



Testimony of Martha E. Stark  
Commissioner  
New York City Department of Finance

Before the

The City Council Finance Committee on  
The Mayor's FY10 Preliminary Budget

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## Department of Finance FY10 Preliminary Budget Testimony

Good afternoon, Chairman Weprin and members of the Finance Committee. I am Finance Commissioner Martha E. Stark, and I am pleased to be here for this hearing on the Mayor's preliminary budget for fiscal year 2010. This is my eighth appearance at a preliminary budget hearing, and I am once again extremely grateful for the opportunity.

Today, before taking your questions, I thought I would do four things. First, I will outline several measures that Finance will do to help close the City's growing budget gap. Second, I will describe this year's assessment roll, which showed a decline in overall market value. Third, I will update you on the lien sale. Last, I will provide a quick overview and urge your support of two pieces of legislation that will soon come before you. Finally, I will be happy to take your questions.

### PEGs and other Agency Responses to the Fiscal Downturn

Let me describe what Finance has done to meet the Mayor's call for 5% in cuts to close the City's budget gap. I will highlight three PEGs that Finance will implement.

Audit-related changes that we will make will lead to an increase in revenue of \$5 million annually. Most notably, our new Office of Tax Audit, Enforcement and Policy, headed up by Deputy Commissioner Michael Hyman, will institute an electronic data-matching program for cigarette wholesalers to foster more tax compliance at both the wholesale and retail level.

Another PEG that we will implement is an innovative idea that Robert Lee, Finance's Deputy Commissioner for Treasury, identified. Finance is responsible for finding secure, safe investments that yield the best return for the City's money. In one case, Bobby discovered that some of the \$355 million in Court and Trust funds that we are responsible for safeguarding were invested in low interest-bearing accounts. We were able to reinvest the money, keeping it secure and available when needed and generating an additional \$300,000 each year.

Finally, on the expense side, we are hiring qualified technicians as City employees rather than relying on outside consultants. We will save \$2.3 million by replacing consultants who have maintained our Automated City Register Information System and NYC Serv, our computer application that makes it possible for customers to pay their charges on-line. In addition to saving money, bringing these jobs in-house will help us build our capacity to improve these technology projects in the future.

We are fortunate that under the leadership of Jane Landon, our Chief Information Officer, we are now well positioned to bring this expertise inside the agency and use these resources efficiently.

Also, we plan on meeting the current headcount reduction requirements without layoffs by not backfilling all vacancies. In the next year, we expect 17 positions will go unfilled, saving \$1.2 million in fiscal year 2010.

### FY10 Tentative Assessment Roll

As you know, Finance is responsible for valuing a million properties every year. On January 15<sup>th</sup>, Finance released its annual tentative assessment roll for fiscal year 2010. For the first time since the mid-90's, overall market values declined from the previous year, though this was not unexpected given the current economic crisis. In fact, despite a severe downturn in the economy, it was a decidedly mixed year for New York City's real estate market. The overall market value declined, from \$811 billion to \$801 billion. Home values dropped, but the value of commercial properties grew. We hope that the real estate market will weather this storm as a result of the City's competitive advantages as a cultural, financial, and intellectual hub.

It is also important to note that while the market value of small homes has declined, the assessed value, which is what taxes are based on, increased. As you will recall, the city's assessments provide a built-in lag for small homes, since assessed value can only grow 6 percent per year and 20 percent over 5 years. When market values were growing 10-20 percent per year, Finance's assessments only grew 6 percent.

As we do each year, we conducted joint outreach sessions with the Tax Commission in all five boroughs to help homeowners understand their values, learn about exemption programs, and challenge their assessments where appropriate.

Here are some other quick numbers from the assessment roll:

- Values for small homes fell almost five percent;
- Values for apartment buildings, cooperatives, and condominiums fell more than 1%;
- Values for utility property were up 1.4%; and
- Values for commercial property were up 7.12% -- though commercial property values typically show more of a time lag - in part because the income and expense data we use to value most commercial property is from 2007.

### Lien Sale Update

I want to quickly update you on the lien sale. I know that many of you had staff attend the official briefing we held for Council Members a month ago, and I wanted to give you a quick update on the numbers.

As of March 4, Finance had collected just over \$17 million in pre-sale payments on more than 1,600 properties that had been listed as at-risk for having a lien sold due to unpaid property taxes. Last week, we sent a second 60-day notice to owners of at-risk properties. We have also scheduled more than 20 outreach events with elected officials and community boards in an effort to help property owners resolve their debt before the May 1 deadline.

Again, we thank members who have worked so hard to help us get the word out within their communities. As we have told you in the past, most people resolve their debt during the 90-day period that we are now in. Last year, for example, we collected \$93.6

million during the noticing period and \$57.2 million by actually selling liens. We would love to resolve all of the debt before May 1. So we really do appreciate all the help that the Council can give us to encourage owners of at-risk properties to contact us.

### Council Legislation Coming Up

Finally, I want to end by discussing two important bills that will be before your Committee in the weeks ahead.

The first is Intro 852A, which will be heard by the Finance Committee this Wednesday. First of all, let me thank you, Mr. Chairman and Council Member Fidler for your sponsorship. Intro 852A is a bill that the Department of Housing Preservation and Development (HPD) and Finance have crafted together. I am gratified to hear that Acting HPD Commissioner Marc Jahr will also be urging your passage of this bill before a separate budget committee at the Council today.

The bill would do two very good things. First of all, the legislation codifies Finance's Statement of Account. The Statement of Account, which some people know as their property tax bill, is actually Finance's way of keeping property owners informed of all city-imposed charges on their property, including those for sidewalk repairs or signage. Under Mayor Bloomberg's leadership, we have worked very hard to bring agency charges onto this one simple consolidated statement, which property owners receive on a quarterly basis.

However, one agency charge is still billed separately by Finance - and does not appear on our statement: HPD's emergency repair program, or ERP, charges. The second part of Intro 852A fixes that by making these charges among the agency charges included on the Statement of Account. We believe the bill will resolve longstanding administrative headaches at both HPD and Finance. And as an added bonus, the bill will eliminate about \$25,000 in annual postage costs.

The next bill that should be before you in the weeks ahead is one I have discussed here before: our "clean-up" of the Administrative Code to reflect the changes that have occurred in Finance's mission and operations since the laws were first written. If you believe that the law is a living document, as I do, then you probably also think it should reflect current practice. For example, laws referring to "owner's registration cards" or "assessed valuation books" should not govern an agency that has computerized most of its information systems. So our lawyers have combed through the Administrative Code and found outdated references and updated them. We look forward to your consideration of the bill.

With that, I thank you and I will be happy to take your questions.