor Carey when the chairmen of Citibank, JP Morgan and the president of Chase, David Rockefeller was the chairman, but it was a little awkward for him since his brother had contributed so significantly to the process that led to New York's insolvency.

And I was there May 2nd, when they told the governor that they would no longer underwrite the notes and bonds of the city of New York. We were shocked. We asked him effective when. Walter Wriston said effective immediately. I said, "What is a nice, young kid like me doing in this moment in time?" Nobody said anything further. They left. I called Jake Olden said, "Jake, get your ass up here to the governor's office. I want to see a schedule of all the city's debt maturity and the current cash position."

And I called my friend, Peter Goldmark in Albany and we sent the state plane up to bring him down. And I read, while I was waiting in Governor Carey's office for Jay to come, I read the Wall Street journal and described how a guy by the name of Paul Volcker had been named head of the Federal Reserve Bank in New York. And I called him and I took him and Peter Goldmark to dinner that night at Cresellas Steak Restaurant on 46th Street. That's really not germane.

In any event, I want to make two points Andrew. The current crisis is so fundamentally more serious than what we went through in the 70s. We were able, for several reasons, through political leadership—and my colleagues on this broadcast who are talented and dedicated public servants, every one of them played a major, major role in what evolved over the next year.

When Ford turned down Hugh Carey's request for money in September, there was that famous *Daily News* headline: "Ford to City: Drop Dead." The business community in New York, the leaders of our financial institutions, of our major insurance companies, they got together, they realized the seriousness of this. I remember some of them went down and played golf with Mel Laird who was the Secretary of Defense and Gerry Ford's best friend.

And they surrounded Bill Simon who made his living underwriting the debts and bonds of the city of New York. And ultimately, afforded him the station, turned

around and by October, I and others were in the Treasury Department, negotiating what ultimately became a \$3 billion line of credit which the federal government provided the city and nobody doubted that, that wasn't enough to get us through.

The problem today is we too have no way of knowing what the revenue loss, sales tax, income tax, and even the property tax revenues, are going to be for New York City and New York State to face. It could be far worse, depending of course, when the city opens, what happens to unemployment, what decisions commercial enterprises make? Do restaurants and retail stores start paying rent again, or will there be substantial reductions in the assessed value of property?

Will irresponsible politicians stop suggesting that people should be relieved of that obligation to pay rent? Nonetheless, landlords have an obligation to pay property taxes. There's an incompatibility between the two. So, it's very, very hard to measure. And even though the Republicans are criticizing Nancy Pelosi's proposed bill, that at least would provide enough money that would cover any possible shortfall in revenue according to projections that some academics and people at the federal reserve made.

Last of all, let me just say this. Borrowing is not a solution to this problem. We cannot borrow what will amount to billions and billions of dollars, i.e. either revenue shortfall where the city and the state will suffer with, because when we have to pay it back, it would require an enormous increase in expenditure, which is not something we want to saddle a city's future with.

So, the only answer is massive federal appropriation at this point in time to get us and other places around the country, similarly situated, through the period.

Andrew Rein: Let's come back to that. I think that's an important part of the solutions, but I still want to go around the barn and bring Alair and Stan in, because Alair, you came in. When did you come up to be budget director? And you came in, what did you find at that point in time?

Alair Townsend: Well, I was recruited from Washington DC and I arrived in September of 1981. I had only lived in New York for one academic year in the past. So, I made myself flashcards, Golden, comma, Harrison J., New York City Controller. I had a lot to learn, so I did it the way my mom taught me with flashcards.

What did I find? Well, it was the first balanced budget according to generally accepted accounting principles. Nat Leventhal had convinced Ed Koch that even though the law says we have to use generally accepted accounting periods to produce a balanced budget until the next year, we should do it a year early and that would both be good practice and it would send the right signals.

So, we had done that and everybody was pretty proud of ourselves. The level of services were the lowest they had been in years; everything, everything was cut to balance the budget. And about two weeks after I arrived, the city did its first bond deal on its own and for the outstanding sum of \$75 million. \$75 million to a city as large as New York City is kind of eyewash, but we were pretty pleased with ourselves nonetheless.

