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Earl Andrews, Jr., Vice-Chairman
Margarita López, Member
Vilma Huertas, Secretary

FY 2007 BUDGET AND FOUR-YEAR FINANCIAL PLAN

VOLUME 1 OF 2



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May 2007



**NEW YORK CITY
HOUSING
AUTHORITY**

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GENERAL MANAGER

May 30, 2007

Dear Fellow New Yorker:

The Board of the New York City Housing Authority (NYCHA) presents this Fiscal Year (FY) 2007 budget along with a multi-year Financial Plan that places NYCHA on the road to achieving long-term fiscal stability and preserving public housing in New York City. We have acted to ensure that our aging public housing stock is maintained and that this vital affordable housing resource is preserved for current and future residents who contribute to the vibrancy of this City. This budget also continues the commitment of Mayor Michael R. Bloomberg to public housing through the provision by the City of \$50 million in operating funds and \$100 million in capital funds for cost-saving initiatives over the next four years.

This plan consists of actions within our control to address the realities of sharply diminishing Federal subsidies, limited State aid and escalating non-discretionary costs to operate public housing. We can no longer wait for others to act. This budget required hard choices given the limited amount of new aid provided by Washington and Albany.

The budget builds upon the actions outlined in 2006 in our "Plan to Preserve Public Housing" (PPPH). That innovative plan to bring about long term fiscal stability resulted in a balanced budget in 2006, in large part based upon \$120 million in funding from Mayor Bloomberg and the City Council. The elements of the PPPH over which NYCHA had control were put in place. A targeted rent reform plan, which raised rents for 27% of households with the highest incomes, and resident fee increases, were implemented. An application to use 8,400 Section 8 vouchers to support the operations of 21 unfunded City- and State-built developments was submitted to the U.S. Department of Housing and Urban Development (HUD) for approval. However, the federal aid anticipated in the PPPH did not come to fruition and is no longer assumed in this budget.

For the last five years, NYCHA's expenses have out-paced revenues. Without significant steps taken by the Authority, NYCHA's financial situation would have been much worse. Between FY 2003 and FY 2006 NYCHA instituted measures that resulted in a cumulative savings of \$527 million. The Authority imposed strong internal management controls and implemented innovative, cost-effective strategies to improve

services and maximize efficiencies. Headcount was reduced and spending on utilities and capital projects was cut. Taken together these actions allowed NYCHA to balance the budgets through FY 2006 while preserving core services to residents.

While NYCHA significantly reduced spending, funding from Washington and Albany continued to fall short. Overall federal funding to HUD has not met the national needs for each of the last five years as a result of inadequate appropriations by Congress. This year, that shortfall translates into NYCHA receiving only 83% of the funding allotted to the agency under a new reduced funding formula. Capital assistance has also been cut from a high of \$420 million in 2001 to an estimated \$324 million this year, 23% less than what NYCHA received six years ago.

However we remain optimistic about the future. The new Congress has begun to undo years of diminished federal funding. In the final budget for 2007 passed in February, Congress, led by the New York delegation, mitigated further funding cuts and was able to increase operating funds by \$54.6 million in additional dollars for NYCHA. Senator Charles Schumer and Congresswoman Nydia Velázquez have introduced the "Public Housing Fair Treatment Act," which would provide NYCHA with about \$54 million in new operating aid if enacted. This would be a key element in addressing NYCHA's structural deficit.

NYCHA requested \$62 million from the State of New York to fund over 12,000 public housing units built by the State. This year we saw for the first time in almost a decade a modest restoration of \$3.4 million in State operating aid to NYCHA. This is an important first step and we thank the State for this support. NYCHA will continue to press its case in Albany and remain committed to working with the Governor and the State Legislature to increase funding for public housing.

While taking the necessary steps to maintain fiscal stability, we remain committed to providing quality services for our residents. In the past few years we have enhanced maintenance services to residents by implementing a central call center (CCC), which has improved response time and reliability through the scheduling of maintenance appointments and placing reminder calls. This has reduced the percentage visits to customers who are not home by 40% and increased to 70% the percentage customer work requests completed within five days in the three boroughs currently served. By early 2008 CCC services will be provided in all five boroughs.

Similarly, we have augmented our capital program, critical to maintaining our 2,653 buildings and 3,334 elevators. In 2005, the Authority issued its first \$300 million in bonds to accelerate vital infrastructure roof and brick projects. To date, we have fully committed these funds on 36 projects in over 144 buildings at 32 developments. The 2007 budget includes \$400 million for a second bond issuance scheduled later this year that will allow us to complete 72 projects through 2010. In addition, to improve the quality of contracting and provide meaningful job opportunities to residents, NYCHA initiated a Construction Management/Build Program. Through this program approximately \$800 million in capital dollars have been committed to date, with another \$500 million in

contracts poised to move forward. In addition, this spring, 186 residents entered NYCHA's first ever pre-apprenticeship class where they will prepare for full apprenticeship positions in the construction trades starting this September.

In FY 2007 NYCHA will continue to implement the following initiatives to address the deficit and reduce costs:

- Reduce Department Budgets - cut expenditures and create initiatives to increase revenue. In addition to programmatic and headcount reductions, vacancies will be eliminated - \$45.5 million reduction
- Sell Vacant or Surplus Land to the City of New York – identify and sell land to be used for developing additional affordable housing - generate \$50 million
- Transition Units In State/City Developments to Section 8 - NYCHA's application to transition 8,400 public housing units into the Section 8 program through a phased plan to secure a stable funding mechanism for the State and City developments is pending before HUD - \$2.2 million in FY 2007
- Use Capital Funds for Maintenance Operations - transfer Federal funds from the Capital budget to the operating budget - \$100 million for maintenance operations
- Request the State of New York meet its obligation for 15 unfunded State-built developments (12,000 dwelling units) by providing \$62 million to cover costs for 2007. In response, NYCHA received a \$3.4 million operating subsidy
- Impose partial hiring freeze excluding some direct service positions
- Reduce workforce by 500 on October 1, 2007, with concomitant service reductions

NYCHA has always been dedicated to providing affordable housing for low-and-moderate income New Yorkers who are integral parts of their communities. We have always supported them through our network of community and day care centers, and social service, youth and senior programs. Even in an era of diminished resources NYCHA continues to expand those efforts, often in partnership with community based organizations, foundations and sister agencies.

Preserving public housing in this fiscal environment requires us to think creatively about our assets. We have developed a program with the Department of Housing Preservation and Development, to build approximately 5,000 units of new affordable housing on surplus NYCHA land. While providing much needed new affordable housing as a part of the Mayor's commitment to build and rehabilitate 165,000 units, this plan will generate a minimum of \$50 million in much needed new revenue for NYCHA through the sale of these vacant or surplus properties for development of new affordable housing.

While new forms of revenue are critical to this budget, as revenue shortfalls continue and non-discretionary costs escalate, we must make the difficult choices that are within our control to ensure that no public housing unit is lost and no family loses their home. We can no longer wait for others to act. Recognizing that the resulting decisions will impact the lives of many, we have no other recourse but to include in this budget a reduction in NYCHA's workforce by 500 and concomitant service reductions effective October 1, 2007.

To avoid some of these difficult choices, NYCHA calls upon the leaders in Albany and Washington to take the steps necessary and join the crusade to preserve public housing. Senator Charles Schumer and Congresswoman Nydia Velázquez, joined by the entire New York City Congressional delegation are taking the lead in Washington regarding operating funding and federalization. In Albany, Assemblyman Vito Lopez and Senator Andrew Lanza are sponsoring legislation to provide NYCHA with its fair share of shelter allowance payments. The bill is gaining momentum in Albany and we call on others to join the effort.

The plan of action set forth in this budget can be adjusted and mitigated by every new dollar received from the State or Federal governments. We will continue our efforts to obtain additional funding, but we cannot do it alone. We also rely on the concerted efforts of our residents, community leaders and other stakeholders to bring the case for preserving public housing before our appropriators and regulators. Together we can work towards ensuring NYCHA's future as the nation's premier housing authority and the fulfillment of its historic mission.

Respectfully submitted,

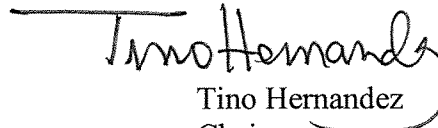
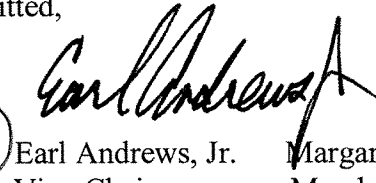
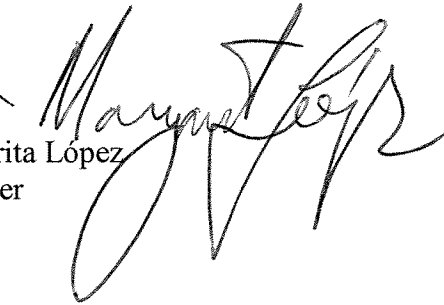
		
Tino Hernandez Chairman	Earl Andrews, Jr. Vice-Chair	Margarita López Member

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SUMMARY & OVERVIEW

The Fiscal Year (FY) 2007 budget along with a multi-year financial plan reflects the New York City Housing Authority's (NYCHA's) efforts to achieve long-term fiscal stability. This plan consists of actions within NYCHA's control to address the realities of sharply diminishing Federal subsidies, escalating non-discretionary costs and limited State aid. The Authority remains committed to preserving public housing as a vital affordable housing resource for current and future residents.

This budget builds upon the actions outlined in the 2006 *Plan to Preserve Public Housing (PPPH)* which sought to bring about long-term fiscal stability while maintaining services to residents by reducing headcount, consolidating services and streamlining administrative layers. The Plan included a commitment by Mayor Michael R. Bloomberg to the preservation of public housing in the form of a \$100 million aid package. NYCHA also enacted a first time rent increase for the 27% of residents who pay less than one-third of their income for rent. However, Federal aid anticipated in the PPPH was not received and is no longer assumed in this budget.

Despite the actions in this 2007 budget, deficits still remain in 2007 and the out years as NYCHA faces the ongoing challenge of diminishing federal operating funding and a limited amount of new aid provided by Washington and Albany. However, the Board is committed to take the steps necessary to close these, and future year gaps, if Albany and Washington do not provide additional resources.

This budget provides a summary of key data, which includes expenditure detail, financial summary tables, and narrative overviews related to NYCHA's operations, programs and financial policies and procedures.

Public Housing and Section 8

Public housing is the oldest Federal program providing affordable housing for low- and moderate-income families. New York City opened the nation's first public housing development in 1935. In the 1970's, the Federal effort to house the poor was expanded through the creation of the Section 8 program, providing rent subsidies that enable very low-income families to lease apartments in the private housing market. Both programs impose strict limits on the amount of rent that families pay. Operating assistance is provided by the Federal government and is essential to bridge the gap between what residents pay and the actual costs of operating the developments.

Today, NYCHA's conventional public housing program, the largest in the nation, has 178,426 apartments in 343 developments, and houses 174,325 families with 408,850 authorized residents. This population is 50% Black, 42% Hispanic, 4% White and 3% Asian. Thirty-two percent of the residents are under 18 and 17% are 62 or older. Resident average income is \$20,894, and their average rent is \$336/month. (See Fact Sheet in Volume 2.)

Currently there are approximately 82,740 Section 8 apartments rented through the Leased Housing Program, serving an additional 221,000 individuals so that the combined programs occupy 12.3% of the City's rental apartments and serve 7.8% of the City population, the equivalent size of the eighteenth largest city in the United States. The 29,374 landlords who participate in the Section 8 program provide apartments that average \$977/month rent to a population whose average gross income is \$13,000, with the resident paying an average of \$257/month and the voucher paying \$720.

The New Formula for Federal Operating Assistance

In 1998, Congress mandated that the U.S. Department of Housing and Urban Development (HUD) work with the public housing industry to create a new formula for allocating operating subsidies. The formula HUD issued is fostering the most dramatic change in public housing operations in thirty years resulting in decreased funding to NYCHA. The revised formula focuses on moving public housing agencies to budget, account and manage their operations on a development-based format (“asset management”) as opposed to the format now in general use. The new format became applicable to NYCHA on January 1, 2007.

NYCHA must employ project-based budgeting, accounting and management by October 15, 2007, or be subject to additional and significant reductions in subsidy. However, if NYCHA is able to demonstrate that it is in compliance with the HUD guidance as of October 15, 2007 it will limit its loss to just 5%, or approximately \$3 million annually. If not deemed in compliance these losses will escalate to \$60 million per year over five years. This budget assumes the Authority’s compliance with the requirement and includes significant detail on NYCHA’s project-based budgets.

Diminished Federal Operating Assistance

Since FY 2001, NYCHA has been forced to utilize its reserves to fund \$417 million of expenses as a result of an insufficient federal funding level. In FY 2005, for example, NYCHA received only 89% of the funding expected based on the U.S. Department of Housing and Urban Development’s (HUD) allocation formula. While FY 2006 began with assistance pro-rated at 90%, by mid-year HUD determined that escalating utility costs mandated cutting Federal assistance to 85.5%, resulting in an immediate funding loss of \$46 million.

FY 2007 again saw a sharp drop in funding. Public housing faced the lowest pro-ration level in the program’s history – 76% – but a last minute \$300 million increase by the new Congress eased the problem, bringing the pro-ration level up to 83%, though still 17% below what the formula requires. FY 2007 is the fifth consecutive year in which operating assistance was pro-rated. In this year alone it has resulted in a loss of \$159 million in subsidy.

Assistance from the City of New York

Mayor Michael R. Bloomberg has been a strong advocate in Washington and Albany for funding public housing, making NYCHA’s issues a significant part of his overall agenda to preserve and expand affordable housing. In 2006, the Mayor provided NYCHA with \$100 million in direct operating aid, equivalent to four years of payments for the approximately 8,000 City-built dwelling units in NYCHA’s portfolio. The 2007 budget includes a minimum of \$50 million in new revenue for NYCHA through the sale of vacant or surplus properties to be used for the development of new affordable housing as a part of the Mayor’s commitment to build and rehabilitate 165,000 units. HPD’s capital budget includes this funding and the specific sites and terms will be developed in the coming months. In addition, NYCHA’s capital budget now includes \$100 million over the next four years in new capital funding from the City for projects that will reduce long-term operating expenses.

In addition, the New York City Council, led by Speaker Christine Quinn, Housing Committee Chair Erik Dilan and Public Housing Subcommittee Chair Rosie Mendez provided NYCHA with an additional \$20 million in 2006.

