

THIS WEEK IN NEW YORK

COVERING NEW YORK & CITY GOVERNMENT

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"Obstacles don't define us. Rather, it is the unparalleled courage and character of us that defines us as a people. So my confidence in the future is steeped in our glorious past - in the face of adversity, we always persist. We persevere, we prevail." Governor Kathy Hochul

In the News-New York State



Governor Hochul Keeps Second Avenue Subway Project on Schedule

Announces \$54 Million in State Funding to Support Project Paused with Congestion Pricing

Governor Kathy Hochul this week announced that New York State will provide \$54 million to support the Second Avenue Subway expansion project that would extend the Second Avenue line to 125th Street in East Harlem. The project was paused by the Metropolitan Transportation Authority (MTA) following the Governor's June decision to put a hold on New York City's Central Business District Tolling Program which was slated to generate \$15 billion for the MTA's Capital Plan.

The capital funding provided to the MTA will be earmarked towards the utility relocation contract ("Contract 1") for Phase 2 of the expansion project, which will deliver subway service to residents of East Harlem. With this State funding support identified by Governor Hochul, the MTA can immediately proceed with the work to relocate utility lines along Second Avenue and nearby streets, putting the project in position to advance as scheduled while broader funding issues are resolved.

Earlier this year, the MTA awarded its first construction contract for the extension of the Q train up to 125th Street in Harlem, to relocate underground utility lines to create a station at 106th Street. Stations are planned for 116th and 125th streets as well. The total contract awarded was for \$182 million; the governor's funding announcement covers approximately 30% of contract.

According to the Governor, this action will not impact MTA Capital Program State of Good Repair projects that are prioritized or currently underway.

"We are grateful the Governor was able to identify new funds to advance the utility relocation project along Second Avenue without impacting funding available for State of Good Repair investments," MTA Chair and CEO Janno Lieber said. "Advancing that utility work now – while congestion pricing is on pause – puts MTA in a position to keep the overall Second Avenue Subway Phase 2 project on schedule while Albany resolves how to fund the \$15 billion outstanding for the MTA's 2020-24 Capital Program."

Second Avenue Subway Phase 2 -- The second phase of the project will extend Q train service from 96th Street north on Second Avenue to 125th Street and then west on 125th Street to Park Avenue, approximately 1.5 miles in total. There will be three new stations at 106th Street, 116th Street and 125th Street, and a direct passenger connection with the existing 125th Street subway station on the Lexington Avenue subway line. Phase 2 will also feature an entrance at Park Avenue to allow convenient transfers to the Metro-North Railroad 125th Street Station.

“I am thankful that the Governor responded to the critical concerns of the community which others and I expressed after she paused Congestion Pricing,” State Senator Cordell Cleare said. “I am pleased that this part of the project will be moving forward, as it is a push towards badly needed transportation equity in East Harlem. I am looking forward to finding ways for the completion of other important projects slated to be funded by revenue raised by Congestion Pricing, like increased accessibility, and long overdue repairs to other stations in my district.”

In November, the federal government awarded a \$3.4 billion grant to complete the project. The total cost of the project is \$7.7 billion. Following Governor Hochul’s pause in June, the MTA identified it as a project that would be put on hold.

According to published reports, at the November press conference announcing the grant, US Secretary of Transportation Pete Buttigieg was questioned as to whether there was concern that the project would not get completed.

“We’re determined not to let that happen, but it is something that’s on our radar,” he told reporters, according to the *NY Post*.

In the News-New York City



NYC Comptroller Lander Announces 10% Investment Return for NYC Retirement Systems

***Strong investment outcome outpaces 7% actuarial rate of return,
delivering \$1.81 billion in savings for New York City***

New York City Comptroller Brad Lander this week announced that the five New York City retirement systems achieved a combined net return of 10.0% across all five pension funds for the fiscal year ending June 30, 2024. The Systems – which includes the Teachers’ Retirement System of NYC (Teachers), New York City Employees’ Retirement System (NYCERS), NYC Police Pension Fund (Police), NYC Fire Pension Fund (Fire), and NYC Board of Education Retirement System (BERS) – ended FY 2024 with a value of \$274.38 billion in assets, making the Systems collectively the third largest public pension system in the country.

“Despite the economic challenges of the past few years, our strategic investment partnerships and careful portfolio management delivered strong returns for New York City’s pension funds and great savings for the City this year,” said New York City Comptroller Brad Lander. “Our ability to outperform last year’s 8.0% net return reflects the hard work of our talented Bureau of Asset Management team and the resilience and foresight of their investment approach...”

According to the Comptroller, each of the City’s five pension funds are well-funded to guarantee retirement security for their members. The Systems have an annualized average three-year return of 2.8%, five-year return of 7.4%, and seven-year return of 7.5%.

For the second consecutive year, Comptroller Lander explained, public market equities delivered the majority of the positive portfolio returns for the pension plans. In the U.S., growth companies and strategies, especially a few tech firms linked to AI, performed exceptionally well.