I'd like to just talk a little bit about why the city was in such extreme mess as to cause this need to create a financial control board and the city to have to bond out all kinds of operating deficits from the past. Well, yes, sure there was profligate spending, but during the '70s, the city's economy went through a cataclysmic change.

Basically, we lost all of our manufacturing jobs. They just hemorrhaged away. 1969 to 1977, we lost 600,000 private-sector jobs. We lost them. They weren't coming back anytime soon, so that created spending needs. We had to help some of these unemployed people and it certainly cost us billions in tax revenues.

The problem was that nobody wanted to acknowledge that. Lindsey and Beame just really didn't step forward and say, "All right, these changes are happening. We've got to adjust our spending. We have to rethink where we are." They wanted to continue business as usual. And so, all manner of terrible budgeting practices took place, bonding out deficits would ultimately happen, using the capital budget to pay operating expenses, things of that sort.

So, when I got there, the city was basically cleaning up and it was reforming all of its terrible bad practices. And it had a leader in Ed Koch who grabbed the bull by the horns, didn't make excuses, just said, we can't spend what we don't have. And he made a virtue out of saying no.

Andrew Rein: Made a virtue out of saying no... We'll get to that. One of the lessons, I'm hearing a couple of lessons of the past of what you've said, one is the virtue of saying no. And the other is the vice of not changing in the face of a changing reality. So, Stan you came back. Now, you kind of cut your teeth in the late '60s, expansionary social programs, this is the time of innovation, of growth, of opportunity in this social program world. And you come back the HRA commissioner in a world where there was no money. Tell us a little about that.

Stanley Brezeno...: I think Alair accurately and vividly described both the lead in and what was happening in the city in Ed Koch's approach. Personally, it is ironic that in the Lindsay administration, part of the business I was in was creating things like the antipoverty programs and the community corporations, which I would stress played a very important part in improving the wellbeing of the city and its citizens.

But we're talking about decades later and things like that had fallen into less than the most efficient enterprises. But I did have the perspective of two different imperatives: the War on Poverty growing out of Lyndon Johnson's programs, the imperatives in the city, which certainly exhibited the same kinds of conditions that engendered those national programs. And then over time, contributing to the mess that the 70s turned out to be financially. Though I wouldn't say they were the only part of it.

So, I do want to talk about though, what's entailed in doing the hard stuff of governance and delivery of services in context, because I think it's been well described today by people who were intimately involved, what the big picture was like and what had to be done on that stage in order for the city to have any chance of getting out of that mess.

But it also required that the city operate in a way, with less dollars, in a way that every dollar counted, in a way that efficiency became a byword, in a way that as Alair described, no was the starting point and you had to be persuaded to spend dollars. We literally had no capital budget to speak of except for a few federal community development block grants. The police force was about 20,000. So no was a big part of how we had to operate.

But the other part was I think, equally important. And that was going into places like the Health and Hospitals Corporation, the public assistance operation where starts had been made to improve the operation, but were still bleeding money. One of the anecdotes that I remember from the early days of the Koch administration, which came out of OMB, because part of the reality in a circumstance like that is, headcount is the equivalent of cash is king.

And controlling headcount, bringing down headcount was probably the most essential item in the arsenal that the city had, but how to do that. One day at some meeting, OMB reported the steps that had been taken to reduce the headcount at the then Board of Education, only then to conclude that they didn't know if any of those steps had resulted in actually reducing to the target headcount, because they couldn't accurately count what the headcount was.

I tell that story because it illustrates another difference between then and now. There were so many things that had a consequence of either inefficient spending, excessive spending, poorly conceived spending, that could be corrected. It's very different now. That low hanging fruit, that fruit on the ground, to a great extent does not exist.

Now, that does not mean that there aren't the opportunities to do things a better and more efficiently and judgment calls to make as to how to allocate

resources or how to effectively spend those resources, but there were many such opportunities.