State Agenda

NYCHA's fiscal challenges extend beyond Federal funding levels. The Authority continues to operate 21,000 apartments which receive no form of on-going governmental subsidy to support their operations. These units are authorized to share in the funding annually allocated to the Authority's other Federal developments. So while NYCHA receives less funding each year and the costs of its operations continue to rise, each of its developments has less assistance than they otherwise would have as the Authority is forced to use its allocation to cover the expenses of these 21,000 units. NYCHA remains committed to preserving these vital affordable housing units. Yet, doing so under the current financing structure endangers the viability of NYCHA's entire inventory because there are insufficient dollars available to sustain the entire stock.

In testimony before the New York State Assembly's Committee on Housing on May 25, 2006, NYCHA's Chairman called for a renewal of the State's subsidy for the public housing developed with State assistance. On February 2, 2007, in a joint budget hearing held by the State Senate Committee on Finance and the State Assembly Committee on Ways and Means, Chairman Hernandez again called on the State to subsidize the housing it had built noting that in FY 2006 NYCHA had self-subsidized \$62 million for its State-built developments. In the budget approved in April 2007, the State of New York appropriated \$3.4 million in operating assistance for NYCHA's State-built developments. This represents an important first step toward restoration of a deeper subsidy for State units. NYCHA will continue to work closely with our elected officials in Albany on this important issue.

Capital Assistance

The Federal Public Housing Capital Fund is the primary source of dollars for major capital improvements. Funding for capital renovation and modernization continues to be reduced. In FY 2001, NYCHA received \$420 million in capital assistance. For FY 2007, the Authority anticipates an allocation of \$324 million or 23% less than it received six years ago. It is estimated that NYCHA will receive approximately 17% less in capital assistance in FY 2008 than in FY 2007 should Congress concur with the Administration's budget request.

In FY 2005, as part of its Capital Fund Financing Program, NYCHA issued \$300 million in bonds to ensure adequate capital funds would be available to preserve NYCHA's aging buildings (average age is over forty years). The 2007 budget includes another issuance of \$400 million under the same program. These funds will accelerate critical brickwork and roof projects for an additional 352 buildings.

Section 8 Voucher Renewals

The Federal Section 8 Program, and in particular its funding structure, has changed significantly. Congress has repeatedly noted the program's spiraling costs resulting from the increased expense of providing affordable housing in the private market. Its growth is evidenced by the simple fact that this single program now accounts for more than half of the entire HUD budget. Beginning with the FY 2004 appropriation, as a means of controlling rising costs, Section 8 was converted from a program that provided full assistance for the reasonable cost of a voucher to one that is strictly dollar-based.

In FY 2006, the appropriation for voucher renewals was \$13.9 billion nationally, an increase of 4.4% over the previous year. Funding for voucher renewals in FY 2007 increased by \$487 million over the preceding year, a 3.5% increase, but prospects for FY 2008 are uncertain. The President proposed \$14.444 billion, just \$8 million over FY 2007 or a 0.13% rise over current funding. Most view that sum as insufficient to address the program's expected costs. Congress

has the opportunity in the FY 2008 budget to address this, and NYCHA is working closely with the Members to increase funding for this vital program.

Section 8 Reform Legislation

High on the new Congress' agenda is the enactment of legislation reforming the public housing and Section 8 programs. While the final format of the *Section Eight Voucher Reform Act (SEVRA)*, HR 1851, is presently unknown, significant elements of the bill include a predictable funding formula for Section 8 renewals, needed administrative relief and a new "Housing Innovation Program" that could provide selected housing authorities with funding flexibility.

Non-Discretionary Cost Increases

NYCHA has also experienced substantial increases in expenses over which it has little or no control. From FY 2001 to FY 2006 non-discretionary spending has increased significantly: pension costs have increased 991%, health insurance has increased 21%, worker's compensation costs have increased 41%, and utility costs increased 65%. In sum, from FY 2002 to FY 2007 these costs have increased by over \$700 million. NYCHA expects this trend to continue.

NYCHA Responds to Fiscal Constraints

In response to the continued growth in these expenses, between FY 2003 and FY 2006 NYCHA instituted measures that have resulted in a cumulative savings of \$527 million. The current budget reflects the cumulative effects of the following initiatives NYCHA has taken to reduce spending or increase revenue:

- Reduced full-time headcount by almost 2,000 positions,
- Cut administrative expenses for an annual savings of \$18 million,
- Reduced overtime spending for an annual savings of \$29 million,
- Changed rental policy for community center space, and raised service and parking fees,
- Increased commercial rent and rooftop leasing, and
- Raised flat rents by up to 40% for the highest earning NYCHA households.

One of the most significant challenges faced by the Authority is managing its over \$500 million utility budget. In the summer of 2005, a significant spike in energy costs placed an increasing burden on the Authority's budget. The Authority now expects an 18% increase in electrical rates and water rate increases of 4.3% in FY2007. As a national leader in managing energy consumption, NYCHA has replaced inefficient gas ranges, refrigerators and hot water tanks with energy efficient appliances. NYCHA also replaced 1.2 million steel casement windows with energy efficient double-paned glass windows. The Authority's long-term agreements with the New York Power Authority (NYPA) to purchase electricity continue to maintain NYCHA's electrical rate 20% below the private market. These actions are particularly critical since the new Federal operating formula does not include dollar-for-dollar reimbursement of utility costs.

FY 2007 Initiatives

Within this document a number of initiatives for FY 2007 are explained, including service modifications to increase efficiencies and reduce costs. The following initiatives specifically address the FY 2007 deficit:

- *Reduce Department Budgets* - cut expenditures and create initiatives to increase revenue. In addition to programmatic and headcount reductions, vacancies will be eliminated - \$45.5 million reduction

- *Sell Vacant or Surplus Land to the City of New York* – identify land for development of additional affordable housing - generate \$50 million
- *Transition Units In State/City Developments to Section 8* - NYCHA's application to transition 8,400 public housing units into the Section 8 program through a phased plan to secure a stable funding mechanism for the State and City developments is pending before HUD - \$2.2 million in FY 2007
- *Use of Capital Funds for Maintenance Operations* - transfer Federal funds from the Capital budget to the operating budget - \$100 million for maintenance operations
- *State Actions* – NYCHA sought the reinstatement of a State subsidy for the 15 State-constructed developments not included in the formula that determines NYCHA's Federal subsidy. The requested amount was \$62 million; NYCHA received \$3.4 million.
- *Hiring Freeze* – Impose partial hiring freeze excluding some direct service positions.
- *Service Reduction* – Effective October 1, 2007 a workforce reduction of 500 with concomitant service impacts.

The cumulative effect of these actions will reduce the deficit to \$51.6 million in 2007 and \$124 million in 2008.

Legislative Agenda

In addition to these actions to further reduce costs, NYCHA is committed to pursuing an aggressive legislative agenda in Washington and Albany to increase funding. The 2007 budget does not assume additional Federal or State funding. However, the plan of action set forth in this budget can be adjusted by new dollars received from the State or Federal governments. NYCHA's legislative agenda consists of the following:

- Under the Federal Public Housing Equal Treatment Act of 2007 introduced in Congress by Senator Charles E. Schumer and Rep. Nydia Velázquez, NYCHA's 21 State and City developments, which are currently unsubsidized, would move into the Federal fold and receive funding. The legislation will be introduced to Congress this year. NYCHA expects to achieve \$54.6 million starting in FY 2008 if the bill becomes law. This would be a key element in addressing NYCHA's long-term structural deficit.
- NYCHA will advocate that Congress increase subsidy funding levels in FY 2008 and out years. The President's FY 2008 budget assumes a funding level of 85%. NYCHA is requesting that the funding level be increased to at least 90%. The 5% increase in funding will generate \$47.2 million in revenue.
- Under current State law, increases to shelter allowance for public housing residents on public assistance, are limited to ten percent per year. As a result it would take NYCHA ten years to reach the maximum rent allowance. To provide NYCHA with the same funding as is received by private sector landlords, Assemblyman Vito Lopez and Senator Andrew Lanza have introduced legislation to change State law, allowing the maximum allowance to be reached in three years. NYCHA expects to receive \$46.6 million more annually, after a 3-year phase-in, with \$26.7 million realized in the first year, as a result of this initiative.

**Table 1: FY 2007 Balancing Plan
(\$000)**

	HC	FY2007	HC	FY2008	HC	FY2009	HC	FY2010	HC	FY2011
Budget Deficit		(\$270,750)		(\$223,834)		(\$250,594)		(\$251,229)		(\$251,229)
<u>Departmental Reductions - Implemented</u>	303	\$45,524	110	\$25,642	110	\$25,642	110	\$25,642	110	\$25,642
Revised Deficit		(\$225,226)		(\$198,192)		(\$224,952)		(\$225,587)		(\$225,587)
<u>NYCHA Actions:</u>										
State Subsidy		\$3,400		\$3,400		\$3,400		\$3,400		\$3,400
Vacant Land for Affordable Housing Development		\$50,000		-		-		-		-
Section 8 Transition Approved by HUD		\$2,235		\$35,760		\$62,580		\$75,096		\$75,096
Utilize Fed Capital Funds for Maintenance Operations		\$100,000		-		-		\$0		\$0
NYCHA Sale of Occupied Single Family Homes		-		\$5,000		\$6,000		-		-
Hiring Freeze (October 1, 2007 Implementation)		\$10,000		-		-		-		-
Service Reductions (October 1, 2007 Implementation)		\$8,000		\$30,000		\$30,000		\$30,000		\$30,000
Revised Deficit		(\$51,591)		(\$124,032)		(\$122,972)		(\$117,091)		(\$117,091)
<u>NYCHA's Legislative Agenda</u>										
City/State Federalization		-		\$54,600		\$54,600		\$54,600		\$54,600
Shelter Rent 3 Year Phase In		-		\$26,729		\$37,928		\$46,655		\$46,655
Increase Federal Proration from 85% to 90% in 2008		-		\$47,221		\$47,221		\$47,221		\$47,221

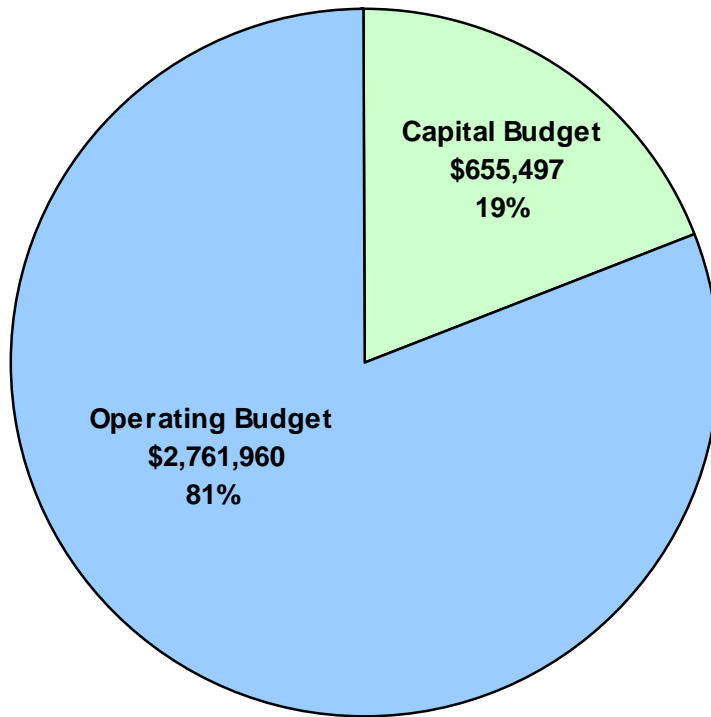
BUDGET OVERVIEW

FY 2007 Budget and Financial Plan

NYCHA is committed to transparency and providing detailed financial information to residents, elected officials and all stakeholders with an interest in public housing. This Budget and Financial Plan provides detailed information about both the Capital and Operating Budgets.

NYCHA's FY 2007 proposed budget is \$3.4 billion which consists of two major components: Operating and Capital. The Operating Budget is \$2.76 billion and the Capital Budget is \$655.5 million.

**Table 1: FY 2007 Budget \$3.4 Billion
(\$000)**



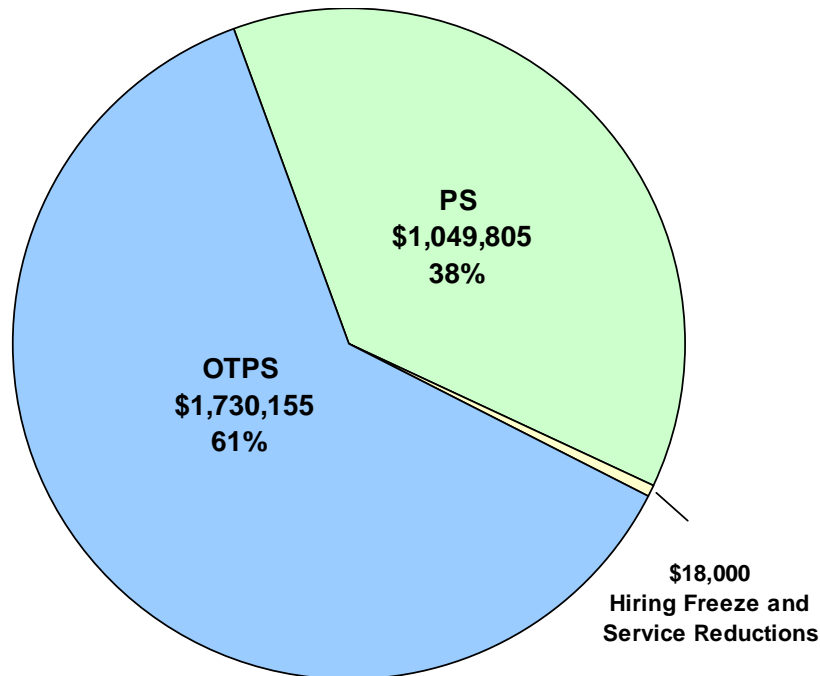
OPERATING BUDGET

NYCHA's Operating Budget is divided into two major areas: Personal Services (PS) and Other Than Personal Services (OTPS). The PS budget, which is \$1.0 billion, pays for salaries and fringe benefits for all of NYCHA's staff. Approximately 13,048 full-time NYCHA employees are responsible for all service delivery within NYCHA developments, including: building maintenance, rent collection, administration of the Section 8 program, annual inspections and certifications, grounds maintenance, community center staffing, social services, and administrative services.

The OTPS budget, which is \$1.73 billion, pays for the non-personnel costs of running the Authority, including payments for utilities such as water, electricity, heating fuels, and cooking gas for NYCHA residents; payments to vendors who provide painting, elevator maintenance, fire safety, plumbing and heating services; all insurance costs; consulting services; the purchase of machines and equipment used by development staff to maintain the buildings and grounds; and, payments to private landlords participating in the Section 8/Housing Choice Voucher Program.

