

NYCHA FY 2006 Budget and Financial Plan Briefing

On December 28, 2005, the Board of the Housing Authority approved a preliminary spending plan for 2006. This spending plan will allow the many departments of the Authority to provide on-going services to the 417,000 residents of public housing and 258,000 New Yorkers residing in private apartments utilizing Section 8 rental subsidies.

The highlights of the preliminary spending plan and an outline of the challenges the Housing Authority faces are included in the attached document.

Highlights of the presentation included:

- 2006 spending plan preserves core services to residents.
- Plan provides new funding for: apartment/public space painting, emergency boiler rentals, field based vehicle replacement and opening of nine new community centers currently in construction or pre-construction phases.
- Preserves funding for Tenant Participation Activities.
- Since 2001, NYCHA has self-funded over \$350 million in operating deficits.
- In the same period our federal operating subsidy has been reduced.
- At the same time 'non-discretionary spending' (utilities, pensions, health care) has increased by approximately 50%, with utilities and pension cost increases accounting for the vast majority.
- 21,000 unsubsidized City/State dwelling units continue to drain on resources; they contribute to more than ½ of the expected budget gap for 2006.

The Board, led by Chairman Tino Hernandez, directed the senior staff of the Authority to develop a balanced financial plan for 2006 and present this budget to the Board in the coming weeks. This budget must close a gap between revenues and expenses of \$168 million. In directing the staff to do so, the Chairman made clear that this budget must preserve core services, minimize impact on the most vulnerable residents of public housing, re-examine the relationship with all levels of government and seek creative means to streamline service delivery. In addition, he emphasized the need to consult with the many stakeholders (residents, elected officials, other groups) who have an interest in the preservation of public housing in NYC. When the 2006 budget is presented to the Board, more detailed information will be available on the NYCHA website.

Budget Briefing

December 2005



Tino Hernandez, Chair

Earl Andrews, Jr., Vice Chair - JoAnna Aniello, Member

Douglas Apple, General Manager - Felix Lam, Chief Financial Officer

Overview



- **Background**
- **Spending versus Income**
- **Management Initiatives and Spending Controls**
- **Five-Year Budget Forecast**

Background



- **The New York City Housing Authority is the largest public housing authority in America.**
- **NYCHA currently employs approximately 13,300 people to manage 345 developments. These developments consist of 181,018 dwelling units and 2,694 buildings.**
- **NYCHA provides public housing for 417,328 residents. The average household income is \$18,940 and the average resident tenure is 18.8 years. The average rent paid for a 2 bedroom unit is \$342.**
- **NYCHA administers the federal Section 8 Leased Housing Program in which approximately 86,000 apartments (excluding portable) are rented from about 30,000 participating-private landlords. This program currently houses about 258,000 residents with an average household income of \$11,722. The average payment to landlords is \$920, of which \$220 comes from the resident and \$700 comes from NYCHA.**

NYCHA Operating Income and Expenses



INCOME	<u>2004 *</u>	%
Dwelling Rent	647,368	43%
City Debt Subsidy	1,941	0%
State Debt Subsidy	6,010	0%
Federal Subsidy	751,783	50%
Section 8 NC Subsidy	9,305	1%
Other Income	90,107	6%
<u>Total Income</u>	<u>1,506,514</u>	100%
EXPENSES		
Salaries	588,100	39%
Pensions and Benefits	219,190	14%
Supplies	25,176	2%
Contracts	195,036	13%
Utilities	363,692	24%
Other Expenses	116,378	8%
Debt Service	13,200	1%
<u>Total Expenses</u>	<u>1,520,772</u>	100%
Surplus/(Deficit)	\$ (14,258)	

* \$ in Thousands

* Excludes Sec. 8

Income and Expenses Trends

- In Fiscal Years 2001- 2005 expenses out-paced revenues.
- NYCHA has self-funded more than \$357m in losses since 2001.