And the last point I would make is because, you cannot *not* focus on the leadership quotient, both from Albany and from the City Hall and Ed Koch is the personification of it. He in a sense did a Churchillian thing. I know that may sound like aggrandizement, but in context, I'm not sure that it is. He created a public mindset and supported it and enhanced it at every opportunity that in effect unified the city and its understanding of the situation that it was in. That's not to say there weren't the grief constituencies or vested interests that combated or protests, but overall, for that period of several years, the city was engaged collectively in getting out of a mess. And I wonder if that can be repeated now. Unfortunately, I have some doubt.

Andrew Rein:

I hear what you're saying. What you and Alair have talked about is in part, the ability to say no, you talked about the information to manage and creating that public mindset. And I would kind of round that out to say that there's a crisis. We don't have the money. One of the other components from the fiscal crisis, and I'd love to hear some thoughts on it was, active engagement from various constituencies, but let's first talk about the business community and then labor.

On the business community, I want to get to Dick in a second, but I also want to start with Gene, because you told me a story once. I think you told me that you were sent to meet with the bankers because you had the right way of speaking in a nice suit. But I think you also told me about Felix coming in.

If you want to share, like what that kind of bringing in between the business community and government started to look like and then I want to turn to Dick.

Gene Keilin:

Well, hey, you forgot to mention the Harvard degree. Abe Beame did send me out to talk to the bankers because he thought somehow that I spoke their language. I didn't speak theirs and they didn't speak mine. I think the story you referred to is when the business community did come in to take a look, which it had not done for many years. It had taken the city for granted. It did not understand how the city operated or how its finances worked.

The business community came in. They learned a lot of things that surprised them and kind of the symbolic episode is when Felix Groton, who at the time was the chairman of the Municipal Assistance Corporation, was meeting with Jim Cavanaugh, who at the time was the first deputy mayor.

Cavanaugh explained to him how borrowing was a revenue. Felix expressed surprise at that. And Cavanaugh said, "Well, Mr. Groton, you don't understand municipal finance." And Felix said, "I may not understand municipal finance, but I understand bullshit."

Andrew Rein: Thank you very much, Gene. Dick, now, you and I have talked a bit about the business community's engagement then and now. Part of the formula that made things successful in part an outgrowth of the very direct need for finance and the potential loss of access to the credit market, but also the business community generally and the management of city government. Tell me about what you think happened then and why, or what is different now about that?

Dick Ravitch: Well, I can already tell you, I have such a vivid recollection of introducing Victor Gotbaum and Albert Shanker and Walter Wriston, whose politics were a little bit to the right of Marie Antoinette. But when it came to the city of New York, Wriston was a powerful and passionate advocate for what was necessary in order to restore fiscal sanity to New York.

And he acknowledged underwriting debt that was used for operating budget purposes was not a practice that was commendable. In any event, I've asked myself a lot in recent month or so, what was different? Well, what I know that was different was that these major financial institutions owned the premises that they occupied back in the '70s and today they don't own them. They're tenants. They were sold through fiduciaries often to foreign pension funds, foreign investors, so their interest in the intrinsic of real property isn't what it used to be. And that may contribute.

I also think that Hugh Carey and Ed Koch were smart enough to bring people like my colleagues here, Gene and Steve, and Alair and Don Kummerfeld who is no longer with us, in government and who were very sophisticated, able people and could communicate as peers with leadership of the business community.

Plus, and this is in no way critical over either Henry Garrido or George or any of the major union leaders in New York, but Gotbaum and Shanker had a particular skill. And I remember Victor and Felix and I having dinner many times at a sleazy Italian restaurant on 3rd Avenue somewhere and Pat Patterson lived near where the Gotbaums lived in Brooklyn and they got to know each other and they could not have been different.

But there was a sense of common purpose, of determination to make sure that New York City got out of the mess. And there was no descent. There was a control board that has been pointed out, which Steve ran with great skill and aptitude.

But what is significant, and I recently told the de Blasio taskforce his story, which I think is worth repeating, which is Ed Koch, when the control board cut major expenditures out of the city budget, Ed Koch would go in television and criticize the control board. When he got off camera, I was often with him, he turned to

me, and I'm sure Steve probably remembers this, and Ed said, "Thank God for the friggin control board."

And political leadership, he and Carey, who didn't get along in many ways, when it came to dealing with the city fiscal crisis, they had a relationship that was professional. Ed listened to the people like Felix who had a leadership role appointed by Carey and Carey listened to Kummerfeld and then Alair.