The listing of budgets by Department on pages 26-28, does not include the anticipated service reductions and hiring freeze, which will result in a savings of \$18 million in FY 2007.

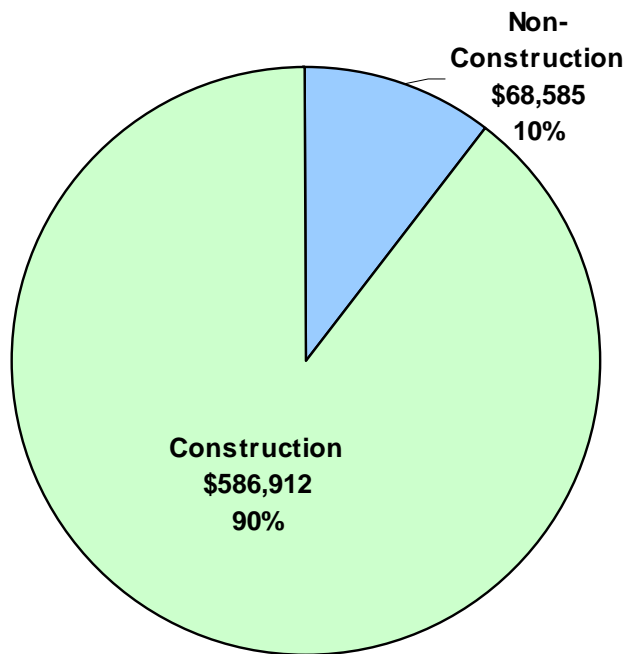
**Table 2: FY 2007 Operating Budget
(\$000)**



CAPITAL BUDGET

NYCHA's Capital Budget of \$655.5 million provides funding for renovation, new construction and associated services. The Capital Budget consists primarily of two programs: construction and non-construction. Construction programs include roof replacements, brickwork and other major preservation and modernization work. Non-construction programs include information technology initiatives, remediation and code compliance repairs, as well as capital-eligible debt service.

**Table 3: FY 2007 Capital Budget
(\$000)**



BUDGET GAP

FY 2007 Gap

Although the FY 2006 budget achieved structural balance, a number of factors such as implementation delays, pending Federal approvals and increases in non-discretionary costs created an unanticipated deficit of \$225 million in FY 2007. The following table summarizes the sources of the 'Revised Deficit,' prior to 'Additional Actions' and 'Legislative Actions' as described in the FY 2007 Balancing Plan on page 9.

**Table 4: FY 2007 Sources of Budget Gap
(\$000)**

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Spring Budget Update:					
<i>Expense Initiatives</i>					
Centralized Call Center	(1,291)	(1,291)	(1,291)	(1,291)	(1,291)
Collective Bargaining	(14,341)	(16,546)	(16,458)	(16,458)	(16,458)
Private Management Funding Adjustment	(1,075)	(1,075)	(1,075)	(1,075)	(1,075)
<i>Revenue Initiatives</i>					
Delayed FHA Sale	4,400	0	0	0	0
Fee Adjustment	(3,366)	(3,366)	(3,366)	(3,366)	(3,366)
Delay in Rent Reform	(15,899)	0	0	0	0
Shelter Rent	2,389	2,389	2,389	2,389	2,389
Revised Gap	(\$29,183)	(\$19,889)	(\$19,801)	(\$19,801)	(\$19,801)
Gap Opening items:					
MTW	(78,231)	(23,320)	(7,634)	0	0
Phased Transition of 8,400 Public Housing Units to Section 8	(23,244)	(50,288)	(66,827)	(75,096)	(75,096)
Federal Proration (82.9% 2007, 85% 2008)	(112,618)	(102,363)	(102,363)	(102,363)	(102,363)
Collective Bargaining Pattern	(27,474)	(27,974)	(53,969)	(53,969)	(53,969)
Departmental Reductions	45,524	25,642	25,642	25,642	25,642
Revised Gap	(\$225,226)	(\$198,192)	(\$224,952)	(\$225,587)	(\$225,587)

Federal Funds Reduced

Adding to the deficit this year is a funding shortfall by the Federal government. Funding for the operating subsidy is based on congressional appropriation. Over the past five years, national appropriations have been insufficient to meet actual needs. In FY 2006, NYCHA received only 86.02% of expected funding based on HUD's formula. The current estimate for FY 2007 is 82.9%, 7.1% less than was predicted in our initial budget, and resulting in an additional loss of \$112.6 million.

Delayed Initiatives

The revenue initiatives proposed in the Plan to Preserve Public Housing were subject to implementation delays resulting largely from the process of obtaining HUD approval. NYCHA's rent reform initiative has been approved by HUD and is being phased in beginning February 1, 2007. The original proposal consisted of two increases, one to occur in FY 2006 and the other in FY 2007. As a result of the delay in FY 2006, NYCHA will only achieve \$21.8 million of the \$37.7 million originally proposed in FY 2007.

NYCHA's application to transition unsubsidized units to Section 8 is being considered by HUD. The approval has not yet been granted. This initiative is considered a revenue shortfall risk and contributes to the \$225.2 million budget gap.

Programmatic Needs and Adjustments

During the Spring Budget Update of FY 2006, the Board approved funding for several programmatic needs aimed to improve service delivery, including the hiring of 38 staff to operate NYCHA's new Centralized Call Center (CCC). The center allows NYCHA residents the convenience of calling one number, twenty-four hours a day, seven days a week, to schedule appointments for routine maintenance and skilled trades work. The program allows NYCHA to more effectively manage the workload for all maintenance activities. In addition, revenue projections were adjusted downward to reflect discounts given to residents for newly instituted fees. Private Management funds were reduced when funding assumptions were not realized.

Collective Bargaining Increases

NYCHA is subject to the collective bargaining agreements entered into by the City of New York (NYC). NYC acts as the lead bargaining agent on behalf of the Authority. Agreements signed in the prior year are expected to increase the salaries budget by \$41.8 million in FY 2007. These salary increases are a result of collective bargaining agreements signed by NYC with District Council 37 (DC 37). Included in this budget are increases for other collective bargaining units that have not yet settled, but are assumed to follow the DC 37 pattern.

Federal Funding Flexibility Not Achieved

A legislative proposal to increase the number of public housing authorities eligible for the Moving To Work (MTW) program, which would have given NYCHA the ability to use Section 8 and Capital funds to cover operating costs, was never passed by Congress. Consequently, NYCHA was prevented from applying for that designation, and so will not achieve the \$78.2 million in proposed savings this year.

FY 2007 BALANCING PLAN

On May 30, 2007, NYCHA's Board adopted a budget with a \$51.6 million deficit going into the new fiscal year. The budget balancing plan is listed on Table 1 in the Summary & Overview section.

Savings Plan

NYCHA departments developed a number of initiatives which resulted in proposals to either cut expenditures or increase revenues. In total, NYCHA internally identified \$45.5 million to reduce the deficit. These initiatives include:

- Programmatic and Headcount Reductions - \$36.9 million
- Vacancy Elimination - \$8.7 million

FY 2007 Savings Plan includes all Board approved financial plan initiatives incorporated in the FY 2007 Budget and Financial Plan. Included are: Departmental Reductions (Table 5); Revenue Initiatives (Table 6); and New Needs identified during the financial plan (Table 7).

Revenue Adjustments

NYCHA sought a State operating subsidy for fifteen State-built developments with over 12,000 units which are not funded by Federal subsidy and contribute to NYCHA's overall deficit. Of a requested \$62 million, NYCHA will receive \$3.4 million in State subsidy.

NYCHA is conducting zoning analyses to identify development sites on NYCHA property for 6,000 units of affordable housing in support of Mayor Bloomberg's housing plan, the New Marketplace Plan that will produce 165,000 new or preserved housing units over the next ten years. These vacant properties will be sold to the City to be used for low- to moderate-income housing. This proposal would generate \$50.0 million.

NYCHA has applied to HUD for approval to transition 8,400 public housing units, in developments built by the City and State of New York that currently receive no operating subsidy, into the Section 8 program. This proposal, which requires HUD approval, is currently under review. This proposal would generate \$2.2 million in FY 2007.

NYCHA will transfer Federal Capital Funds for maintenance operations. Under Federal Capital Fund rules, NYCHA is allowed to transfer 20% of uncommitted funds from the Capital Budget to the Operating Budget. This transfer will generate \$100.0 million in FY 2007.

Hiring Freeze

Impose a partial hiring freeze excluding some direct service positions to realize a \$10 million in savings in FY 2007.

Service Reductions

Effective October 1, 2007 institute a workforce reduction of 500 which will result in concomitant service reductions. As a result of the implementation date NYCHA will realize \$8 million in FY 2007. These reductions will result in \$30 million per year of savings in the following years.

State Legislative Agenda

One way NYCHA is seeking to close the \$225.2 million deficit through its State Legislative Agenda. In 2006, NYCHA received State approval to begin a 10-year phase-in to maximum

shelter allowance. Under current State law annual increases to shelter allowance are limited to ten percent. Under this statute, it would take NYCHA ten years to reach the maximum shelter allowance. Given the extent of the Authority's funding deficit and the fact that no operating subsidy is received for non-federal units, NYCHA proposes a change in State law to allow maximum shelter allowance to be reached in three years. This will generate \$26.7 million in the first year, and \$46.6 million annually, after a 3-year phase-in. The revenue realized from this initiative is not incorporated in the budget.

FY 2007 SAVINGS PLAN

The following tables provide the Departmental Reductions (Table 5), Revenue Initiatives (Table 6) and New Needs (Table 7) that comprise the cost savings plan for FY 2007.

**Table 5: FY 2007 Departmental Reductions
(\$000)**

	<u>H/C</u>	<u>2007</u>	<u>H/C</u>	<u>2008</u>
<u>Administration</u>				
Reduce Copier Rentals		\$408		\$408
Reduce Automotive Expenses		\$103		\$103
Automotive Savings		\$500		-
Reduce Professional Services Account		\$5		\$5
Reduce Headcount at Supply Chain Operations	6	\$309	6	\$309
Reduce Overtime		\$9		\$9
Reduce Headcount in Staff Development	1	\$38	1	\$38
Full-Time Salary Reduction for Staff Development		\$90		\$90
Reduce Supply Expenses at Staff Development		\$51		\$51
Reduce LIC Lease Energy Expenses		\$310		-
Vacancy Savings in Human Resources	7	\$586	7	\$586
NYCAPS Implementation- Reduce Headcount in HR		-	6	\$185
Reduce Temp Contract in HR		\$20		\$20
Reduce Security Contracts		\$406		\$406
Total Administration	14	\$2,835	20	\$2,210
<u>Capital Projects</u>				
Vacancy Savings in Capital Projects	29	\$1,492	29	\$1,786
Reduce Overtime		\$125		\$125
Total Capital Projects	29	\$1,617	29	\$1,911

**Table 5: FY 2007 Departmental Reductions
(\$000)**

	<u>H/C</u>	<u>2007</u>	<u>H/C</u>	<u>2008</u>
<u>Community Operations</u>				
Reduce Expenses at Resident Support Services		\$2		\$2
Reduce Expenses at Citywide Services		\$202		\$202
Reduce Seasonal Program		\$347		\$345
Reduce PS & OTPS at Manhattan Community Operations		\$168		\$168
Reduce PS & OTPS at Brooklyn Community Operations	2	\$257	2	\$257
Reduce PS & OTPS at Queens Community Operations	1	\$96	1	\$96
Reduce OTPS at Staten Island Community Operations		\$44		\$44
Reduce PS & OTPS at Bronx Community Operations	2	\$197	2	\$197
Reduce Community Based Provider Contract		\$150		\$150
Reduce Supplies		\$3		\$3
Reduce Expenditures Resulting from the Delayed Opening of New Centers		\$1,000		\$1,000
Reduce Physical Compliance Budget		\$132		\$135
TPA Funding Shift		\$277		\$154
Vacancy Savings in Community Operations		-	6	\$222
Funding Shift of Social Service Positions	19	\$624	19	\$624
Total Community Operations	24	\$3,499	30	\$3,599

**Table 5: FY 2007 Departmental Reductions
(\$000)**

	<u>H/C</u>	<u>2007</u>	<u>H/C</u>	<u>2008</u>
<u>Operations</u>				
Elimination of Intercom Inspections- Service Only on Demand		\$900		\$900
Reduce Weekend Overtime Coverage		\$4,321		\$4,321
Reduce Full-Time Salary Budget	80	\$3,823	80	\$3,823
Reduce Oil Reserves		\$158		-
Merge Operation Services with Technical Services	20	\$880	20	\$880
Reduce Private Management Contracts		\$1,356		\$2,712
Renegotiate Payment to the New York City Department of Sanitation (DSNY)		\$706		\$706
Funding Shift of Applications & Tenancy Administration Staff to Grant Funding	139	\$4,338	139	\$4,338
Vacancy Savings in Operations	169	\$7,670		-
Total Operations	408	\$24,152	239	\$17,680
<u>Finance</u>				
Pre-payment of NYPD payment		\$6,000		-
Pre-payment of PILOT		\$5,000		-
Total Finance		\$11,000		-

**Table 5: FY 2007 Departmental Reductions
(\$000)**

	<u>H/C</u>	<u>2007</u>	<u>H/C</u>	<u>2008</u>
<u>Information & Technology</u>				
Reduce Service Contracts- Software Contracts		\$526		\$524
Shift Information Management and Infrastructure Department to Grant Funding	37	\$1,582	37	\$1,638
Headcount Reduction in BEST and Infrastructure	2	\$200	2	\$200
Vacancy Savings in Information and Technology	8	\$526	8	\$526
Total Information & Technology	47	\$2,834	47	\$2,888
<u>Policy, Planning & Management Analysis</u>				
Headcount Reduction in Research and Management	2	\$115	2	\$115
Vacancy Savings in Policy, Planning & Management Analysis	2	\$128	2	\$128
Total Policy, Planning & Management Analysis	4	\$243	4	\$243
<u>General Manager</u>				
Vacancy Savings in General Manager	1	\$72	1	\$72
<u>Law</u>				
Vacancy Savings in Law Department	4	\$233	4	\$233
<u>Department of Communications</u>				
Reduce the Number of Bulletins		\$3		\$3