	Actual	Actual	Actual	Actual	Projected			
	2001	2002	2003	2004	2005	2006	2007	2008
Expenses	\$ 1,507,511	\$ 1,507,833	\$ 1,607,939	\$ 1,520,772	\$ 1,594,493	\$ 1,875,138	\$ 1,902,707	\$ 1,926,973
Revenue	\$ 1,436,169	\$ 1,434,979	\$ 1,409,686	\$ 1,506,514	\$ 1,543,870	\$ 1,692,815	\$ 1,732,622	\$ 1,749,533
Surplus/(Deficit)	\$ (71,342)	\$ (72,854)	\$ (198,253)	\$ (14,258)	\$ (50,623)	\$ (182,323)	\$ (170,085)	\$ (177,440)

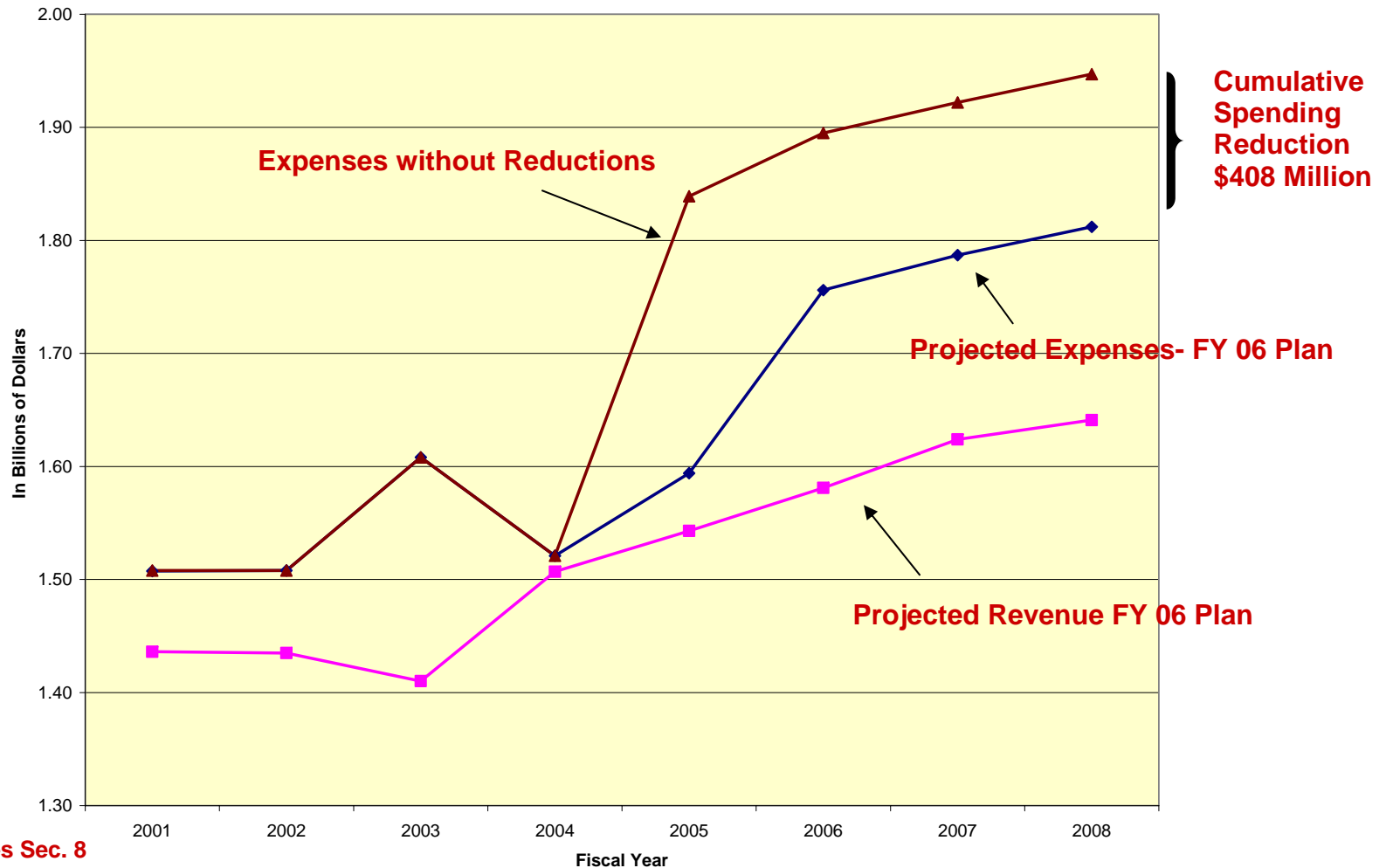
*Excludes Sec. 8

*\$ in Thousands

Income and Expense Trends



NYCHA has reduced discretionary spending to manage budget gaps.



Excludes Sec. 8