And it was a different context, and I regret that that doesn't exist today.

Andrew Rein:

So Steve, how do we get people together? Compromise is not necessarily culturally part of what we do today. And Dick talked about two things, and we'll talk to Steven and Stan. He talked about business and labor talking together and coming together, which doesn't seem in the cards. And there has always been a tension between mayors and governors, good times and bad times, but coming together during bad times. How do those things happen? What recommendations do we need now for our political, business, and labor leaders to move forward on this?

Steve Berger:

I shouldn't say brain transplants, but let me make a couple of points. I think Dick just hit on a couple of points which are really central going forward. Number one, we talked before and Alair mentioned, the fact that the City of New York went from a period of economic depression in its economy to a period under Ed Koch where the economy turned around, revenues picked up. That was a big part of the future, what made the future possible.

Dick has pointed out in his comments that we're heading into very uncertain times, and a lot of our revenues, in the tourist business. People's ability now, they've learned they can work out of office, they can be swimming in Florida and running businesses in New York. Secondly, the business community in particular, that Dick was talking about, were New Yorkers, every one of those people thought of themselves and their business as being New Yorkers. The guys now, whether they're New Yorkers or not, are not, they're global leaders, and that's a problem.

And on the labor side we don't have the same kind of folks who grew up in the streets of New York, running those institutions with the same history. So we need the federal assistance, and we have to work much harder at trying to put people together who have no history and are basically clueless. One piece I want to come back to, which is under some control, we put all the restraints in place.

I had two major failures at the control board. And somebody used the word headcount. By the way, you don't necessarily protect the future budget by taking out heads because what the unions understand is the heads will always come back. We have 390,000 employees now we had 390,000 employees in 1960; the

heads will come back. You change it by changing what we did with the systems, how you run the operations. I lost two fights.

I lost a fight on the Board of Education, and I lost a fight on transit workers union. And the fight was over work rules and changes and finding what the responsibilities and the jobs and the necessary operations were. I lost those fights. The education fight was marvelous, the United States Senators and the *New York Times*, and everybody came in to protect Al Shanker's COLA and everything else. George Washington and Gandhi didn't show up, but everybody else showed up at that meeting, and just ran over the notion that we had to change how we did business.

And decide, not just taking heads out, it's finally deciding what is important for the city to do and not important, and changing how we deliver service. I think that's the one tool that's ours to work on. The other issues, the federal government, for example, and the economy turning around. I really think this is a worse and more dangerous situation than we had back in the '70s.

Andrew Rein:

Understood. I will say that we have a short-, medium-, and long-term problem. We shouldn't forget that we have 15,000 more employees than we did at the peak before the last recession or 33,000 more than we added the trough. And as we put out a report the other day showing that we have a financial plan that virtually keeps headcount flat, despite revenue projections going down, and probably as we've talked about here going downwards.

So yes, we need to right size our government. And history has shown headcount going up and down, but you're exactly right, we need to right size what is supportable and simultaneously restructure how we do things. Because doing things the same old way has brought on the same old problems at times. Stan, we understand why it's different and why the business community is different, the labor community is different, but how do we bring things together? Is there enough of a sense of a common sense of crisis today?

Stanley Brezeno...:

Not yet. And part of it is, and we need to be mindful of it, that the state and the city and the region has to take a certain posture with the federal government and advocate strongly and in coalition with others across the country to get that federal aid, because there is no way out of this mess without substantial federal commitment. So putting that aside, I think everybody has identified each of the elements that ought to be present as one thinks about how to reshape and restructure the role of government in New York City and the state and the role of the workforce.

Some of these things are extremely difficult to do. Steve told the story of the Board of Education. There are many such stories. Leadership is required, collective will is required, and a culture that values this kind of thing. Even in the

basic year-to-year, day-to-day operations of city government, there needs to be a mindset that thinks in terms of efficiency, that thinks in terms of what's the most effective way to spend dollars. How should we be organizing ourselves?