**Table 6: FY 2007 Revenue Initiatives
(\$000)**

	<u>H/C</u>	<u>2007</u>	<u>H/C</u>	<u>2008</u>
<u>Administration</u>				
Increase Print Shop Revenue		\$2		\$2
Increase Revenue from the Sale of Vehicle Auctions		\$64		-
Increase Revenue from Training Program		\$36		\$36
Total Administration		\$102		\$38
<u>Operations</u>				
Increase Revenue from Legal Settlements		\$688		-
Increase Revenue from Debt Collection		\$996		\$984
Increase Revenue from Bid Books		\$88		\$88
Total Operations		\$1,772		\$1,072
<u>Department of Communications</u>				
Increase Revenue from Film Production on NYCHA Properties		\$24		\$24
<u>Community Operations</u>				
Increase Revenue from Community Center Rentals		\$47		\$49
<u>Inspector General</u>				
Increase Revenue from Investigations of Section 8 Landlords		\$20		\$20
<u>Finance</u>				
Electronic Funds Transfer (EFT) Processing Fee		\$1,320		\$1,320
<u>Law</u>				
Increase Revenue from Legal Settlements		\$688		-

**Table 7: FY 2007 New Needs
(\$000)**

	<u>H/C</u>	<u>2007</u>	<u>H/C</u>	<u>2008</u>
<u>Administration</u>				
Increases in Gasoline Due to Contract Costs		\$350		-
Increase for Employee Assistance Program (EAP)		\$76		-
Fund Leadership Academy and Fire Safety Training		\$530		\$530
Total Administration		\$956		\$530
<u>Operations</u>				
Funds for the Expansion of the Centralized Call Center	38	\$590	73	\$1,928
Increase Emergency Services Weekend Overtime		\$45		\$45
Additional Funds for Temporary Staff for Applications and Tenancy Administration	21	\$569	21	\$569
Funds for Lighting and Tree Pruning Services to Assist with CCTV System		\$852		\$852
Funds for CCTV Installation		\$412		-
Total Operations	59	\$2,468	94	\$3,394
<u>Community Operations</u>				
Funds for CPR/RTE Training		\$100		\$100
Funds to Continue the Congregate Housing Program		\$646		\$746
Total Community Operations		\$746		\$846

**Table 7: FY 2007 New Needs
(\$000)**

	<u>H/C</u>	<u>2007</u>	<u>H/C</u>	<u>2008</u>
<u>Capital Projects</u>				
Additional Funds for Wireless Communication		\$173		\$173
<u>Information & Technology</u>				
Additional Funds for IT Maintenance Contracts		\$1,525		\$1,937
<u>Leased Housing</u>				
Funding for Additional Staff to Support an Increase in Section 8 Activities	19	\$360	19	\$360
<u>Policy, Planning & Management Analysis</u>				
Policy and Planning Staff Increase to Support Efforts of Strategic Planning	1	\$72	1	\$72
<u>Secretary</u>				
Funds for Guardians Ad Litem (GAL)		\$94		\$94

DEPARTMENTAL BUDGETS SUMMARY

The following table is a summary of the expense budgets by department for FY 2007, and reflects the changes that result from the Savings Plan.

**Table 8: FY 2007 Departmental Budgets
(\$000)**

Department	HC	PS	OTPS	Total
<u>Chair</u>				
Authority- Chair	13	1,326	96	1,422
Secretary	35	1,851	23	1,874
Equal Opportunity	36	2,163	23	2,186
Inspector General	45	3,010	18	3,028
Communications	19	1,228	375	1,603
Intergovernmental Relations	4	198	2	200
Law	204	12,903	754	13,657
Subtotal Chair	356	\$ 22,679	\$ 1,291	\$ 23,970
<u>General Manager</u>				
General Manager	8	857	153	1,010
Leased Housing	611	28,030	1,094	29,124
Development	20	1,489	17	1,506
Housing Choice Voucher	-	-	817,687	817,687
Subtotal General Manager	639	\$ 30,376	\$ 818,951	\$ 849,327
<u>Operations</u>				
DGM - Operations	10	1,709	10,680	12,389
ADGM - Operations	9	713	106	819
Manhattan Borough Management	2,183	105,398	175,335	280,733
Brooklyn Borough Management	2,646	127,249	207,640	334,889
Staten Island Borough Management	264	13,360	16,516	29,876
Queens Borough Management	824	40,122	56,732	96,854
Bronx Borough Management	1,897	94,413	152,296	246,709
ADGM - Support Services	3	294	-	294
Technical Services	604	36,759	10,727	47,486
Emergency Services	309	14,395	75	14,470
Applications & Tenancy Administration	335	14,711	139	14,850
Asset Management	14	1,076	30,166	31,242
Subtotal Operations	9,098	\$ 450,199	\$ 660,412	\$ 1,110,611

**Table 8: FY 2007 Departmental Budgets
(\$000)**

Department	HC	PS	OTPS	Total
<u>Capital Projects</u>				
DGM - Capital Projects	5	630	-	630
Capital Projects Administration	102	6,315	98	6,413
Design	76	5,282	175	5,457
Building Exteriors	75	4,638	-	4,638
Building Interiors	94	6,294	11	6,305
Building Systems	86	5,733	5	5,738
New Construction & Major Renovation	61	3,978	-	3,978
Site Improvements	54	4,215	75	4,290
Subtotal Capital Projects	553	\$ 37,085	\$ 364	\$ 37,449
<u>Administration</u>				
DGM - Administration	4	374	1	375
Facility Planning & Administration	49	2,909	188	3,097
General Services	123	5,367	576	5,943
Supply Chain Operations	149	7,083	223	7,306
Human Resources	151	8,020	356	8,376
Staff Development	63	3,718	617	4,335
Security	29	1,245	4,338	5,583
Fleet and Post	-	-	8,827	8,827
Leased Property	-	-	34,161	34,161
Subtotal Administration	568	\$ 28,716	\$ 49,287	\$ 78,003
<u>Policy, Planning & Management Analysis</u>				
DGM - Policy, Planning & Management Analysis	6	470	13	483
Audit	28	1,884	416	2,300
Research & Management Analysis	30	2,049	31	2,080
Policy & Program Development	27	1,700	9	1,709
Subtotal Policy, Planning & Management	91	\$ 6,103	\$ 469	\$ 6,572
<u>Finance</u>				
DGM - Finance	5	454	573	1,027
Budget & Financial Planning	58	5,842	1,446	7,288
Accounting & Fiscal Services	208	11,413	165	11,578
Energy	36	2,201	3,121	5,322
Risk Finance	10	597	15	612
Subtotal Finance	317	\$ 20,507	\$ 5,320	\$ 25,827

**Table 8: FY 2007 Departmental Budgets
(\$000)**

Department	HC	PS	OTPS	Total
<u>Information & Technology</u>				
DGM - Information & Technology	14	1,310	204	1,514
IT - Business Enterprise Systems Transformation	4	348	15	363
IT - Infrastructure	129	8,452	7	8,459
IT - Application Development	85	6,744	85	6,829
IT - Information Management	46	1,992	54	2,046
IT Systems and Maintenance	-	-	14,354	14,354
Subtotal Information & Technology	278	\$ 18,846	\$ 14,719	\$ 33,565
<u>Community Operations</u>				
DGM - Community Operations	31	2,403	915	3,318
Community Operations - Administration	32	2,822	2,439	5,261
Community Operations - Citywide Program	40	2,178	6,688	8,866
Social Services	246	9,553	1,825	11,378
Resident Employment Services	67	3,404	587	3,991
Resident Support Services	11	759	26	785
Manhattan Community Operations	154	5,806	52	5,858
Brooklyn Community Operations	266	10,153	423	10,576
Staten Island Community Operations	46	1,804	41	1,845
Queens Community Operations	71	2,789	35	2,824
Bronx Community Operations	184	6,676	74	6,750
Subtotal Community Operations	1,148	\$ 48,347	\$ 13,105	\$ 61,452
<u>Miscellaneous</u>				
Amortization	-	-	5,612	5,612
Heat, Light, & Power	-	-	3,125	3,125
Insurance Risk	-	-	43,745	43,745
Tax, Fringe, and Police	-	386,943	113,753	500,696
Subtotal Miscellaneous	-	\$ 386,943	\$ 166,235	\$ 553,178
NYCHA FY 2007 Budget	13,048	\$1,049,805	\$ 1,730,155	\$ 2,779,960
Service Reductions	(500)	\$ -	-	\$ (18,000)
Total NYCHA FY 2007 Budget	12,548	\$ -	\$ -	\$ 2,761,960

PERFORMANCE MEASURES

Authority Productivity Tracking System (APTS)

The Authority Productivity Tracking System (APTS) is a performance measurement tool that evaluates NYCHA performance, holds development managers and department directors accountable, and provides NYCHA senior level management with data and analysis to develop more effective and efficient operational processes. Since the implementation of APTS in November 2001, the Authority has reviewed the performance of 342 of its 343 developments, as well as community centers, capital projects, and several other NYCHA operational departments. At each bi-weekly meeting, the General Manager and senior-level staff review performance by key indicators in the selected area of focus, respond to challenges, address major issues, air concerns and share best practices.

In the first several years, APTS focused primarily on efforts to reduce rent delinquency and the length of time taken to process maintenance and contractor work tickets. During the second phase, APTS concentrated on reducing and eliminating environmental violations, resolving problems with contractors' work performance and internal janitorial inspections. Then came identifying and tracking heat and hot water outages in winter, accelerating requisitions for materials on back order and establishing better command of materials management in general via NYCHA's ever-evolving technology. APTS has continued to expand its focus with the goal of ultimately reviewing every area impacting NYCHA's operations.

The format of the meetings has changed significantly since the beginning, with more frequent meetings, and developments called back within a three to six month period to review accomplishments. Photographs taken during janitorial inspections illustrate progress, improvement or the lack thereof. An Executive Information System (EIS) was implemented in FY 2006 to support APTS by providing online access to key performance indicators and data from multiple sources. APTS and EIS allow executives to more quickly identify and investigate problem and opportunity areas, and they support decision making and the deployment of scarce resources.

The indicators on the following page reflect the specific performance indicators for those specified departments.

Overall Performance Indicators

Area	Department	Indicator	2005 Actual	2006 Actual	2007 Goal
Community Operations	Boroughs and Administration	Community center average daily attendance (6-59)	6,835	10,967	n/a
Community Operations	Boroughs and Administration	Senior center ADA (60+)	1,135	1,159	n/a
Community Operations	Boroughs and Administration	Revenue collection (000)	n/a	\$1,554	\$2,229
Community Operations	Boroughs and Administration	Revenue collection (%)	n/a	93.9%	100.0%
Capital Projects	Program Units	Average time to process payments (days)	40	34	30
Operations	Boroughs and Asset Management	Backlog of pending work requests	55,002	53,604	n/a
Operations	Boroughs and Asset Management	Backlog of pending maintenance requests	6,345	4,957	n/a
Operations	Boroughs and Asset Management	Backlog of pending skilled trades requests	34,932	27,703	n/a
Operations	Boroughs and Asset Management	Percent of occupied apartments	99.2%	99.4%	100.0%
Operations	Boroughs and Asset Management	Rent collection (000)	\$671,454	\$697,358	n/a
Operations	Boroughs and Asset Management	Annual reviews percent complete	99.4%	95.6%	95.0%
Operations	Boroughs and Asset Management	Working families residing in public housing (%)	42.4%	44.2%	n/a
Operations	Technical Services	Number of apartments painted	17,000	23,000	n/a
Leased Housing	Leased Housing	Total leased units	88,587	84,156	n/a
Administration	Human Resources	Days lost due to workers compensation	58,901	51,526	n/a

SERVICE HIGHLIGHTS

STRATEGIC INITIATIVES & POLICY PRIORITIES

NYCHA's four primary service areas, Operations, Community Operations, Leased Housing and Capital Projects are responsible for providing direct services to NYCHA residents and voucher holders, and overseeing all the capital work. These areas are supported by a host of central departments that provide administrative and financial support, planning and research, and IT. Some of the most significant service initiatives planned for 2007 and accomplishments from 2006 require the collaboration of multiple major service centers in coordination with central office. These are outlined below:

FY 2007 Initiatives

Secure Funding for NYCHA's Infrastructure and Modernization

- Issue a second round of bonds valued at \$400 million to fund capital improvements; the proceeds of which will continue the effort to accelerate critical repair work to secure, stabilize and waterproof the exterior envelope of an additional 352 buildings. As part of HUD's Capital Fund Financing Program (CFFP) NYCHA is partnering with HDC to issue bonds totaling \$700 million in two rounds. The first round of bonds was issued in May 2005, the proceeds were used to accelerate the modernization and repair of 340 building exteriors at 38 developments.

Aid in the Development of New Affordable Housing

- Conduct zoning analyses to identify development sites on NYCHA property for 6,000 units of affordable housing in support of Mayor Bloomberg's Housing Plan;
- Transfer ownership of Metro North Rehabs and four additional vacant buildings at University Avenue Consolidated to HPD to facilitate redevelopment; and
- Dispose of vacant and occupied Federal Housing Administration (FHA) homes, and convey to developers the sites for 105 units of Senior Housing at Stapleton, and 65 units at Fabria.

Use Technology to Increase Operational Efficiency

- Automate and integrate Human Resources processes through participation in the New York City Automated Personnel System (NYCAPS) which will merge disparate databases and provide a single source for all human resources processing including recruiting and benefits management throughout City agencies and provide self-service functionality to employees;
- Implement an eBilling system for the Law Department that allows external attorneys to submit electronic invoices for their services; and
- Implement Oracle Property Manager to integrate leases and billing information for commercial tenants into one database, which will improve payment and billing processes, automate administration of the leases, manage space assignment/optimize space utilization, and eliminate the need to maintain ancillary systems.

Increase Accountability

- Add a third independent member to the Audit Committee;
- Decentralize budgets to the development level; and
- Expand the Executive Information System (EIS), the new comprehensive reporting tool that provides easy access to major Authority indicators, which allow executives to evaluate departmental performance. The expansion will allow for more users and include more departments' indicators;

- Institute more rigorous procedures to oversee the Construction Management (CM) Build program.

FY 2006 Accomplishments

- Developed a three-tier rent structure that raised the rents of 27% of households paying ceiling rent which was implemented on February 1, 2007, and secured approval from the NYS Department of Social Services for two rent increases for residents on full public assistance paid by the Human Resources Administration (HRA);
- Submitted an application to HUD to transition 8,400 units in our State and City developments to the Section 8 Program.
- Completed twenty-four major renovations to exterior brickwork, roofs, parapets and structures valued at \$62.6 million;
- Expanded the Centralized Call Center (CCC) to Manhattan residents; the CCC now provides services to 75,000 residents, receiving an average of 2,600 calls a day;
- Deployed Computerized Heating Automated Systems (CHAS) at 48 heating plants to permit remote monitoring of boiler-rooms and building control panels, and consolidated 30 Management Offices into 14 to provide services more cost effectively;
- Expanded leasing of commercial spaces on NYCHA grounds at prevailing market rates, increasing annual rents by \$330,812;
- Selected a developer to undertake a \$60.0 million redevelopment of Markham Gardens to provide 290 new units of affordable housing and another developer for a 105-unit low-income senior building on the grounds of Stapleton Houses; and
- Increased fees for parking, excess utilities and repairs of resident-caused damage to materials or equipment.
- Implemented a project-based accounting and budgeting system in compliance with HUD's "stop loss" guidelines;
- Recovered \$125,000 through audits of vendor payments, commercial rents, and resident income verification;
- Collected \$70,000 from film companies filming on NYCHA property;
- Recovered \$590,000 in unpaid wages and administrative costs from nine contractors through prevailing wage violations cases for 79 workers;
- Secured \$1.85 million in legal settlements and awards, and \$2.0 million in avoided costs by the Torts Division and defeat of a real estate tax claim;
- Implemented an Executive Information System (EIS) with over 80 key performance indicators, providing senior staff with real, and near real-time data needed to reallocate resources and increase productivity; and
- Generated \$10,000 through an Inventory Liquidation Program that is designed to reduce overstocked and obsolete items and their associated storage costs at the central warehouse.