Management Response to Budget Challenges



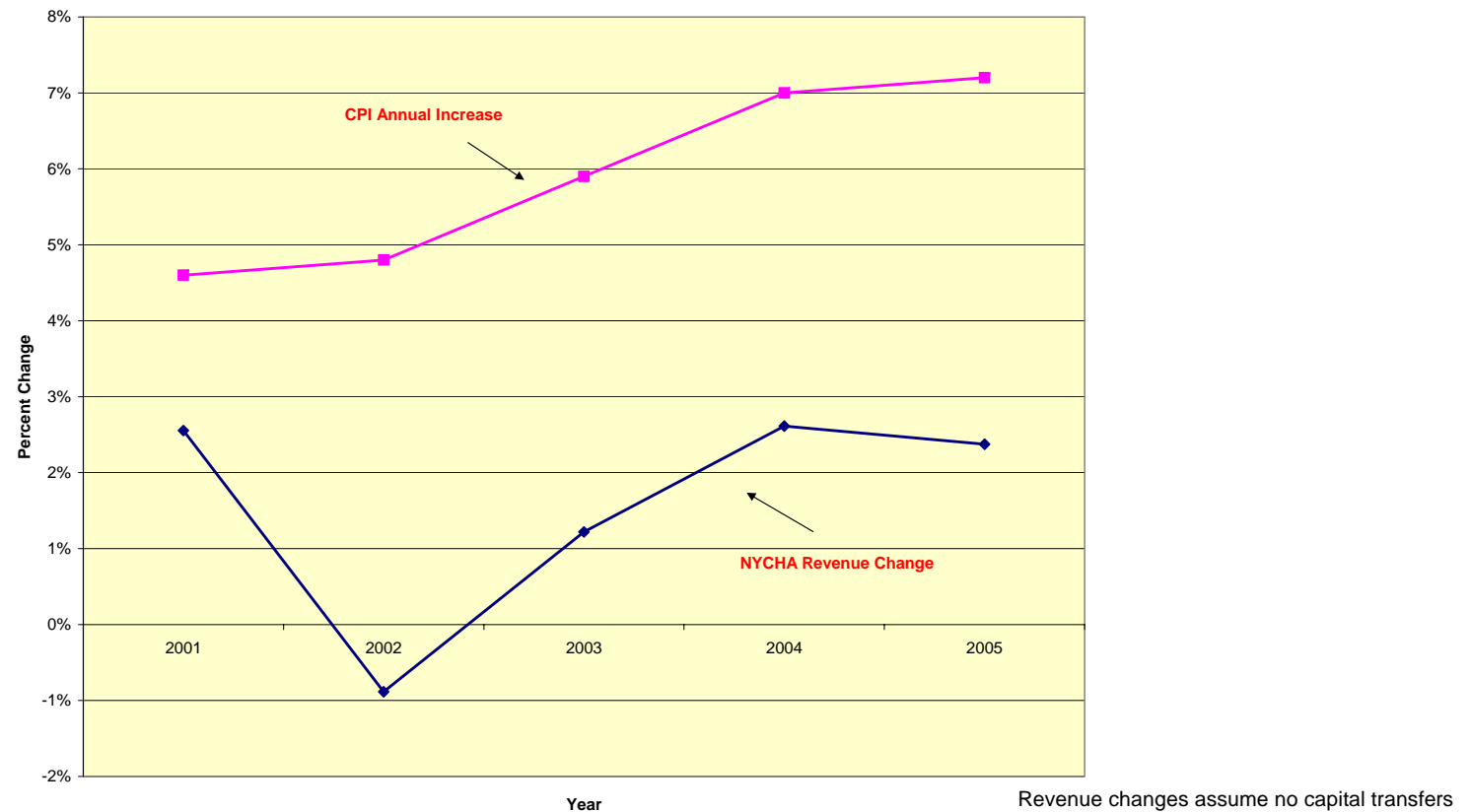
- **Since 2003, NYCHA has implemented several spending reduction initiatives to reduce the budget deficit.**
 - Reduced Headcount from 14,671 to 13,526 - \$33.8m
 - Cut administrative expenses - \$16m
 - Reduced maintenance and operation contracts - \$25m
 - Reduced overtime spending - \$24m
- **Designed and implemented new financial management system and revamped budget process to establish department-based budgeting.**
- **Initiate project-based budgeting to ensure appropriate resource allocation and financial controls.**