I'm the first to recognize how much city government and its services have moved over the last decades, like the Health and Hospitals Corporation. But the truth of the matter is that there are many elements within the delivery of city services that are more than susceptible to a more rational approach. But it takes a commitment level that does not today exist in my view. This is the first year, as I recall, where we've even had a PEG program in New York City.

And that ought to be a given every year, even if the ultimate decision isn't to reduce expenditures, just to have that discipline and that mindset. Part of the consequence of having boom years, and I don't know if anyone has made an allusion to this, but up to this point, before the virus, up to this point the city has enjoyed an enormous boom in its economy. I've never seen anything like it. And that has contributed, I think, to a lowering of the guard as it were, a sense that everything is affordable, there's no such thing as a non-sensible add-on to existing services.

And it hasn't been noted because we're focused on the condition that we're in, but the halcyon days seem to be burning out even before the virus. We had the Medicaid-generated crisis in New York state, which we're surely going to reverberate to City finances. Other signs that things were weakening in the economic picture. So the virus has overwhelmed and its consequences has overwhelmed all of that, but it was happening. It was happening anyway.

And I want to come back to how important leadership and messaging is and creating a culture, both within government, amongst the opinion makers and in the general population as to the nature of the circumstance that we're in. And secondly, to create a process where there's both transparency and some significant interaction with the public and elements of the public. Because even in the worst of times, budgets continue to be political documents that represent policy choices and what values we have in society.

So it's really important, especially since this is not a short term circumstance that we develop ways to have full engagement as we figure out what to do, but then to have the discipline and the steel, the will, to do what's required.

Andrew Rein:

And I think that's a challenge. For example, we've talked here about the need for federal aid, but at this present time the need for federal aid diverts attention from the crisis that we're in, because people are looking for the solution generally, and hope for the solution generally, and also think that because that solution will happen, we don't actually need to do some of the things that we

talked about, that Stan you talked about in terms of efficiencies and focus on management, and Steve talked about.

So again, it's about how we generate that political will, the civic will. Gene, do you have any thoughts from the healthcare side, also anything historically. But I also note that you are chair of one of my local hospitals here in Brooklyn in Maimonides and the illusion to the Medicaid budget gap. What are we facing here and how do we get people in that compromise crisis mode?

Gene Keilin:

Well, let me pick up first on what Stanley said. We had, in the financial crisis of the '70s, I think we have it now. In the '70s beginning, people didn't believe how serious it was. The unions didn't think this was anything other than being softened up for collective bargaining. A man in the street didn't pay an awful lot of attention. But eventually it got to the point where the city was not going to be able to meet the next paycheck or not going to be able to send out the welfare checks.

It became indisputably, not just a problem, but a crisis, and not just a crisis, but one that was literally life or death for the city. And once that atmosphere was established, you could get everybody together, you could get them to accept the same set of facts. Politics didn't go away, but some of the posturing was left behind. And in the end, while it wasn't perfect and there were certainly things that we didn't do, the solutions worked and they stuck for a very long time.

I think we're there again. I don't know that people have fully focused on the impact of the virus and the lockdown on state and municipal budgets, but those impacts are so large and so indisputable and have such an obvious and apparent cause that I think people will not – the politics of denying them will not arise. There's an opportunity for leadership, but that's only an opportunity. We've talked to all of us, either in one way or another about the state and the city. It's true in the healthcare issues that you asked me about.

But the first step here that you really have to hope for in New York is that the mayor and the governor and their respective staffs and their respective allies, find a way to see this as a common problem and find a way to look for real solutions. If they do that, then I think there will be public support for the steps that need to be taken.

Andrew Rein:

Does anybody else want to take on the ... Oh, Dick, please.

Dick Ravitch:

I couldn't agree more with what Gene just said. If the governor and the mayor would stand together on television every night and convene jointly the major business leaders and labor leaders of New York, we would get a hell of a boost in this political effort that's going on in Washington. Let me say the bill the House

passed, that I'm very familiar with the details of it, solves a lot of potential problems, and is critically important for New York.