OPERATIONS

Operations is responsible for managing and maintaining NYCHA's developments through its five Borough Management Offices and staff located at each of the developments. Additionally, administrative and technical assistance is provided via skilled trades workers, emergency services personnel and personnel who manage housing applications. Operations also oversees contracts with private management firms who manage scattered-site developments.

**Table 1: Summary of Financial Data
(\$000)**

	FY 2005		FY 2006		FY 2007		Variance FY 06 vs. FY 07	
<u>PS</u>	<u>HC</u>	<u>Actuals</u>	<u>HC</u>	<u>Current Modified Budget</u>	<u>HC</u>	<u>Budget</u>	<u>HC</u>	<u>Budget</u>
Salary F/T	9,642	386,240	9,329	418,502	9,098	397,777	(231)	(20,725)
Salary P/T		1,647		1,409		7,833		6,424
Seasonal		1,332		1,963		1,963		-
Overtime		41,059		37,656		33,291		(4,365)
Shift Differential		1,681		2,230		2,230		-
Retro		51,047		14,155		-		(14,155)
Other		9,330		7,107		7,107		-
Subtotal PS	9,642	\$ 492,336	9,329	\$ 483,022	9,098	\$ 450,201	(231)	\$ (32,822)
OTPS								
Supplies		27,508		27,284		15,204		(12,080)
Equipment		1,067		1,368		1,137		(231)
Utilities		346,725		512,529		529,895		17,366
Contracts		63,948		76,758		84,280		7,522
PILOT		-		-		21,585		21,585
OTPS Other		-		2,653		8,312		5,659
Subtotal OTPS		\$ 439,248		\$ 620,592		\$ 660,412		\$ 39,821
Total Budget	9,642	\$ 931,584	9,329	\$ 1,103,613	9,098	\$ 1,110,613	(231)	\$ 7,000

Financial Review

The FY 2007 operating expense budget for Operations is \$1.1 billion, of which \$450.2 million is for PS and \$660.4 million is for OTPS.

The PS budget reflects a net decrease of \$32.8 million due to :

- A headcount reduction of 231 positions resulting in a savings of \$20.7 million;
- A decrease of \$14.2 million, which reflects a less than expected retroactive collective bargaining payment in FY 2007 than in FY 2006; and
- A decrease of \$4.4 million due to the reduction of development overtime by one hour.

The OTPS budget reflects a net increase of \$39.8 million due to:

- The incorporation of PILOT payments to NYC in the amount of \$21.6 million. The PILOT budget was placed in a central account in the prior year. In order to comply with project-based budgeting, the budgets were decentralized in FY 2007;
- A \$7.5 million increase in contracts; and
- Projected escalating energy costs in the amount of \$17.4 million.

FY 2007 Budget Highlights

Providing Services

- The FY 2007 Budget provides an additional 38 heads and \$0.59 million to expand the Centralized Call Center to the Bronx and Brooklyn.
- \$0.5 million in additional funds to hire temporary staff to assist with the Section 8 voucher program.
- \$0.8 million to increase the lighting and tree pruning services so that CCTV systems operate more effectively.
- \$0.4 million in additional funds is provided to assist in the installation of CCTV in several Police Service Areas (PSAs).

Streamlining

- A full-time headcount reduction of 231 positions which contributes to a total savings of \$20.7 million. This reduction will be achieved through eliminating vacancies, and merging Operation Services with Technical Services.
- Overtime is reduced by one hour on weekends.

FY 2007 Initiatives

- Expand the operation of the Centralized Call Center (CCC) to the Bronx and Brooklyn and schedule 100% of work requests, citywide; Information Technology (IT) will install new technology to allow outbound dialing systems and the expansion of CCC operations to other locations;
- Accelerate eligibility interviewing to ensure an adequate participant pool to fully utilize available Section 8 vouchers;
- Continue to reduce the number of apartments off the rent roll and the length of time needed for modernization work;
- Reduce the time elevators are out-of-service, and reduce unnecessary labor by expanding the utilization of the remote elevator monitoring system to an additional 33 developments; and
- Operate nearly all heating plants on "firm gas" saving an estimated \$52.3 million in curtailment penalties, fuel oil emergency staffing and overtime, and reducing the risk of potential oil spills.

FY 2006 Accomplishments

- Reduced code violations by 49%;
- Reorganized support services departments to streamline operations and improve efficiency, saving approximately \$1.0 million;
- Installed remote monitoring equipment for elevators in 19 developments that will enable staff to monitor elevator performance through NYCHA's Wide Area Network, reducing the number of on-site visits;
- Reduced backlog of maintenance requests by approximately 50%, to 4,977;
- Painted approximately 23,000 apartments;
- Awarded 1,050 contracts to provide painting, tiling, stairwell refinishing, intercom maintenance, fire safety services, etc. to provide necessary maintenance and repair services at developments;
- Implemented a Homeless Prevention Program in which NYCHA provides expedited processing of Section 8 vouchers to applicants referred by the NYC Department Of Homeless Services; and
- Restored 325 apartments to the rent roll upon completion of capital improvements.

COMMUNITY OPERATIONS

Community Operations is responsible for providing and coordinating educational, employment, recreational and cultural services. Community Operations is the second largest division in NYCHA. With a staff of 1,148, it oversees a network of over 400 community facilities, including operating 115 Community Centers and 41 Senior Centers; and monitors programs operated by community-based organizations in NYCHA-owned facilities that include: 46 sponsored Community Centers, 95 sponsored Senior Centers, 100 Day Care Centers, and 35 Head Start Centers.

**Table 2: Summary of Financial Data
(\$000)**

	FY 2005		FY 2006		FY 2007		Variance FY 06 vs. FY 07	
PS	HC	Actuals	HC	Current Modified Budget	HC	Budget	HC	Budget
Full Time	1,185	39,560	1,151	43,657	1,148	44,976	(3)	1,319
Part/Time		489		280		422		142
Seasonal		1,696		1,646		1,326		(320)
Overtime		487		434		443		9
Retroactive		1,199		467		-		(467)
Shift Differential		412		646		645		(1)
Other PS		970		566		534		(31)
Subtotal PS	1,185	\$ 44,814	1,151	\$ 47,696	1,148	\$ 48,346	(3)	\$ 650
OTPS								
Supplies		1,033		1,677		691		(986)
Equipment		20		39		43		5
Utilities		149		230		230		-
Contracts		4,358		4,486		3,301		(1,185)
Other OTPS		8,838		13,009		8,840		(4,169)
Subtotal OTPS		\$ 14,398		\$ 19,441		\$ 13,105		\$ (6,336)
Total Budget	1,185	\$ 59,212	1,151	\$ 67,137	1,148	\$ 61,451	(3)	\$ (5,685)

Financial Review

The FY 2007 operating expense budget for Community Operations is \$61.5 million, of which \$48.3 million is for PS and \$13.1 million is for OTPS.

The PS budget reflects a net increase of \$0.7 million due to:

- An increase in collective bargaining agreements of \$1.3 million;.
- A reduction in retroactive payments of \$0.5 million; and
- A decrease in the seasonal program of \$0.3 million.

The OTPS budget reflects a net decrease of \$6.3 million due to:

- A decrease in \$4.1 million in various grants which have not been renewed into FY 2007, as well as a reduction of supplies and contracts throughout Community Operations and the reduction of funds for community centers that will not open this year.

FY 2007 Budget Highlights

Providing Services

- The FY 2007 budget provides \$0.1 million in additional funding to cover mandated Department of Health and Mental Hygiene regulated CPR/RTE training for 600 staff.
- Additional funds of \$0.6 million were provided to continue a senior program in Ocean Hill, Brooklyn, for which Federal funds expired this year.

Streamlining

- The Seasonal program was reduced by \$0.3 million to reflect actual needs of the program. This reduction will not affect community center program operations.
- The Social Services Department will reduce its contract with a community-based provider and have its staff start performing those functions, resulting in a savings of \$0.15 million.
- Several community centers will not open this year due to various construction delays and permit holdups, resulting in a savings of \$1.0 million.

FY 2007 Initiatives

- Solicit sponsors to manage community facilities currently managed by NYCHA staff and/or solicit supplementary providers to implement programming;
- Increase teen and youth attendance at community centers by 20%;
- Increase rental revenue from community facilities by 25% through increasing fees and marketing these spaces to the public for functions and special events;
- Facilitate the enrollment of at least 26,500 NYCHA residents into health insurance plans;
- Develop partnerships with resident leaders to use FY 2007 Tenant Participation Activities (TPA) Funds, execute approved plans, and maximize available funding to meet resident and community center needs; and
- Ensure that a minimum of 86 residents successfully complete the Construction Skills 2000 (CS2K) pre-apprenticeship training program and are placed into apprenticeships.

FY 2006 Accomplishments

- By providing community center space in 24 locations, secured \$2.2 million for after-school services for 2,000 youth via participation in the Department of Youth and Community Development's Out of School Time initiative;
- Secured \$3.6 million in external funding and grants to support computer literacy, tennis, environmental education and vocational training for residents, an increase of 11% over last year;
- Increased the average daily attendance of adolescents at NYCHA-operated community centers by 30%, and extended after school hours at 50% of the centers;
- Contracted with CS2K to provide 300 residents with pre-apprenticeship training and subsequent placement into apprenticeship programs; and
- Received a PHA Award from HUD for *Innovative Initiatives in the Area of Exemplary Services to Residents* for the Domestic Violence Aftercare Program.

CAPITAL PROJECTS

Capital Projects (CPD) is responsible for planning, implementing, and managing all capital budget projects.

**Table 3: Summary of Financial Data
(\$000)**

	FY 2005		FY 2006		FY 2007		Variance	
	HC	Actuals	HC	Current Modified Budget	HC	Budget	HC	Budget
PS								
Salary F/T	652	36,110	566	34,597	553	35,656	(13)	1,059
Overtime		358		361		237		(125)
Retro		984		367		-		(367)
Other		1,550		1,191		1,191		-
Subtotal PS	652	\$ 39,002	566	\$ 36,516	553	\$ 37,084	(13)	\$ 568
OTPS								
Supplies		154		135		182		47
Equipment		-		1		28		27
Contracts		354		99		35		(64)
OTPS Other		165		173		118		(55)
Subtotal OTPS		\$ 673		\$ 408		\$ 363		\$ (46)
Total Budget	652	\$ 39,675	566	\$ 36,924	553	\$ 37,447	(13)	\$ 523

Financial Review

The FY 2007 operating expense budget for Capital is \$37.4 million, of which \$37.0 million is for PS and \$0.4 million is for OTPS.

The OTPS budget reflects a net decrease of \$0.05 million due to:

- The reduction of contracts and car fare of \$0.1 million.

The PS budget shows a net increase of \$0.6 million due to:

- Collective bargaining agreements, which increased the full-time salaries budget by \$1.1 million.

FY 2007 Initiatives

- Complete the installation of CCTV systems at fourteen additional developments (Riis, Straus, South Beach, Berry, Wyckoff, Gowanus, Ocean Hill, Glenwood, Isaacs, Holmes Towers, LaGuardia, Smith, Rutgers and Boston Road Houses) utilizing \$5.8 million provided by New York City Council Members;
- Complete 80% of construction projects on-time;
- Start Phase II A of the Whitman and Ingersoll modernization (eight low-rise buildings at a cost of \$38.2 million to be completed by July 2009) and design the remaining two phases (Phases II B and II C);
- Complete Phase II work at Ocean Bay (\$60.0 million) including exteriors and lobby improvements; transformers and electrical distribution system upgrade; and rehabilitation of the day care center and senior/social center;
- Design and draft construction documents, and procure a construction vendor for Randolph Houses rehabilitation (Phase I budget: \$60 million) to replace seventeen buildings along the south side of West 114th Street with a new nine-story, 154-unit residential building;

- Start comprehensive kitchen/bathroom replacement for 1,938 apartments at Edenwald Houses (\$28.5 million); start structural rehabilitation of four brownstones required as a result of severe termite damage at the West Side Urban Renewal (WSUR) Brownstones (\$3.5 million); and convert twenty office spaces in the Bronx into functional apartments for NYCHA residents.

FY 2006 Accomplishments

- Replaced kitchens and bathrooms in 4,810 apartments costing \$16.7 million in capital funds;
- Received an architectural design award from the New York Chapter of the American Institute of Architects for new building entrances at Sedgwick Houses;
- Installed 747 CCTV cameras at twelve developments with funds allocated by the New York City Council.

LEASED HOUSING/SECTION 8

The Leased Housing Department administers NYCHA's Section 8/Housing Choice Voucher Program. Under this federally-funded program, eligible families lease privately-owned apartments that meet Housing Quality Standards (HQS). The Section 8 Program allows families to pay 30% of their income for rent and subsidizes the difference, up to a maximum amount called the "payment standard." The program has approximately 82,740 Section 8 households that are subsidized by NYCHA, and 29,374 landlords who participate in the program.

**Table 4: Summary of Financial Data
(\$000)**

	FY 2005		FY 2006		FY 2007		Variance	
	HC	Actuals	HC	Current Modified Budget	HC	Budget	HC	Budget
PS								
Salary F/T	537	20,904	609	25,228	611	25,982	2	754
Seasonal		-		1		-		(1)
Overtime		679		1,087		1,087		-
Retro		1,915		65		-		(65)
Other		542		960		961		1
Subtotal PS	537	\$ 24,040	609	\$ 27,341	611	\$ 28,030	2	\$ 688
OTPS								
Supplies		317		621		436		(185)
Equipment		-		-		-		-
Contracts		112		113		355		242
OTPS Other		91		207		304		97
Section 8 Payment		733,728		844,454		817,687		(26,767)
Subtotal OTPS		\$ 734,248		\$ 845,395		\$ 818,782		\$ (26,612)
Total Budget	537	\$ 758,288	609	\$ 872,736	611	\$ 846,812	2	\$ (25,924)

Financial Review

The FY 2007 operating expense budget for Leasing Housing is \$846.8 million, of which \$28.0 million is for PS and \$818.8 million is for OTPS.