Revenue Trends



- **NYCHA's main sources of revenue have increased at a rate less than inflation**

- Federal subsidy has decreased by \$14 million since 2001
- Rent grows at a rate of 2% per year based on modest increases in residents' median income
- Between 2001 and 2005 NYCHA's overall revenue has remained relatively unchanged



Budget Gaps-A Continuing Challenge



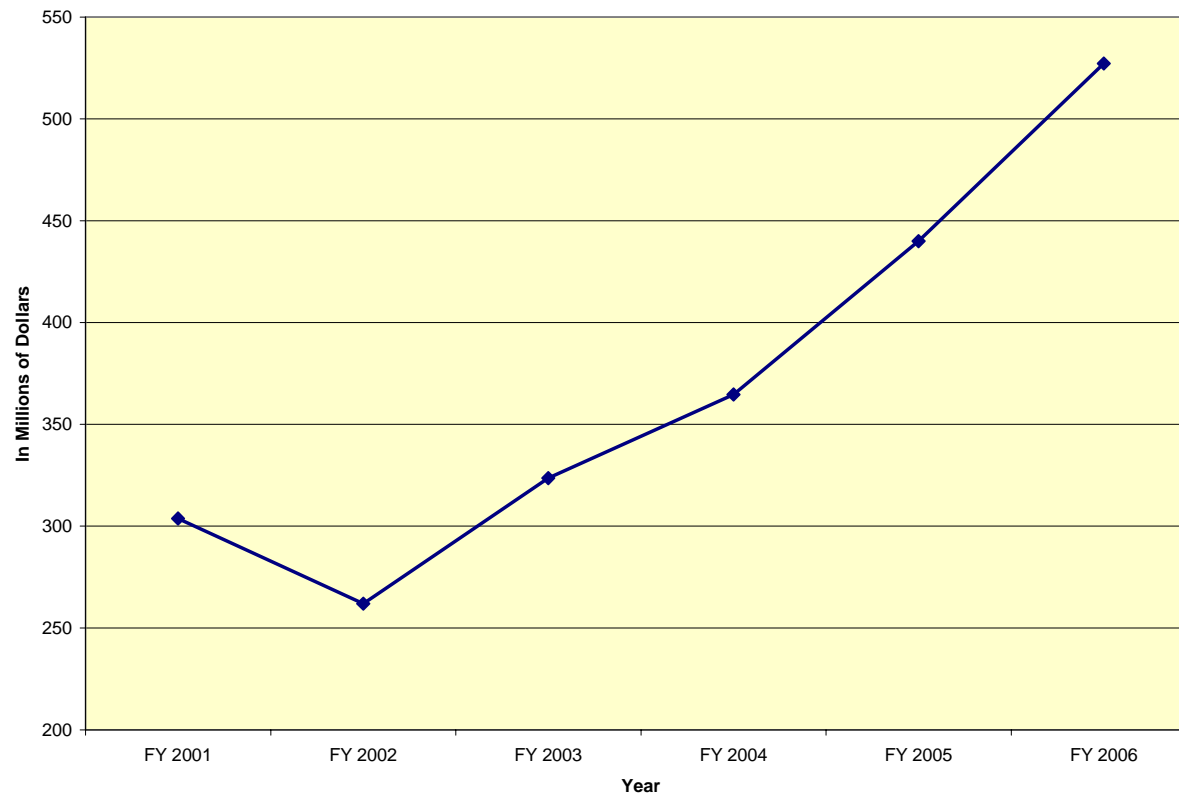
- **Since 2001, expenses out paced revenues due to increases in non-discretionary spending.**