But it is being attacked by people like this jerk Senator Scott of Florida, who says red states should not support politically liberal blue states because of their inability to manage their affairs and their budgets properly. I do want to point out that New York City and New York State pension funds send \$2 billion of pension benefits—cash—to people living in Florida every year. Those residents in Florida should elect a different Senator, one that at least respects the fact that their ability to move down to sunny Florida was because they were treated fairly decently by the City and State of New York.

Alair Townsend: Well, not only that, but the balance of payments to and from the federal government has been stacked in favor of the red states like Florida for a long time. Pat Moynihan used to annually do an analysis that showed how much more New York State sent to Washington than it got back. But I would say that no matter how much we end up getting, I assume we get something, from the federal government in this time of need, we still need to do better than this business-as-usual budget.

We have political leadership in this city who seems to that any efficiency measure, closing down an obstetrics wings that is underutilized, is a terrible service cut because it might affect some union workers. It cannot be endured, it must be reversed. That kind of narrow minded thinking to me is crazy. The old adage is that there's no Republican or Democratic way to pick up the garbage. I would also add there's no progressive way to pick up the garbage either.

And until and unless the mayor talks realistically about what needs to be done right now and shows some willingness to do it, I think getting the city council members to come along is going to be very difficult, and getting the public to come along is going to be very difficult. The indispensable ingredient at times like this is political leadership, plain speaking about the problems we face, the choices we have and the preferred options. And we're not getting that except that the federal government should bail us out.

The federal government should give us aid, but it's not going to bail us out when there are things we need to be doing that we are not.

Steve Berger: It's got to be both the governor and the mayor, because not only do you need the City Council guys, you need the Legislature.

Alair Townsend: Yes.

Steve Berger: And the legislature now also, as Alair points out, has a progressive view of everything, including garbage and their own importance. And so you got to have

both leaders at both levels if you want to make the changes that have to be made.

Stanley A word about health, Andrew.

Brezeno...:

Andrew Rein: Please.

Stanley Because it's taken years, decades, to even begin to make inroads on the reliance of bricks and mortar and large scale institutions, as opposed to much more effective approaches to the delivery of healthcare, emphasis on primary care and population health and so on. It's taken years to get there. And I see as one possible risk outcome of the crisis that we've been in, not just the distraction, but a re-emphasis on the inpatient care, crisis medicine, and eroding the progress and not allowing us to go forward.

Brezeno...:

The truth of the matter is much of the disparate results and consequences of the virus can be traced to inadequate of primary care and so on. So I'm really concerned that in the rush to deal with the crisis that we lose the vision that we had for a different kind of healthcare delivery system, and the hospital's become re-ascendant as it were.

Andrew Rein: I see Berger Commission Chairman nodding his head.

Steve Berger: We've been talking about that, Stan, and many of us have. In fact, what this tells us is we should commit a larger percentage of the public funds and Medicaid and other funds, the primary behavioral and preventive care, and not to try to build more beds for single events, which is what some people are going to. It's a totally wrong thing, and we ought to be moving in that direction.

Andrew Rein: Let's go to Gene before we go to another subject. And I'm going to take a little liberty for those of our guests, I know we said it was an hour. I think we're rolling well, but we might bleed over a few minutes if our panelists are willing.

Gene Keilin: So, as the chairman of a hospital board and as you pointed, I do have to say a word for hospitals. This crisis did remind us how, when you need a hospital, it is important to have hospitals there who are fully staffed, fully equipped, and fully funded to deal with the problems that only hospitals can deal with. I don't disagree with Stanley or Steve, that the model of healthcare delivery needs to change. It needs to be pushed out into the community. It needs to become more a question of preventative care and of population health.

My hospital, my Maimonides, is one of the leaders in that effort in our own community and in much of Brooklyn. But we can't forget while we are doing that, that the strong hospitals, the good hospitals, the ones you want to survive have

to be adequately—they're struggling as it is—and they have to be adequately funded and they have to be supported.

Andrew Rein:

Yes. And this is going to be the challenge, both to do that as well as conceive of emergency planning and preparedness as different from hospital capacity. And I think that is one of the challenges. So we've heard here of needs of political leadership, of joint mayoral, gubernatorial leadership, business leadership, civic leadership. We've talked about the needs to change government focus on efficiency, but also federal help.