The OTPS budget reflects a net decrease of \$26.6 million due to:

- A one-time award from the NYC Council of \$20.0 million for FY 2006 and an expected decrease in Federal funding in FY 2007.

The PS budget reflects a net increase of \$0.7 million due to:

- Collective bargaining agreements and the addition of staff needed to address workload increases resulting from an increase of vouchers and a backlog of transfers.

FY 2007 Initiatives

- Transition 1,000 non-federal apartments in developments built by the City and State, that do not receive any government subsidy, to Section 8 (assuming HUD approval) in order to provide a funding stream for these developments, and preserve them as subsidized housing for low-income New Yorkers;
- Re-open the Section 8 waiting list for non-emergency applicants; and
- Complete 12,000 rentals for new applicants by resuming large-scale rental activity.

FY 2006 Accomplishments

- Proposed changes in Leased Housing's organizational structure and operating processes to be implemented with the proposed new tenant management computer system. Launched a prototype borough office operation in Queens, and revised an earlier prototype in Brooklyn to improve efficiency and customer service.
- Prepared amendments to Annual Plan regarding new Section 8 application priorities and transitioning of NYCHA's State/City developments to Section 8.
- Participated as one of the lead departments in the preparation, submission and public presentation of NYCHA's official proposal to HUD for partial conversion of NYCHA's State/City developments to Section 8, and related operational changes for both those developments and Leased Housing upon implementation.

PROJECT-BASED BUDGETS

New Operating Fund Formula

HUD's new operating fund rule became effective on November 18, 2005. The new rule amends the Public Housing Operating Fund Program regulations and provides a new formula for the distribution of operating subsidies to PHAs. Under the new rule:

- PHAs must convert to asset management. HUD's asset management requirements mirror management norms in the private-market, multi-family management industry. Asset Management incorporates property-based budgeting, accounting and management.
- Subsidies are accounted at the development level instead of at a portfolio level. The subsidy is calculated as the difference between NYCHA's income in FY 2004 and the cumulative total of HUD's assessments of the operating cost appropriate for each development (called "project expense level" or PEL).
- Centrally-managed services are charged to the developments as follows:
 - Direct cost fees are charged for services and materials based on the development's usage (e.g. Centralized Call Center, insurance and centralized repair service).
 - Management fees are charged for management functions and oversight not directly related to the operation of a development (e.g. human resources, legal services, finance, audit, planning and monitoring).

Under the new rule, NYCHA faces a risk of losing over \$60 million in the next five years unless it complies with HUD's asset management requirements by October 15, 2007. NYCHA must fully meet all seven criteria listed in Table 1 by this date. Failure to comply will result in continued subsidy losses. NYCHA's FY 2007 Budget and Financial Plan complies with the project-based budgeting requirements of the new rule.

Table 1: Criteria for Successful Conversion to Asset Management

Criteria	Elements
1. Project-Based Accounting	a. The PHA (or its management agent) produces monthly operating statements for each project that contain the revenues and expenses of each project compared against budgeted levels, including all fees and charges from the central office cost center. For this initial stop-loss deadline, project-specific balance sheets are not required. b. Proceeds from the Capital Fund Program, energy performance contracts, and other sources to support project operations must also be reflected in the operating statements for each project. (Capital items funded from the Capital Fund Program are not required to be included in these project-specific operating statements.) c. The operating statements must reasonably represent the financial performance of each project. d. The sum of the operating statements for each public housing project must equal the total for the PHA's public housing program, i.e., they must be inclusive of all central office charges, including management fees, fees for centralized services, etc. The PHA maintains all records to support financial transactions.
2. Project-Based Management	Property management services are arranged or provided in the best interest of the project, considering such factors as needs, cost, and responsiveness, relative to local market standards.
3. Central Office Cost Center	a. All central office fees (property management, asset management, bookkeeping, etc.) must be reasonable, as defined under Section 7 of this

Criteria	Elements
	<p>notice.</p> <p>b. The central office cost center must operate on the allowable fees and other permitted reimbursements from its public housing and voucher programs as well as revenue generated from non-public housing programs.</p> <p>c. Solely for the purposes of stop-loss, a PHA may not fund the operation of the central office cost center with: (1) proceeds from the sale of assets acquired with public housing funds; (2) amounts from the Capital Fund Program other than those permitted for administration/planning. For example, an agency requesting stop-loss cannot use "Management Improvement" funds to pay for general accounting staff; or (3) funds received from state or local governments for the purpose of supporting operations of the center office cost center, i.e., non fee-income.</p>
4. Centralized Services	<p>a. Centralized functions that directly support projects are funded using a fee-for-service approach or through other allowable charge-backs.</p> <p>b. Each project is charged for actual services received.</p> <p>c. Centralized services are consistent with the needs of, and are in the best interests of, the project.</p> <p>d. Centralized service charges must be reasonable based on demonstrated data from the local market.</p>
5. Review of Project Performance	<p>a. The PHA systematically reviews information regarding the financial, physical, and management performance of each project, including utility consumption, and identifies non-performing properties. For the purposes of this initial stop-loss deadline, a non-performing property is one that: (1) receives a REAC Physical Inspection score of less than 70; (2) has significant crime and drug problems (defined as incidence of Part I and Part II Crimes, in accordance with Uniform Crime Reporting, that exceed the surrounding community by 120%); (3) is below 95% occupancy; (4) has tenant accounts receivable that exceed 7% of monthly rent roll; (5) would receive a "D" or lower score under the Public Housing Assessment System (PHAS) for the Management Operations sub-indicators related to Unit Turnaround and Work Orders (emergency and non-emergency); (6) has utility consumption exceeding 120% of the agency average; or (6) has other major management problems. .</p> <p>b. For any projects identified as non-performing, the PHA shall have a management plan that includes a set of recommendations and measurable goals that effectively address the area(s) of non-performance.</p>
6. Capital Planning	<p>a. The PHA has a physical needs assessment for each project.</p> <p>b. The PHA has a five-year capital plan for each project that is realistic in terms of expected revenue sources, market, tenancy, and project needs.</p> <p>c. The PHA has demonstrated a commitment to long-term reduction in energy and utility consumption through a plan, the use of HUD's incentives, or the use of Energy Star equipment for retrofits.</p>

<p>7. Risk Management Responsibilities Related to Regulatory Compliance</p>	<p>In accordance with § 990.270, asset management includes risk management responsibilities related to regulatory compliance. A PHA is not properly carrying out its risk management responsibilities related to regulatory compliance if it:</p> <ul style="list-style-type: none"> a. Is designated troubled under PHAS for physical (PASS), financial (FASS), management operations (MASS), or Capital Fund; b. Has any outstanding FHEO compliance findings or a Voluntary Compliance Agreement (VCA) that have not been implemented; c. Does not have a current energy audit; d. Has any outstanding IG audit findings greater than six months old without demonstrated progress being made; e. Is not in compliance with Admissions and Continued Occupancy Policies (ACOP) and other related occupancy directives; f. Is not making satisfactory progress under Rental Housing Integrity Improvement Project/Rental Integrity Monitoring (RHIIPS/RIM) Corrective Action Plans (e.g., RIM review findings with open improper rent collections/payment findings); g. Is not in compliance with PIH Notice 2005-17, Reporting Requirements for the Family Report (Form HUD-50058) to the Public Housing Information Center (PIC). PHAs are considered in compliance with form HUD-50058 reporting requirements if their public housing reporting rate, as measured by the PIC Delinquency Report, is at or above 95 percent at the time of their most recent assessment period; h. Is not meeting the statutory Capital Fund Program obligation and expenditure deadlines; or i. Has any other major compliance deficiency. HUD may consider a PHA's progress in addressing the above compliance issues and other extenuating circumstances.
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Note: For stop-loss purposes, PHAs must demonstrate that they have substantially developed the systems required to produce the project-based statements in lieu of the requirement to produce monthly operating statements for each project (project-based accounting statements).

NYCHA, in compliance with asset management rules, developed expense accounts on a development level which incorporates management fees and fees for service. NYCHA's centrally-budgeted items are budgeted and charged to the developments as a direct cost fee or a management fee and budgeted as revenue at the central office.

Management Fee

The new rule requires Public Housing Authorities (PHAs) to charge each project/development a "reasonable" management fee to fund the operation of the central office. The management fee replaces traditional PHA overhead. HUD also allows PHAs to charge developments a \$7.50 bookkeeping fee for the accounting function performed by the central office. NYCHA is charging its developments a management fee of \$84.30 PUM. This fee is based on the average market rate and is inclusive of accounting services.

The asset management fee is charged to all developments for the long-term planning functions performed by the central office. Conceptually, the asset management fee represents payment to the PHA for those tasks of ownership that would be residual if all property management functions were contracted to a third-party. In such instances, the owner (the PHA) would still need to approve the annual budget for the property, ratify any recommendations for rent

increases, oversee the performance of the property manager, etc. The asset management fee is \$10 PUM.

Fee for Service

The new rule requires that a direct cost fee be charged to the development for the front-line functions performed by the central office. The method of charging back varies slightly depending on the classification of work. During the transition to asset management, all central office and centrally managed accounts were reviewed to determine those that provide direct services to the developments. A plan for redistributing the costs to the developments was developed using usage data and other statistical information. Costs to be included as a “fee for service” are listed below:

- **Audit:** NYCHA’s internal and external audit costs are charged to the developments based on current dwelling units.
- **Automotive:** The cost of centrally procured gasoline and contracted vehicle repairs is charged to the developments based on their pro-rata share of vehicle usage
- **Central Waiting List:** The cost of the central waiting list is prorated (public housing only) to each development based on current dwelling units.
- **Central Warehouse:** The cost of the central warehouse is charged to the developments based on their pro-rata share of supply costs.
- **Centralized Call Center:** The cost of the centralized call center, which services developments in Staten Island, Queens and Manhattan, are charged based on each development’s pro-rata share of work repairs.
- **Centralized Repair Services:** Each development is charged for the actual direct labor and fringe costs provided by centralized repair staff working at the developments. The direct labor hours are recorded through the agency’s automated timekeeping system. The hourly rates are based on the Prevailing Wage Schedule promulgated by the Comptroller of the City of New York for private contractors performing work for New York City.
- **Computer Services:** The cost of the central IT Infrastructure and Applications Maintenance departments is prorated based on each development’s pro-rata share of personal computers.
- **Emergency Services:** The costs of repairs performed by emergency service staff during evenings, weekends and holidays are charged to the developments based on each project’s pro-rata share of emergency repairs.
- **Financial Services:** The costs of the Lockbox provider and external payroll services are prorated to each development based on occupied dwelling units.
- **Fleet Management:** The cost of internal automotive repairs performed on project vehicles is based on the actual direct labor cost for these repairs. The direct labor rates are based on prevailing wages.
- **Insurance:** The cost of contributions to the liability self-insurance fund is charged to the developments based on their pro-rata share of claim reserves. The cost of centrally procured flood insurance premium is charged to the developments based on assessed valuation. The cost of workers’ compensation insurance is charged to the developments based on their pro-rata share of claims.
- **Police:** The subsidy paid to the NYPD for specialized police services is charged to the developments based on local crime rates.
- **Postage:** The postage for special mailings to the developments by General Services for annual review certifications is based on the actual postage costs.

- Resident Services: On-site resident services (community centers/senior centers) are fully charged as fees to the developments directly serviced. The costs of centralized resident services are prorated to the developments based on current dwelling units.
- Staff Development: The cost of training courses internally provided to development staff is charged based on current market rates.
- Tenant Litigation: The cost of tenant litigation is charged to the developments at the rate of \$85 per court appearance. This rate was derived from a sample of the rates paid to law firms for privately managed projects.

All development budgets include management, asset management, and direct cost fees (fee-for-service). The Smith Houses fee budget is provided as an example in the table below.

**Table 2: FY 2007 Smith Houses Fee Budget
(\$000)**

Description	Budget
Management Fee	1,945
Asset Management Fee	232
<u>Fee for Service</u>	
Audit	33
Automotive	36
Central Waiting List	76
Central Warehouse	57
Centralized Repair Services	1,995
Computer Services	71
Emergency Services	226
Financial Services	19
Fleet Management	4
Housing Police	234
Insurance	269
Postage	2
Resident Services	822
Staff Development	21
Tenant Litigation	22
Total Fees	\$ 6,064

The budgets listed in the table above are exclusive of Smith Houses' site-based PS and OTPS budget.

The development budgets on the following pages incorporate management and direct fees as prescribed by HUD. Fees are updated as of April 2007. The following pages summarize expense budgets, headcount information and dwelling units for all developments managed by NYCHA. This information is also presented by Borough. NYCHA expects the implementation of project-based budgeting and accounting to provide residents and other stakeholders with greater transparency as to the allocation of funds.

The budgets do not include the following costs, which have been incorporated to the developments' budgets since the publication of this document:

- Fringe Benefits
- Copiers
- Energy Maintenance Contracts
- Environmental Contracts
- Guard Service Contracts
- Telephone Expenses

The development budgets do not include the anticipated service reductions and hiring freeze, which will result in a savings of \$18 million in FY 2007.