	FY 2001	FY 2005	Variance	% Change
Pension	\$ 6,483	\$ 62,613	\$ 56,130	866%
Utility Costs	\$ 303,753	\$ 439,929	\$ 136,176	45%
Health	\$ 76,154	\$ 107,946	\$ 31,792	42%
Workers Comp.	\$ 22,679	\$ 31,488	\$ 8,809	39%
Collective Bargaining	\$ 44,500	\$ 56,767	\$ 12,267	28%
Welfare	\$ 26,804	\$ 30,683	\$ 3,879	14%
Insurance	\$ 40,533	\$ 44,838	\$ 4,305	11%
Total	\$ 520,906	\$ 774,264	\$ 253,358	49%

In Thousands of \$

Energy Costs

- **Between FY 2002 and FY 2005 energy spending has increased by 70%.**
- **During this same period, HUD subsidy formula resulted in \$263 million of unreimbursed energy costs.**
- **NYCHA must continue to control consumption and implement additional energy conservation initiatives.**



Federal Funding Issues



- **Public Housing Operating Fund**

- Subsidy has not been fully funded since 2002. National organizations estimate PHAs will be prorated at 90% in 2006.
- New federal funding formula effective January 1, 2007.
- New formula does not recognize unique cost structure of NYCHA (cost of living, building age, centralized costs).
- New formula requires NYCHA to meet compliance requirements for project-based budgeting and accounting.
- If compliance is not met, NYCHA could lose more than \$100 million.
- No subsidy provided to city/state developments.

Highlights of the 2006 Savings Program



- **Spending Reductions**

- Reduce administrative costs of capital program- \$1.9 million
- Consolidate development management offices- \$1.3 million
- Computer infrastructure savings- \$1 million
- Reduce outside counsel spending- \$.6 million

- **Revenue Initiatives**

- Increase tenant-based service fees- \$1.5 million
- Increase commercial leases- \$.7 million

Highlights of the Financial Plan



- **The FY 06 Budget and Financial Plan:**
 - Preserves core services to residents
 - Provides additional funding for painting program
 - Provides funding for emergency boiler rentals
 - Preserves funding for tenant participation activities
 - Provides funding for field-based vehicle replacement
 - Provides funding for the opening of 9 new community centers.

Budget Balancing Measures



- The proposed spending plan includes management initiatives to immediately control spending.
- In order to achieve a balanced budget for 2006, significant policy decisions remain.

	H/C	FY 2006	FY 2007	FY 2008	FY 2009
Budget Gap	13,698	(\$182,323)	(\$170,085)	(\$177,440)	(\$176,243)
New Spending Controls					
2006 Savings Program	172	\$7,172	\$7,172	\$7,172	\$7,172
Eliminate Vacancies	133	\$2,988	\$5,978	\$5,978	\$5,978
Hiring Freeze	178	\$3,870	\$7,741	\$7,741	\$7,741
Total	483	\$14,030	\$20,891	\$20,891	\$20,891
Revised Gap	13,215	(\$168,293)	(\$149,194)	(\$156,549)	(\$155,352)