And I would argue that there's a tension in the political discourse as people focus on federal help to not focus an awful lot on changing government. The question is also what gets us to that point? As I think Gene pointed out we're in a health crisis, economic crisis, and the fiscal crisis is down in people's minds. It would be a tragedy to have to get to such a crisis as we did in the '70s where we are paying employees with script or massive layoffs for us to take the actions that we have now.

Just one question before we wrap up though, no one has mentioned what I think might be different than the '70s is the strength and importance of the social services community and progressive elements of both political and housing stability advocacy to this equation. Will we get there without them at the table? Dick talked about bringing together labor and business at one point, but we didn't really have that way as such a strong player then. Am I wrong on that or do we need them in a different way now?

Steve Berger:

Well, the first thing we got to do is keep them from all going broke, because one of the things we have done over the last decade in this period of grandeur is we have depended upon not-for-profit social service agencies to provide a large amount of care and support into many communities. And we've underfunded them, and we don't cover their real expenses, we don't support them very well, and they are not integrated either into the health delivery system or the educational system. And we treat them as if they're the house servants who sometimes give a tip to you and sometimes you don't even pay their bills.

And that is a disaster if you want to deal with community health and you want to deal with basic issues. We have failed to deal with those people intelligently and bring them into the delivery of service in a way that they are actually doing.

Andrew Rein:

Any other thoughts on the social services? I know Stan you've worked between this a bit and I just wanted to make sure that we didn't lose you on this.

Stanley Brezeno...:

Well, they're more than an important constituency. I said earlier that the context here has to include a transparent discussion of potential choices, alternative uses of resources. They need to be at the table. We can't have a consequence that

effectively diminishes the level of services to poor people or exposes them and their vulnerability. So we have to figure out options to somehow maintain what is required, but at the same time extract the efficiencies, figure out our ways to do it to achieve goals.

And they have to be a part of this effort. In the old days it wasn't just the union leaders and business leaders had a beer together, they came up with some approaches that the unions bought bonds, the union agreed to different approaches, perhaps time limited, but they did.

Alair Townsend: And they had a reason to do that, right?

Stanley Brezeno...: Absolutely.

Alair Townsend: If we went bankrupt, all the contracts would be abrogated. They wouldn't want that.

Stanley Brezeno...: And the social service agencies have a stake in the viability, the success, the future of New York City and New York State. And they're smart, caring people who lead those organizations, who advocate for the interests of the poor and the vulnerable. So they need to be involved in this intimately.

Andrew Rein: Are we seeing the kind of cross-fertilization that's needed right now, or is it mostly silo-based discussions?

Dick Ravitch: We're not.

Steve Berger: We're not.

Stanley Breznoff: I don't know, Andrew.

Dick Ravitch: I don't think there is. If I may, one concluding comment. The issue of how much revenue New York City and State are going to lose over what period of time is the biggest unknown that we're facing. And if I may say there has never been a more important time for Citizens Budget Commission to play a major, major role. The competence and the independence of that organization, and Scott as well as Ronnie Lowenstein in the Independent Budget Office have got to play a major, major role in giving credibility to any projection of revenue loss, which will both determine what our budget priorities ought to be, and I think enormously strengthen political case for federal aid.

Andrew Rein: Thanks. I'm going to conclude with a round robin question for all of you, because these are dire times, the past have been dire, we pulled out of it. We've talked more about the challenges and some suggestions about solutions, but let's talk about the future. How optimistic are you about New York's prospects? What are

the risks to that optimism and how do we mitigate them? So let's start now with Gene. How optimistic are you about our prospects, over what time, and what are the risks that we should be addressing?

Gene Keilin: My personality, Andrew, is to be pessimistic. My mentor Felix was always sure that the next fiscal crisis was around the corner. I've now been in New York almost 50 years, and the fact is it has never been a wrong time to bet on New York. Sure, we have plenty of problems, we have economic problems, there are trends that are running against us, technology, dispersal, our tax policy, there are leadership, there are all kinds of issues you can name.