**Table 3: FY 2006 Summary of Budget By Borough For Operations
(\$000)**

Borough	Units	HC	Total Budget
Brooklyn	58,948	2,646	563,231
Bronx	42,875	1,897	412,093
Manhattan	53,417	2,183	480,064
Queens	16,939	824	160,382
Staten Island	4,537	264	50,628
Total NYCHA	176,716	7,814	\$1,666,399

DEVELOPMENT BUDGETS BY BOROUGH

**Table 4: Development Budgets By Borough
(\$000)**

Brooklyn	Dwelling Units	H/C	Total Fees	PS Budget	OTPS Budget	Total Budget
ALBANY	1,473	39	5,511	1,746	4,864	12,121
ARMSTRONG	617	27	3,061	949	2,957	6,967
BAYVIEW	1,609	44	5,596	1,590	4,887	12,074
BORINQUEN PLAZA	934	30	3,677	1,215	3,222	8,113
BOULEVARD	1,496	40	7,097	1,654	4,888	13,639
BREUKELEN	1,594	48	6,109	1,824	6,668	14,600
BREVOORT	894	33	3,965	1,166	3,398	8,529
BROWNSVILLE	1,337	43	5,130	1,728	4,427	11,285
BUSHWICK	1,429	45	5,200	1,528	4,487	11,215
CAREY GARDENS	1,254	39	4,045	2,001	2,984	9,030
COOPER PARK	700	24	2,934	935	2,560	6,429
CYPRESS HILLS	1,508	49	5,453	1,600	5,557	12,610
FARRAGUT	1,389	39	5,685	1,340	5,126	12,151
GLENWOOD	1,186	34	4,221	1,321	3,709	9,251
GOWANUS	1,137	42	3,747	2,012	3,732	9,490
HOPE GARDENS	1,312	42	5,582	1,683	4,492	11,757
HOWARD	814	25	3,513	982	2,732	7,228
INGERSOLL	1,825	53	6,375	2,060	6,700	15,135
KINGSBOROUGH	1,339	40	4,873	1,537	4,283	10,693
LAFAYETTE	879	28	3,457	1,211	3,151	7,818
LANGSTON HUGHES	1,025	31	3,975	1,229	3,188	8,393
LINDEN	1,586	43	5,006	1,799	4,960	11,765
MARCUS GARVEY	520	23	2,243	1,111	2,131	5,485
MARCY	1,714	50	6,702	1,986	6,408	15,096
MARLBORO	1,759	57	5,931	2,137	6,172	14,240
OCEAN HILL	613	22	3,122	914	1,946	5,982
O'DWYER GARDENS	1,330	47	5,201	2,436	4,256	11,893
PARK ROCK	891	34	3,405	1,506	3,852	8,763
PENN-WORTMAN	623	22	3,039	901	1,715	5,655
PINK	1,500	39	5,561	1,635	5,113	12,308
RED HOOK EAST	1,408	46	6,033	1,694	5,504	13,232
RED HOOK WEST	1,815	45	4,719	1,853	4,359	10,931
REID APARTMENTS	800	33	3,575	1,338	2,906	7,820
ROOSEVELT	1,103	37	4,466	1,369	3,694	9,529
SETH LOW CONSOLIDATED	973	38	4,403	1,506	3,247	9,156
SHEEPSHEAD BAY	2,199	61	7,491	2,375	7,729	17,595
STUYVESANT GARDENS	479	23	2,360	901	1,799	5,061
SUMNER	1,416	43	5,411	1,885	4,869	12,164
SURFSIDE GARDENS	1,507	43	6,355	1,944	5,600	13,899
TAYLOR ST	1,268	41	5,011	1,710	4,367	11,089
TILDEN	997	34	4,101	1,384	3,620	9,106
TOMPKINS	1,195	39	4,878	1,397	4,285	10,560
UNITY PLAZA	1,015	42	5,107	1,717	4,120	10,945
VAN DYKE	1,603	48	6,766	1,788	5,718	14,272
WHITMAN	1,652	50	6,281	1,892	5,333	13,506
WILLIAMS PLAZA	577	18	2,030	827	1,864	4,721
WILLIAMSBURG	1,628	52	5,456	1,851	5,565	12,873
WYCKOFF GARDENS	1,026	36	4,481	1,306	3,382	9,169
TECHNICAL MAINTENANCE STAFF	-	785	0	52,777	5,113	57,890
Brooklyn Total:	58,948	2,646	\$228,341	\$127,249	\$207,640	\$563,231

Does not include developments under private management.

Table 4: Development Budgets By Borough (cont.)
(\$000)

Bronx	Dwelling Units	H/C	Total Fees	PS Budget	OTPS Budget	Total Budget
ADAMS	925	27	3,912	1,245	2,969	8,127
BETANCES	916	34	4,294	967	1,948	7,209
BOSTON SECOR CONSOLIDATED	978	30	3,770	1,470	3,861	9,102
BRONX DALE	1,724	41	6,118	1,210	3,084	10,412
BRONX RIVER	1,552	43	4,915	39,562	618	45,094
BUTLER	1,476	46	6,313	2,009	4,538	12,860
CASTLE HILL	2,024	59	8,384	1,939	5,979	16,302
CLAREMONT	738	29	3,198	1,994	4,964	10,156
EASTCHESTER GARDENS	1,054	32	3,897	2,474	6,939	13,310
EDENWALD	2,036	58	7,732	1,243	2,651	11,625
FOREST	1,349	42	4,960	1,418	3,610	9,988
FORT INDEPENDENCE	574	21	2,505	2,520	7,588	12,614
HIGHBRIDGE GARDENS	699	21	3,192	1,799	4,200	9,191
MARBLE HILL	1,682	38	5,931	979	2,613	9,523
MCKINLEY	682	24	2,615	1,554	5,080	9,249
MELROSE	1,240	29	5,493	1,172	2,972	9,637
MILLBROOK	1,451	42	4,860	1,461	5,092	11,413
MITCHEL	1,825	43	7,312	1,657	4,954	13,923
MONROE	1,101	32	3,825	1,916	5,573	11,314
MORRIS	1,885	47	6,124	1,475	5,242	12,840
MORRISANIA CONSOLIDATED	1,709	45	5,707	1,893	6,480	14,080
MOTT HAVEN	992	32	4,473	2,084	5,473	12,030
MURPHY	499	21	1,923	1,160	3,084	6,167
PARKSIDE CONSOLIDATED	1,611	42	5,476	1,029	1,891	8,396
PATTERSON	1,790	46	6,159	1,906	5,593	13,658
PELHAM PARKWAY	1,479	42	5,827	2,143	5,396	13,365
SACK WERN	809	27	4,334	1,693	4,504	10,531
SAINT MARY'S PARK	1,677	39	6,211	1,417	3,394	11,022
SEDGWICK	931	25	3,690	2,088	4,482	10,260
SOUNDVIEW	1,258	34	4,908	1,332	3,298	9,538
THROGGS NECK	1,720	45	6,968	1,586	5,187	13,741
TWIN PARKS	769	26	3,543	2,099	5,514	11,157
UNION AVENUE	909	39	3,122	1,192	2,646	6,960
WEBSTER	811	21	3,693	1,712	3,034	8,439
TECHNICAL MAINTENANCE STAFF	-	675	-	1,015	7,848	8,863
Bronx Total:	42,875	1,897	\$165,384	\$94,413	\$152,296	\$412,093

Does not include developments under private management.

Table 4: Development Budgets By Borough (cont.)
(\$000)

Manhattan	Dwelling Units	H/C	Total Fees	PS Budget	OTPS Budget	Total Budget
AMSTERDAM	1,634	46	5,868	2,187	4,648	12,702
AUDUBON	571	19	2,126	866	1,515	4,507
BARUCH	2,390	62	8,745	2,182	8,827	19,754
CAMPOS PLAZA	493	17	2,151	709	1,456	4,315
CARVER	1,246	31	4,028	1,678	3,947	9,654
CHELSEA/ELLIOT	1,128	28	4,076	1,092	3,848	9,016
CLINTON	748	22	3,619	918	2,825	7,362
DOUGLASS	2,350	65	7,969	2,362	7,669	18,000
DREW HAMILTON	1,335	34	5,444	1,379	4,399	11,221
DYCKMAN	1,167	36	4,224	1,042	3,428	8,694
EAST RIVER	2,068	58	7,355	2,803	6,773	16,930
FORT WASHINGTON	592	22	2,435	1,069	1,875	5,380
FULTON	944	26	3,256	963	3,317	7,536
GOMPERS	1,504	41	5,148	1,938	4,679	11,765
GRANT	1,940	48	6,366	1,813	6,350	14,528
HARLEM RIVER	690	24	2,770	1,135	2,156	6,061
ISAACS/HOLMES	1,322	37	4,202	1,531	4,036	9,768
JACKIE ROBINSON	702	22	6,293	1,011	1,918	9,221
JEFFERSON	1,722	45	6,474	1,901	6,218	14,593
JOHNSON	1,297	37	4,708	1,550	4,027	10,285
KING TOWERS	1,865	49	6,370	2,347	5,660	14,378
LAGUARDIA	1,490	41	5,029	1,655	5,149	11,833
LEHMAN	616	22	3,049	588	2,217	5,853
LINCOLN	1,283	37	4,712	1,459	4,323	10,493
LOWER EAST SIDE II	499	23	2,125	1,048	1,627	4,800
MANHATTANVILLE	1,369	38	5,591	42,512	537	48,640
POLO GROUNDS	1,612	43	6,233	1,569	5,125	12,926
RANGEL	984	28	4,474	1,827	4,838	11,139
RIIS	1,765	43	7,281	1,349	2,967	11,597
RUTGERS	721	20	2,670	2,146	5,913	10,729
SAINTE NICHOLAS	1,523	46	5,990	633	2,753	9,376
SAMUEL CITY	664	27	2,277	1,809	4,560	8,646
SMITH	1,933	54	6,063	1,424	2,735	10,222
STRAUS	492	16	1,970	1,902	5,024	8,896
TAFT	1,643	48	5,529	561	1,941	8,032
VLADECK	1,741	52	6,522	1,920	5,559	14,001
WAGNER	2,196	56	8,152	2,139	4,523	14,814
WALD	1,844	52	6,064	2,495	6,041	14,600
WASH/LEX	1,959	48	6,556	1,942	5,786	14,284
WISE	1,375	39	5,416	2,208	6,468	14,093
TECHNICAL MAINTENANCE STAFF	-	681	-	1,740	7,679	9,419
Manhattan Total:	53,417	2,183	\$ 199,331	\$ 105,398	\$ 175,335	\$ 480,064

Does not include developments under private management.

**Table 4: Development Budgets By Borough (cont.)
(\$000)**

Queens	Dwelling Units	H/C	Total Fees	PS Budget	OTPS Budget	Total Budget
ASTORIA	1,103	37	4,132	1,486	4,085	9,703
BAISLEY PARK	890	29	4,128	1,161	2,929	8,218
BEACH 41ST	712	24	3,320	871	2,580	6,770
EDGEMERE	1,808	51	6,458	2,351	6,397	15,205
FHA HOMES	254	23	954	1,045	291	2,291
HAMMEL	876	25	3,664	1,573	3,292	8,529
LATIMER GARDENS	918	34	3,423	1,181	2,826	7,430
POMONOK	2,067	56	7,574	2,529	6,700	16,803
QUEENSBRIDGE NORTH	1,540	45	4,998	1,927	3,878	10,802
QUEENSBRIDGE SOUTH	1,602	46	5,420	1,830	5,489	12,739
RAVENSWOOD	2,163	55	7,359	1,957	6,602	15,918
REDFERN	602	22	2,998	869	2,166	6,033
SOUTH JAMAICA	1,048	35	4,549	1,670	4,444	10,664
WOODSIDE	1,356	40	4,551	1,553	4,538	10,642
TECHNICAL MAINTENANCE STAFF	-	302	0	18,120	515	18,635
Queens Total:	16,939	824	\$63,528	\$40,122	\$56,732	\$160,382

Staten Island	Dwelling Units	H/C	Total Fees	PS Budget	OTPS Budget	Total Budget
BERRY	506	15	2,285	733	1,533	4,551
MARINER'S HARBOR	603	24	3,045	1,023	2,388	6,456
RICHMOND TERRACE	865	27	3,547	1,091	2,747	7,385
SOUTH BEACH	697	23	2,883	1,088	2,099	6,070
STAPLETON	693	24	2,761	1,051	2,386	6,198
TODT HILL	502	17	2,656	793	187	3,635
WEST BRIGHTON	671	22	3,577	1,050	1,866	6,493
TECHNICAL MAINTENANCE STAFF	-	112	0	6,530	3,310	9,840
Staten Island Total:	4,537	264	\$20,753	\$13,360	\$16,516	\$50,628

Does not include developments under private management.

OPERATING BUDGET

OVERVIEW

The operating budget for FY 2007 is \$2.8 billion. This includes a \$41.8 million expense increase over the FY 2006 current modified budget for collective bargaining as well as associated fringe benefits. The budget also provides \$0.6 million in additional funds to hire 38 staff to expand the Centralized Call Center to the Bronx and Brooklyn. It includes \$0.6 million in funds to continue a senior program for which Federal funds will expire in FY 2007. The budget has \$0.5 million to fund the Leadership Academy and Fire Safety Training programs. There is also a \$1.5 million increase to pay for Information and Technology contracts.

The FY 2007 budget includes cost savings measures aimed at closing the budget deficit. Among these initiatives is a headcount reduction of 185 vacant positions throughout the Authority that reflects effective management practices in reducing the staff needed; the elimination of vacancies in Borough Management which will result in a headcount reduction of 80 positions; and the reduction of funds for Community Centers that will not be opened due to delays in construction and permit approvals. The Budget also includes anticipated service reductions and hiring freeze, which will result in a savings of \$18 million.

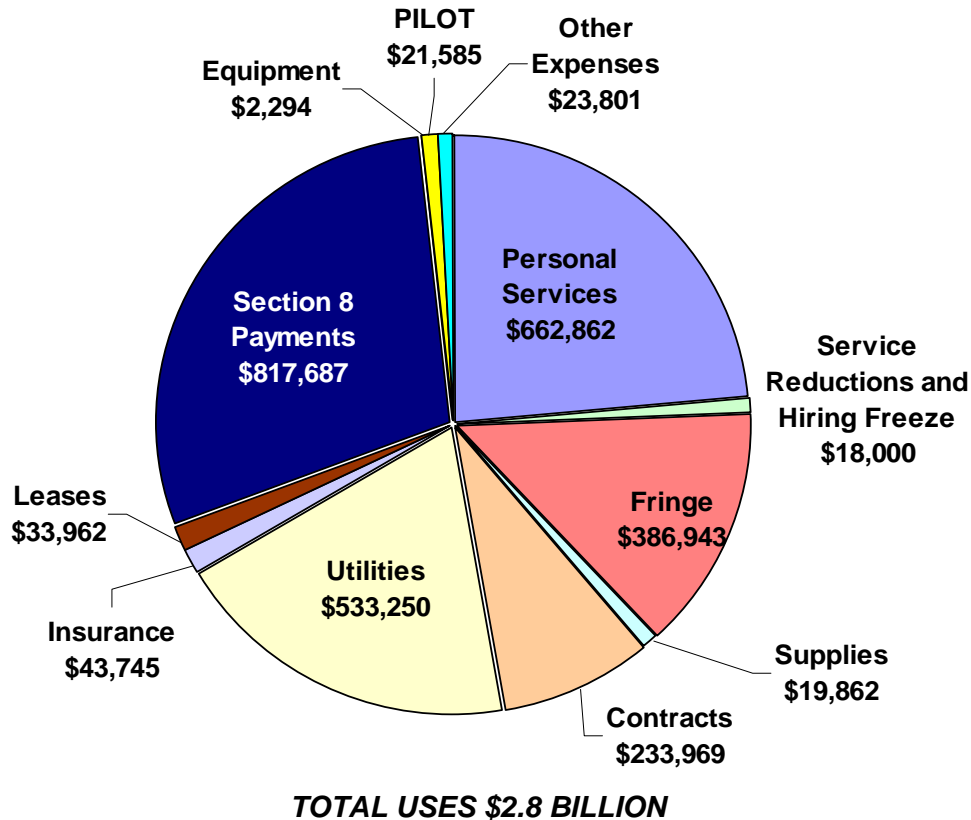
Table 1 highlights NYCHA's actual revenues and expenses for FY 2005, the current modified budget for FY 2006 and the FY 2007 budget by account type. It also indicates the variance between the current modified FY 2006 budget and the FY 2007 budget.

