

THE CITY OF NEW YORK
COMMUNITY BOARD FOUR
DISTRICT MANAGER'S REPORT May 2009
Submitted by: José Rodriguez, District Manager

Early this month the Mayor presented his Executive Budget for FY2010, and the Council, as part of their role, are currently holding their budget hearings on the Executive Budget.

The role of the Mayor

The role of the Mayor is to be responsible for managing the executive branch of the City's government, including the management and delivery of government programs and services. This executive role in city management includes developing annual proposals to allocate the city's resources through the Expense, Revenue and Capital Budgets and accompanying Financial Plans and implementing each year's Adopted Budget. The Mayor determines the non-property tax revenue forecast on which the City Council relies in setting the property tax rates for adopting a balanced budget.

The role of the City Council

The City Council is the legislative branch of New York City's government; its responsibilities related to the budget are broad, including negotiation, review, modification, and oversight of the city's revenues-including taxes and expenditures such as operations, programs, services, and capital. The Council also has formal responsibility for setting property tax rates.

During the month of May we observe the Council and the Executive negotiating, modifying and crafting a balance budget.

At the beginning of this month the Mayor released and announced the following Executive Budget for FY 2010:

The Mayor outlined a plan to balance the budget for FY 2010 through: a cumulative total of \$3.4 billion in agency gap closing actions, including \$324 million of new actions detailed today; using more than \$5 billion in surpluses saved from periods of economic

growth; and revenue enhancements, including a proposed sales tax increase. The plan also relies on a minimum of \$1.4 billion in combined savings and revenues generated by anticipated actions from the State and organized labor, including pension reform and health care cost reductions.

The proposal balances the City's budget, while maintaining the core services needed to continue the progress made over the last seven years in keeping crime at record lows, improving City schools, keeping streets clean, and increasing open space, improving life expectancies and reducing homelessness. The balanced budget proposal calls for no further reductions in the number of uniformed officers or any further staff reductions at the Department of Education or at the Administration for Children's Services.

Recession Impacts

Economically sensitive tax revenue, which includes personal income, sales, business, and real estate transfer taxes, are projected to fall by 30 percent, or nearly \$7.4 billion, in FY 2010 when compared to FY 2008 levels - before the economic downturn began impacting City revenues. Total FY 2010 City revenues are forecast to have fallen by nearly \$5 billion compared to FY 2008 levels. Since January, when the Mayor presented a preliminary budget, City tax revenues have fallen by \$680 million for FY 2010.

Agency Gap Closing Actions

A cumulative total of \$3.4 billion in City agency gap closing actions, 16.4 percent of controllable expenses, have been taken to reduce the FY 2010 deficit, preventing a far larger shortfall. The Mayor today presented \$324 million in new agency gap closing actions, in addition to the \$3.1 billion in actions already identified.

The gap closing actions taken over the last year allowed controllable expense growth to be contained to 1.7 percent.

Examples of the new agency gap closing actions include:

- Police: Reduction of 125 Traffic Management Enforcement Agents - \$5.0 million.
- Fire: Reduction of uniformed administrative overtime - \$3.4 million.
- Parks: Reduction in seasonal staff equivalent to 115 positions - \$4.4 million.
- Citywide Administrative Services: renegotiation of City leases - \$2.0 million.
- Libraries: Four percent reduction in subsidies equivalent to 241 positions - \$11.2 million.
- Information Technology: Renegotiation of vendor contracts - \$4.8 million.
- Sanitation: Reduced waste export contract costs - \$6.5 million.
- Children's Services: Eliminate 1,100 low-priority childcare slots - \$9.1 million.
-

City Headcount Reduction

Since January, the \$3.4 billion in agency gap closing actions for FY 2010 include a City headcount reduction that now totals 13,541 employees - 9,782 via attrition and 3,759 via layoffs.

The Executive Budget adds new a headcount reduction of 2,268 - 1,153 via attrition and 1,115 via layoffs - to the previously identified reductions in the FY 2010 Financial Plan Modification, presented in November 2008, and the Preliminary Budget, presented in January 2009.

Support from the State and Organized Labor

The balanced FY 2010 budget relies on a minimum of \$1.5 billion in combined savings and revenues generated by anticipated actions from the State and organized labor.

The Administration has proposed the creation of a new Tier 5 pension plan for City employees, which would result in immediate savings of \$200 million for FY 2010. The new tier would save \$7 billion cumulatively by FY 2030. The new pension tier would need to be created by State law.

The Administration is seeking cooperation from organized labor to achieve \$200 million of annual savings through a health care cost containment program. The Administration is also seeking 10 percent health care contributions from City employees, which would generate more than \$350 million in annual savings beginning in FY 2011.

The Administration is also requesting a sales tax increase and a new consumer plastic bag fee, both requiring State legislative approval.

Proposed Sales Tax Increase

In January, the Administration proposed sales tax increases that would generate nearly \$1 billion in additional revenue through an increase in the City's portion of the sales tax, a repeal of the sales tax clothing exemption and an expansion of the sales tax to include other currently untaxed purchases. The Executive Budget presented today proposes sales tax increases that would generate nearly \$1 billion in new revenue by increasing the City portion of the sales tax by 0.5 percent and repealing the sales tax clothing exemption.