And it's true, it's hard to put your finger on a solution to any of them, much less all of them. But I remain fundamentally optimistic. I think New York has great strengths that are not going to go away and they are not going to be duplicated. We're going to go through a tough time, but if we take advantage of the opportunities as we've all been discussing, I think our strengths will reassert themselves.

Andrew Rein: Stan, optimism, pessimism of the future.

Stanley Brezeno...: Well, I'm like Gene, a pessimistic realist by nature, but the truth is the city has always bounced back. And while I say that I'm still a Knick fan. I think the Knicks are going to win the championship this year. So that's proxy for New York City bouncing back. But we have to do what's required. Kidding aside, this is serious stuff. People have to step up to the plate. The leadership has to be there and we have to demonstrate the willingness to understand what's required and to do it.

Andrew Rein: Steve Berger.

Steve Berger: I'm very, very concerned about the next probably two or three years, because I think we have the terrible opportunity to make things worse given the fact that some of the local leadership, is really, to call it mediocre is to give it absolutely high grades. It is really terrible. On the long term, on the longer term, we do have the strengths that everybody's talked about. We got Broadway, we got the opera, we got the museums, we got lots of things here that sooner or later people will get on airplanes and come to see again.

So longer term I'm comfortable. I'm just worried about the next two and a half, three years, and I just don't see the things being done that will get us to the next stage of recovery. That scares me.

Andrew Rein: And we'll ask Alair if she could fiddle with her screen and get her picture back and turn to Dick in the meantime, optimism, pessimism about the future.

Dick Ravitch: I'm optimistic. I share Steve's view. I'm optimistic in the long run because of the intrinsic strengths that New York has culturally, economically, the propensity in a world where we live in for people to move to cities. And so I would suspect a population growth. I think that in addition to the problem I've discussed several times in the course of this hour, the revenue shortfall, the other problem is public service and politics don't seem to be attracting the same quality people that they did when you had a Stan Brezenoff and an Alair and a Steve and a Gene-

Alair Townsend: And a Dick Ravitch.

Dick Ravitch: ... [inaudible] lives to public service. That is a cultural thing, that this crisis ought to get us aware of the fact that the younger generation has an obligation for public service, for social commitment, and to get involved in politics in a way that very few people are these days.

Andrew Rein: Very good points. Very good point. Alair, please.

Alair Townsend: Well, I'm tempted to break out in a chorus of I love New York because what this hiding-in-place period has brought home to me in great force is how much I miss the things that I can't now do in New York: the theater, Carnegie Hall, Lincoln Center, ballet, all of those good restaurants. To me it's like a fairy band and I love it, and I believe it will come back because I believe there are a lot of people who feel just like me, this is what we want, this is why we are here.

And that makes me particularly sour on leaders who are not leaders, because I think that as strong as New York is, it's fragile in many ways. It can't withstand everything. And I want us to come back from this affliction as we have from many others, and I want the leadership that will make that come true.

Andrew Rein: Well, I appreciate that thought. As we at the Citizens Budget Commission certainly we were listening to all the elements mentioned here, we're pleased that neither the governor nor mayor proposed to balance the budget at this point with borrowing or tax increases. And we didn't talk about taxes but we talked a little about borrowing. So that's the first step. And we need to encourage all those right hard choices to be done, and I think this discussion leads to that, and encourages people to work together, to come forward both within and outside of government to step up and make those hard choices.

So I can't thank you all enough for this discussion. I thank all of our audience members who came today. And I don't want to leave today without reminding all of us, or sharing with all of us is better put, because I don't think we need reminding. I happened to be sitting in my home two blocks away from my local hospital. There are so many people working on the front lines, so many service



workers working to keep the economy going, so many of our colleagues and staff working in difficult situations.

And we appreciate all of them as we all do, because as much as we think things need to change, evolve, there are so many people working so hard every day. And I also want to personally say thank you to the trustees of the Citizens Budget Commission who support us, and thanks Dick for mentioning the importance of the work we do. I appreciate that. But all the trustees have been wonderful during this time, supporting us.

And it's a tough time in all of our lives and all of our businesses, but we will continue to keep pushing these hard choices and pushing in the right way. And thanks for your support. And with that, I'm sure everyone has a busy day ahead of them, so thank you all panelists. Thank you all for coming.