Comptroller Lander indicated the strong performance this fiscal year is due in large part to the Systems’ diversified asset allocation, portfolio construction, and risk management — with a balance of both public and alternative assets across geographic regions. At the end of FY 2024, the Systems had an allocation of approximately 42% in public equities, 32% in public fixed income, and 26% in alternatives.



Comptroller DiNapoli: NYC Contract Spending Rises \$7 Billion Since FY 2019

Urges Greater Agency Oversight Given Increased Spending

New York City’s contract spending (excluding capital projects) has grown significantly in recent years, rising to \$24.3 billion in fiscal year 2023, an increase of nearly \$7 billion from 2019, according to [a report released this week](#) by State Comptroller Thomas DiNapoli. Contract spending, Comptroller DiNapoli noted, represented an “outsized” share (41%) of total citywide operating spending growth during this period.

“New York City’s spending on contracts for goods and services has risen faster than other spending and is consuming more of the city’s operating budget,” Comptroller DiNapoli explained. “This rise requires the city to provide additional detail on what is fueling spending trends and publish results from performance evaluations of new and expanded programming. Greater transparency should lead to improved dialogue on whether vendors are providing cost-effective solutions without hurting service quality.”

The audit showed that New York City uses contracts for a variety of reasons, including the purchase of fleet and materials, the provision of social and educational services, and work that requires certain expertise. Total contract spending for goods and services represented nearly 22% of operating spending in FY 2023, compared to 16% in FY 2010.

Comptroller DiNapoli noted that some of the growth in contract spending was for emergency services. In FY 2023 the city spent \$1.6 billion on expense contracts for the COVID-19 pandemic and services for asylum seekers. Excluding these emergency expenses, contract spending still grew at an annual rate of 7% from FY 2019 to FY 2023, twice the rate of citywide spending and faster than inflation.

The largest dollar growth in contract spending from FY 2019 to FY 2023 was at the Department of Education (DOE), partially fueled by pandemic relief funded additions to programming. DOE accounted for almost half of the city's contract spending in FY 2023 when excluding extraordinary expenses.

Contract spending rose by more than \$3.2 billion from FY 2019 to FY 2023, fueled by spending on charter schools (\$801 million), Carter Cases (\$486 million), and expansions of preschool (i.e. UPK) and early childhood education (i.e. "3-K") costs. These expansions were initially supported by federal pandemic relief and state funding, and each accounted for nearly \$520 million of the increase, according to the Comptroller.

The Department of Homeless Services (DHS) spent \$2.4 billion on contracted services in FY 2023, excluding COVID and asylum seeker-related costs, mostly to provide shelter for unhoused individuals and families, as well as drop-in and outreach services to street homeless individuals.

Homeless family and individual services account for the largest share of contract costs at DHS in FY 2023 (95%, or \$2.3 billion combined), primarily for shelter and intake programs. The growth in shelter contracts was driven by the shelter model budget reform, initiated in 2016, which included efforts to make repairs and enhance social services and security at shelters, while also standardizing rates for services.

Other findings of the report include:

- The city's spending on criminal justice and indigent defense contracts in FY 2023 rose 23% from FY 2019 to FY 2023.
- Contract spending at the departments of Homeless Services, Aging, Small Business Services, and Youth and Community Development all exceed 80% of total spending at those agencies.
- From FY 2019 through FY 2023, contract expenditures at the Department of Health and Mental Hygiene increased at an annual rate of 6.9%, with the largest drivers being mental health and disease control programs, which comprised nearly 70% of the growth in this period.
- Increases at the Department of Sanitation were almost entirely driven by waste export contracts, many of which include provisions for pricing adjustments tied to inflation.

Comptroller DiNapoli recommended the city consider publishing greater detail on how providers are paid for the service delivered as well as program evaluations for new and expanded work. These transparency measures can provide the public with a better understanding of the rationale for the city's choices and encourage dialogue on the most cost-effective means of delivering quality services.

Briefs

Attorney General James Ends Unfair Labor Practices at Major Auto Services Company

Valvoline Forced 150 Current and Former Hourly Employees in New York to Sign Non-Competition Agreements, Limiting Future Job Opportunities

New York Attorney General Letitia James and a multistate coalition of six attorneys general this week announced a settlement to end unfair labor practices at oil change and auto services company Valvoline LLC, Valvoline Instant Oil Change Franchising Inc., and VGP Holdings LLC (Valvoline).

According to the Attorney General, Valvoline required its hourly employees—including nearly 150 current and former employees in New York—to sign non-competition agreements that prohibited them from working in the oil change business at any store within 100 miles of their Valvoline location for one year after leaving Valvoline. Valvoline also required its hourly employees to sign non-solicitation agreements that forbid them from soliciting current Valvoline employees or customers for one year after their employment with Valvoline ended.

Under the settlement, Valvoline has stopped requiring workers to sign these agreements and will notify current and former employees who would have been impacted by the agreements that they are no longer in effect. If Valvoline materially violates the terms of the settlement in any of the coalition states, the Attorney General of that state can seek a \$500,000 penalty.