A sales tax increase of 0.5 percent would bring the City portion of the sales tax to 4.5 percent and would generate \$552 million in additional revenue in FY 2010. The 0.5 percent increase would bring the total sales tax on purchases in New York City to 8.875 percent, including the current 4.0 percent State sales tax and .375 percent dedicated to the Metropolitan Transportation Authority. A repeal of the clothing tax exemption would generate an additional \$394 million in FY 2010. State legislation would be required to enact both changes.

Capital Budget

The City's 10-year capital construction plan will invest \$61.7 billion in City infrastructure projects. This includes a 27 percent reduction in spending on projects funded with New York City General Obligation and New York City Transitional Finance Authority bonds. No reductions will be made to the five-year school construction program - the City will utilize federal stimulus tax-credit bonds to maintain funding for all school construction.

While overall capital commitments have been reduced over the course of the next ten years, actual capital spending will remain near the current record levels over the next

two fiscal years. Capital spending was \$10 billion FY 2009 and is projected to be \$9.4 billion in FY 2010 and \$9.8 billion in FY 2011.

Use of Prior Surpluses Prevented Larger Deficits

The FY 2010 Executive Budget benefits from more than \$5 billion of surplus funding saved during periods of economic growth. Those resources were saved and rolled forward in anticipation that economic growth would eventually slow. Without the benefit of the saved surpluses, far more severe measures would have been necessary to close the FY 2010 deficit.

Out-Year Gaps

The Mayor also announced today that if all measures outlined in the FY 2010 Executive Budget are adopted, including the required actions from the State and organized labor, and assuming the beginning of economic recovery, out-year deficit gaps will be reduced, but New York City will still face budget gaps of approximately \$4.6 billion in FY 2011, \$5.2 billion in FY 2012 and \$5.4 billion FY 2013.

In response to the Mayor's Executive Budget the Council released the following statement by Council Speaker Christine C. Quinn.

The City is facing the worst financial outlook since the 1970s, but thanks to the surpluses the City has accumulated over the last several years, the outlook for this year is not as bad as it could have been. However, the projection for FY11 and FY12 continue to raise serious concerns, with projected gaps of \$4.6 billion and \$5.2 billion respectively.

Thanks to the federal stimulus funding, the City will probably avoid some of the more drastic cuts to our public schools and a number of other important services. However, it is important for everyone to realize that this money is a one shot deal. Stimulus funding for FY11 is less than we hoped, and we must be mindful that while the projection today is better than expected, there are hard challenges we will have to confront in the very near future.

The Council leadership continues to believe that increasing sales tax is a regressive way to generate revenue because it places an unfair burden on those who have the least. The idea of eliminating the tax exemption on clothing only compounds that burden. The Council started budget hearings on Monday, May 11th.

As the executive and the legislative branches work on a budget that will preserve the core services that are critically important to many New Yorkers we will continue to

advocate on behalf of communities like ours. Receiving those core services and maintaining our quality of life.

April 29th-NYC Council Parks Committee Hearing on the Yankee Stadium Replacement Parks. During the hearing the Deputy Commissioner of Parks gave an overview of the replacement parks. The Commissioner clarified certain items of concern brought by Council Member Helen D. Foster. In addition to testimony from the Parks officials, park advocates and community members testified outlining issues of concern.

May 6th-Monthly Borough Services Cabinet Meeting. This meeting marked our formal introduction of our new Borough President and Staff. The meeting's agenda involved the H1N1 Virus update from the Department of Health and Mental Hygiene.

Meeting with property owners of 170th between Teller and College Avenue regarding their issues with the Post Graduate Center's development on 170th and Teller Avenue. Apparently the Post Graduate closed the easement to the property from Teller Avenue to College to place their building's footing in order to lay the foundation. The property owner argued that P.G. Ctr. is in violation of their property rights related to the easement closure and the footage that P.G. Ctr. is proposing to develop. I met with both sides and attempted to mediate a resolution. Currently I received a notice from P.G. Ctr. I indicated that the property owners should be alerted and the matter should be addressed to them.

In the mean time I had DOT, Dept of Bldgs. and the Mayor's office at the work site to alert me to something that I may have overlooked or give me a formal stance. I will be meeting the property owners and alert them of the above update.

Meeting with environmental community groups, Board's 5&7 DMs, Congressman's Serrano's Office to discuss strategies on bringing awareness to access to the Harlem River at Urban Divers at River Park Towers.

May 8th-44th Pct Council and Community Fellowship Brunch

May 11th Site visit meeting with DOT, Dept of Bldg and the Mayor's office regarding the Post Graduate Center's Development on 170th and Teller Avenue.

May 12th -Meeting with the Gateway Coalition to discuss the following items

- Job placement/interview and pre-screening process and number of people in job bank.
- Upcoming Job Fairs and soft and hard opening day of Gateway stores.
- Finalize advertising materials and application process for the nutritional program with BJ's.

Site visit meeting with Highbridge Community resident to discuss quality of life issues from University and Ogden Avenue form 165th and 168th Street

May 13th –Meeting with the Gateway Coalition and representatives of BJ's Wholesale.

- Presented our stipulations regarding the advertising materials and application process for the nutritional program with BJ's. We asked that in addition to what the Related Company will cover BJ's will cover, as per our demand 6,000 community residents annually for a period of five years. The program is for families receiving public assistance.

Their immediate counter was 1500 individuals. We asked that they speak to their managers and get back to us.

Grand Course Academy Charter School ribbon cutting ceremony at 169th street between the Grand Course and Walton Avenue.

May 14th –Meeting with the Gambian Society regarding assisting the Society in identifying new office space.