



Testimony of Commissioner David M. Frankel

New York City Department of Finance

Before the New York City Council

Committee on Finance

On the Mayor's Executive Budget for Fiscal Year 2012

June 6, 2011

Good afternoon Chairman Recchia and members of the City Council Finance Committee.

I am David Frankel, Finance Commissioner, and I come before you this morning to testify regarding Mayor Bloomberg's Executive Budget.

Finance has a variety of responsibilities including collecting taxes and other debts owed the City, assessing real property, adjudicating parking tickets, recording documents related to property and, through the Sheriff, civil law enforcement. As the required tasks and tools available to the Department have evolved over time, layers of legislation, technology, and business processes have been added incrementally, increasing the complexity and expense of our operations. To provide New Yorkers with a better organized and more efficient Department, we have been reshaping what we do and how we do it. This has involved focused management, new and expanded use of information systems, a flexible staff, and attention to data analysis.

Through my staffs' efforts, the Department of Finance will collect more revenue while spending less in FY 2012. The FY 12 Executive Budget for the Department of Finance is \$222.5 million, a \$7 million decrease from the \$229.4 million Executive Budget in place when I joined the Department in FY 2010.

We have reduced the number of employees at Finance between September 2009 and May 2011, but we are doing so strategically as we re-design agency operations. While we have lost 393 employees through a combination of, attrition, lay offs and elimination

of provisional employees, we have hired 125 other staff including tax auditors as well as IT specialists to replace costly consultants. We are planning to hire 82 additional staff including more tax auditors, tax assessors, fraud investigators, and managers for revenue and debt collection work, in addition to our continuing effort to hire IT staff to bring that work in-house. When we have completed this program, we will have reduced our staff by almost 10%, from 1,957 to 1,771. With 186 fewer employees, Finance will bring in more revenue at less cost to City taxpayers.

Finance has added over \$65 million in new annually recurring audit revenue to the City's coffers since September 2009. This year's Executive Budget commits Finance to collecting an additional \$15 million in new recurring audit revenues by conducting more audits of tax shelters and by instituting a program to perform limited scope audits. The limited scope audit subjects will be identified through data matching and data mining. Limited scope audits are short, most are resolved within six months, and primarily conducted through correspondence. By supplementing our field audits, targeting our audit resources and selecting subjects strategically, we expect that we will do a better job of identifying under-reported taxable income and improve taxpayer compliance.

In order to generate additional audit revenue, the budget includes hiring 7 more IT staff to replace consultants permanently and bringing in a "swat team" of IT consultants for a short-term, targeted assignment to resolve a backlog in data ready to be mined and

optimized for queries. Aside from this revenue initiative, several technical adjustments are being made in the FY 2012 Executive Plan.

As I discussed the last time I testified on the Department's budget, we have been re-making our operations to drive down costs without significantly reducing services to the public. For example, in February of this year we reorganized our Land Records Division by consolidating most operations in a single site, while retaining intake for customer service in the four boroughs covered by the Register (land records are handled independently in Staten Island). With these Land Record functions in one place, we are now able to cross train our staff to move between payment processing and customer service functions, depending on the most pressing need at any given time. In implementing these changes we conferred with the title industry and committed to ensure that document turn around time remained acceptable. In fact, we have not only been able to maintain our internal goal of recording documents within 2 days, we have done this while filings have gone up 10% and head count was reduced from 130 to 78.

We also moved our Tax Map Unit into the same site, allowing us to reduce the number of cartographers on staff from 14 to 3. Tax maps are updated within 3 to 5 days; an increase from the 1 to 3 days we achieved in the past, but still well within our target range. We will continue to monitor our performance in every area to stay on top of the quality of our customer service. Our goal is to provide more with less. But even in cases

where turnaround time increases, we are still offering timely services with significantly more efficient use of resources.

As you know, we recently produced the final real estate assessment roll. This year's final roll provides fair assessments, within the constraints of the state's real property tax law.

As I recently testified at an oversight hearing, the administration is committed to working with the Council to develop a potential legislative reform proposal in this complex area.

The Department is continuing to transform the Property Group to improve the quality of the roll and identify taxable value. We are adding assessors and refocusing operations so that staff can spend more time in the field to refine assessments. We are formalizing a quality control group, whose mission is to identify and analyze any irregularities in the assessment data and process, in addition to performing an internal audit role.

Taking advantage of the data tools available to the agency, we are expanding the work of our modelers to improve the consistency and uniformity of baseline data through rigorous statistical procedures, such as using regression analysis and principal component analysis -- a statistical procedure for constructing predictive models by identifying patterns in data.

We will draw upon internal and external experts to advise the Department on the development of capitalization rates and other technical aspects of the assessment process. We will also continue our outreach to the community and interested parties, including the Council, to ensure our process is well understood by all stakeholders and to offer opportunities for input.

I would like to take this opportunity to publicly thank the staff of the Department of Finance for their dedication and flexibility as we undergo this transition. We are consolidating work assignments, re-engineering business processes, and using technology to improve operations. Our employees' input and effort has been essential as we become more efficient at collecting the revenue due to the City. Our employees have made tremendous contributions to improving operations at Finance, but the work is not nearly complete. In the coming months I will be sharing with you further ideas and initiatives to serve the needs of the City and its residents. Thank you and I am happy to take your questions.