State Supreme Court Judge Blocks Measures to Expand NYC Rental Assistance Eligibility

A State Supreme Court judge [struck down](#) a class-action lawsuit filed on behalf of low-income New Yorkers directing the Adams Administration to implement a package of legislation expanding access to city-funded rental assistance vouchers.

Manhattan Supreme Court Judge Lyle Frank ruled on Thursday that the Council lacked the authority to expand access to the CityFHEPS voucher program. Tenants who receive CityFHEPS assistance pay 30% of their income toward rent, and city-funded vouchers cover the remainder.

“The SSL [State Social Security Law] does not provide a role for local legislation in the administration of social services programs...,” Judge Frank explained. “The Court finds that entity that serves as the ‘social services district’ that has received authority from the State to set social services policy is City DSS, and consequently the Council’s new laws conflict with that state law delegation of policymaking authority and is preempted.”

The New York City Council pledged to appeal the decision. “We disagree with the court’s ruling and will be pursuing an immediate appeal,” Council Speaker Adrienne Adams said.

Mayor Adams Secures Agreement With Uber, Lyft to Reduce Lockouts

New York City Mayor Eric Adams and New York City Taxi and Limousine Commission (TLC) Commissioner David Do this week announced that the city has secured agreements from rideshare companies Uber and Lyft to drastically reduce access restrictions — commonly known as “lockouts” — that have resulted in reduced earnings for New York City’s for-hire drivers since mid-May.

Under the agreement, Uber will immediately begin phasing out access restrictions for drivers using its platform, with the goal of ending them entirely by Labor Day if Lyft maintains an annual company utilization rate (the time drivers spend with a passenger) of at least 50 percent. As part of the agreement, both companies will also pause onboarding for new drivers, as this helps to increase utilization rates and allows more work for existing drivers. Lyft will minimize lockouts as the onboarding pause continues.

Attorney General James Provides Opportunity to Comment on Rulemaking Efforts to Protect Children Online

New York Attorney General Letitia James this week issued [two advanced notices of proposed rulemaking](#) for the recently signed children’s online safety laws to protect minors on social media platforms and websites. These notices will provide stakeholders with the opportunity to submit comments, suggestions, information, and data about the rules that the Office of the Attorney General (OAG) is charged with creating to protect New York children online.

The two laws, sponsored by Senator Andrew Gounardes and Assemblymember Nily Rozic, both direct OAG to generate rules to ensure that children are protected against the addictive features of social media platforms, and that websites and mobile apps cannot collect and share children’s personal data. Stakeholders will have 60 days to [submit comments](#) to the OAG , and can also email ProtectionNYKidsOnline@ag.ny.gov regarding the SAFE for Kids Act, and ChildDataProtection@ag.ny.gov regarding the Child Data Protection Act.

Mayor Adams Nominates Randy Mastro to Serve as New York City's Corporation Counsel

New York City Mayor Eric Adams this week nominated Randy Mastro as the city’s next corporation counsel. Mastro previously served as deputy mayor for operations and City Hall chief of staff from 1994 to 1998, as well as a federal prosecutor in the U.S. Attorney’s Office for the Southern District of New York.

As corporation counsel, Mastro will lead the New York City Department of Law, which is primarily responsible for providing legal representation to the City of New York — for the Mayor’s Office, the Public Advocate’s Office, the Comptroller’s Office, city agencies, and the City Council.

Under the City Charter, the nominee for corporation counsel is subject to confirmation by the City Council. Specifically, NYC Charter Section 31 (b) provides that “within 30 days after the first stated meeting of the council after receipt of a nomination, the council shall hold a hearing and act upon such nomination and in the event it does not act within such period, the nomination shall be deemed to be confirmed.” The August 8th meeting of the Council has been deferred and the next scheduled meeting of the Council is on August 15th.

Adams Administration Announces Expanded Workforce Services For New Yorkers With Disabilities

The Adams Administration this week announced expanded workforce services for New Yorkers with disabilities, including the launch the New York Systems Change and Inclusive Opportunities Network (SCION) at 18 [Workforce Career Centers](#), run by the New York City Department of Small Business Services (SBS) to train staff to better serve and prepare individuals with disabilities for careers.

In addition, to increase opportunities in city government, NYC Talent is expanding the Partnership for Inclusive Internships (PII) program to place 100 additional New Yorkers with disabilities over three years into paid internships with the goal of becoming employed full time.

NYC Talent’s [Center for Workplace Accessibility and Inclusion](#) (CWAI) will help oversee programming and work across city agencies, private partners, and businesses to identify and eliminate barriers for people with disabilities. The CWAI will create an advisory council composed of public and private sector partners — to help advise city agencies on workforce development strategies, identify supportive partners, and elevate best practices to create an accessibility framework and resource toolbox for employers.

Coming Up

New York State

Tuesday, August 6th

NYS Cannabis Control Board

CUNY School of Law, 2 Court Square, Long Island City, 10:30 a.m.

New York City

Tuesday, August 6th

New York City Council Meetings

Subcommittee on Zoning and Franchises, 250 Broadway, 16th Floor, 11 a.m.

Committee on Land Use, 250 Broadway – Committee Room, 16th Floor, 12 p.m.

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