**Table 1: Comparison FY 2005 - FY 2007
(\$000)**

	2005	2006	2007	Variance
	<u>Actuals</u>	<u>Current Modified Budget</u>	<u>Budget</u>	<u>FY 06 vs FY 07</u>
Expenditures				
<i>Personal Service:</i>				
Salary F/T	567,121	615,624	598,433	(17,191)
Salary P/T	2,135	1,813	8,412	6,599
Seasonal	3,053	3,610	3,288	(322)
Overtime	43,237	40,701	36,211	(4,490)
Shift Differential	2,181	2,952	2,951	(1)
Fringe	314,306	299,720	386,943	87,223
Retro	59,155	15,747	-	(15,747)
Other	15,881	12,203	13,567	1,364
Subtotal Personal Service	\$ 1,007,069	\$ 992,370	\$ 1,049,805	\$ 57,435
<i>Other Than Personal Service:</i>				
Leases	33,186	33,872	33,962	90
Supplies	31,700	33,147	19,862	(13,285)
Equipment	6,913	13,382	2,294	(11,088)
Utilities	429,899	517,902	533,250	15,348
Contracts	188,580	232,458	233,969	1,511
Insurance	44,924	43,735	43,745	10
Section 8 Payments	737,078	844,194	817,687	(26,507)
Payment in Lieu of Taxes	19,250	25,802	21,585	(4,217)
Debt Service	3,754	3,258	2,801	(457)
Other	12,314	21,997	21,000	(997)
Subtotal OTPS	\$ 1,507,598	\$ 1,769,747	\$ 1,730,155	\$ (39,592)
Service Reductions	\$ -	\$ -	\$ (18,000)	\$ (18,000)
Total Expenditures	\$ 2,514,667	\$ 2,762,117	\$ 2,761,960	\$ (157)
Revenues				
<i>Revenue from Operations:</i>				
Dwelling Rent	651,968	675,093	714,180	39,087
Other Revenue from Operations	9,343	12,507	15,757	3,250
Subtotal Revenue from Operations	\$ 661,311	\$ 687,600	\$ 729,937	\$ 42,337
<i>Other Revenues:</i>				
Federal Subsidies	733,505	799,861	773,194	(26,667)
Section 8 NC	6,002	6,062	6,062	-
Debt Service Subsidies	6,425	2,918	2,490	(428)
Section 8	820,937	893,216	893,216	-
State Subsidy	-	-	3,400	3,400
City Subsidy	-	120,000	-	(120,000)
Section 8 Phased Conversion	-	-	2,235	2,235
Categorical Grants	31,409	35,239	34,112	(1,127)
Capital Admin Transfer	129,394	150,477	177,579	27,102
Interest on Investments	13,860	6,265	6,265	-
Other	21,003	13,590	81,879	68,289
Withdrawal from Reserve	90,821	46,889	-	(46,889)
Subtotal Other Revenues	\$ 1,853,356	\$ 2,074,517	\$ 1,980,432	\$ (94,085)
Total Revenues	\$ 2,514,667	\$ 2,762,117	\$ 2,710,369	\$ (51,748)
Surplus/Deficit	\$ -	\$ -	\$ (51,591)	\$ (51,591)

Use of Operating Funds

**Table 2: FY 2007 Use of Operating Funds
(\$000)**



Personal Services (PS)

NYCHA will spend \$1.0 billion on Personal Services (PS) which includes full-time, part-time and seasonal salaries, overtime, shift differential and fringe benefits. The information below does not include reductions to the budget due to an anticipated hiring freeze and additional service reductions.

- The full-time salary budget is \$598.4 million, and covers annual salaries for the 13,048 employees who work on average between 35 and 40 hours a week.
- The budget for part-time salaries is \$8.4 million.
- The seasonal budget is \$3.3 million. This budget is allocated to Operations and Community Operations who use these funds to hire staff during the spring and summer, the majority of whom are NYCHA residents.
- The fringe benefits budget is \$386.9 million, and covers the benefits associated with personnel. The fringe benefits budget covers Workers' Compensation, Social Security, health insurance, pension, welfare, annuity, retiree health insurance, retiree welfare and unemployment costs.

- The overtime budget is \$36.2 million which pays for scheduled and unscheduled overtime.
- The budget for assignment, longevity and service differentials is \$13.6 million.
- The shift differential budget is \$3.0 million and reflects trade staff that work evening shifts.

Other Than Personal Service (OTPS)

NYCHA will spend \$1.7 billion for Other Than Personal Services (OTPS) which includes leases, supplies, equipment, utilities, contracts, insurance, Section 8 payments, payments in lieu of taxes and debt service.

- The budget for Section 8 payments is \$817.7 million and provides funding for payments to landlords who provide private housing to families in the Section 8 program. Under this federally-funded program, families pay 30% of their income for rent and NYCHA pays the difference in rent up to a maximum amount.
- The utilities budget of \$533.3 million includes fuels, cooking gas, electricity and water Authority-wide.
- The contracts budget is \$234.0 million, and includes funding for the contracts used for painting, elevator maintenance, fire safety, plumbing and the purchase of windows and doors; payments to the New York City Police Department (NYPD) for above-baseline policing services and to the Department For The Aging (DFTA) for managing senior centers.
- The budget for leases is \$34.0 million, and represents the leasing of various borough and administrative offices throughout the City.
- The insurance budget is \$43.7 million, and is used to pay tort claims and premiums for various insurance coverage including property insurance.
- The budget for payment in lieu of taxes (PILOT) is \$21.6 million, and represents payments to the City of New York. NYCHA's properties are exempt from paying local real estate taxes.
- The budget for supplies is \$19.9 million and represents goods and materials purchased for the daily maintenance of the developments, such as cleaning and janitorial supplies. It also includes office supplies such as paper, pens, as well as the supplies for resident-oriented programming such as basketballs and art supplies.
- The equipment budget is \$2.3 million and is used to purchase equipment for developments as well as offices and includes items such as drills, snow blowers, electric saws, appliances, computers and vehicles.
- The remaining budget of \$23.8 million funds miscellaneous items such as bank fees, debt service, postage, membership subscriptions and cash grants that are paid to resident associations.

OPERATING BUDGET - FY 2007-FY 2011

NYCHA's Financial Plan sets forth projected operating costs on a modified accrual basis for FY 2007 through 2011. The four-year financial plan is submitted to the Board simultaneously with the FY 2007 budget. NYCHA's budget plan is not in balanced.

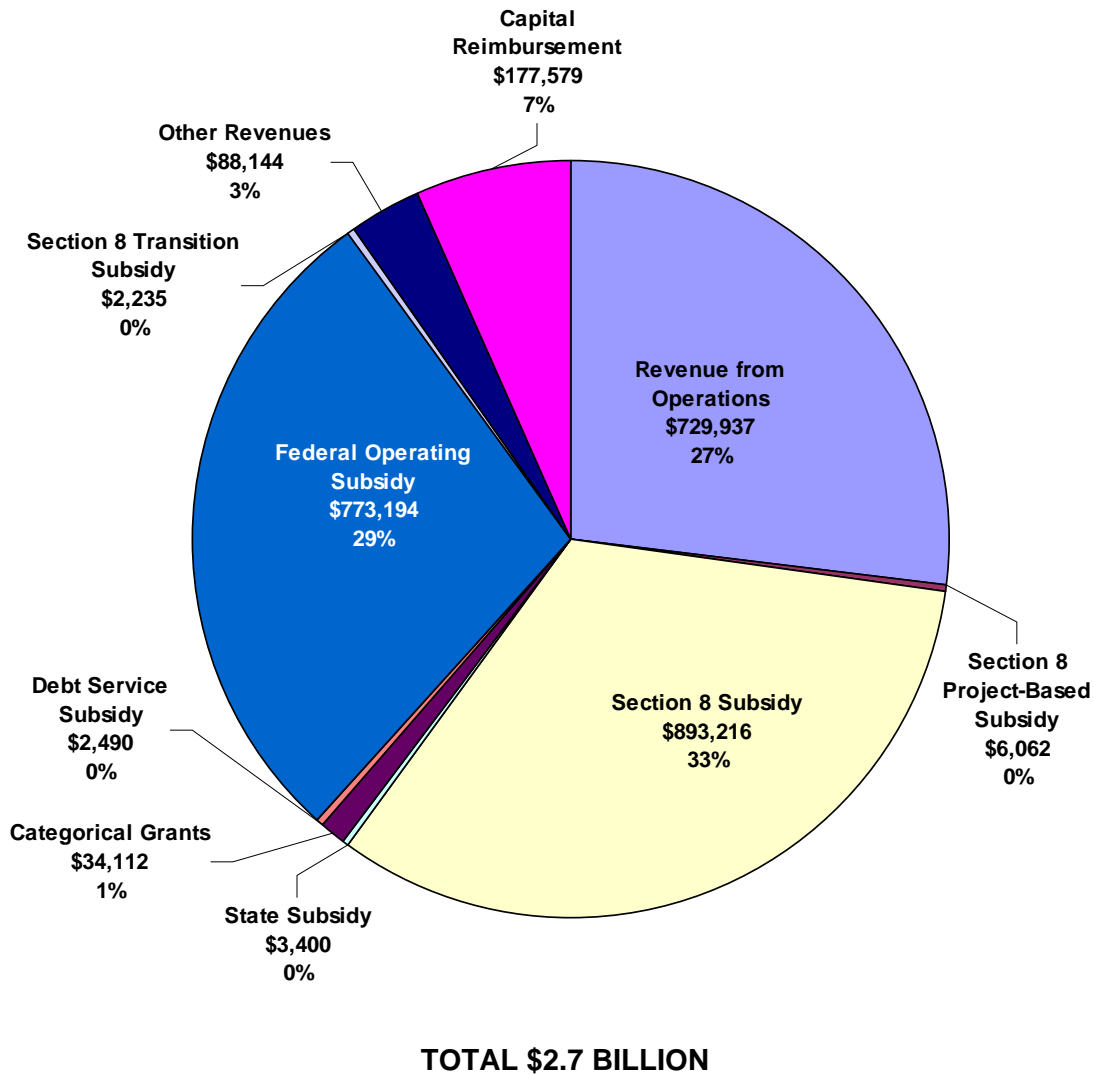
Table 3: FY 2007 – FY 2011 Financial Plan
(\$'000)

	2007	2008	2009	2010	2011
	Budget	Budget	Budget	Budget	Budget
Expenditures					
<i>Personal Service:</i>					
Salary F/T	\$ 598,433	\$ 596,867	\$ 595,949	\$ 595,576	\$ 595,576
Salary P/T	8,412	8,234	8,234	8,234	8,234
Seasonal	3,288	3,290	3,292	3,294	3,294
Overtime	36,211	36,211	36,211	36,211	36,211
Shift Differential	2,951	2,951	2,951	2,951	2,951
Fringe	386,943	406,504	432,498	432,485	432,485
Retro	-	-	-	-	-
Other	13,567	13,566	13,565	13,565	13,565
Total Personal Service	\$ 1,049,805	\$ 1,067,623	\$ 1,092,700	\$ 1,092,316	\$ 1,092,316
<i>Other Than Personal Service:</i>					
Leases	\$ 33,962	\$ 33,365	\$ 33,365	\$ 33,365	\$ 33,365
Supplies	19,862	20,381	20,383	20,383	20,383
Equipment	2,294	2,794	2,794	2,794	2,794
Utilities	533,250	530,908	530,908	530,908	530,908
Contracts	233,969	236,355	235,357	235,299	235,299
Insurance	43,745	43,745	43,745	43,745	43,745
Section 8 Payments	817,687	821,034	824,716	824,716	824,716
Payment in Lieu of Taxes	21,585	26,585	26,585	26,585	26,585
Debt Service	2,801	2,353	1,864	1,864	1,864
Other	21,000	20,352	20,363	20,390	20,390
Total OTPS	\$ 1,730,155	\$ 1,737,872	\$ 1,740,080	\$ 1,740,049	\$ 1,740,049
Service Reductions	\$ (18,000)	\$ (30,000)	\$ (30,000)	\$ (30,000)	\$ (30,000)
Total Expenditures	\$ 2,761,960	\$ 2,775,495	\$ 2,802,780	\$ 2,802,365	\$ 2,802,365
Revenues					
<i>Revenue from Operations:</i>					
Dwelling Rent	\$ 714,180	\$ 743,366	\$ 753,104	\$ 753,181	\$ 753,181
Other Revenue from Operations	15,757	15,757	15,757	15,757	15,757
Total Revenue from Operations	\$ 729,937	\$ 759,123	\$ 768,861	\$ 768,938	\$ 768,938
<i>Revenues from Other:</i>					
Federal Subsidies	\$ 773,194	\$ 803,694	\$ 803,694	\$ 803,694	\$ 803,694
Section 8 NC Subsidy	6,062	6,062	6,062	6,062	6,062
Debt Service Subsidies	2,490	2,071	1,613	1,184	1,184
Section 8	893,216	893,216	893,216	893,216	893,216
State Subsidy	3,400	3,400	3,400	3,400	3,400
City Subsidy	-	-	-	-	-
Section 8 Phased Conversion	2,235	35,760	62,580	75,096	75,096
Categorical Grants	34,112	32,901	32,770	32,703	32,703
Capital Admin Transfer	177,579	77,940	79,152	79,152	79,152
Interest on Investments	6,265	6,265	6,265	6,265	6,265
Other	81,879	31,031	22,196	15,563	15,563
Withdrawal from Reserve	-	-	-	-	-
Total Other Revenues	\$ 1,980,432	\$ 1,892,340	\$ 1,910,948	\$ 1,916,335	\$ 1,916,335
Total Revenues	\$ 2,710,369	\$ 2,651,463	\$ 2,679,809	\$ 2,685,273	\$ 2,685,273
Surplus/(Deficit)	(51,591)	(124,032)	(122,971)	(117,092)	(117,092)

OPERATING REVENUE

NYCHA receives revenue from several sources through a number of separate appropriations. The sources of funds to support the operating budget can be seen on Table 4, and are explained below.

Table 4: FY 2007 Sources of Revenue (\$000)



Federal Public Housing Operating Subsidy

NYCHA will receive a total operating subsidy of \$773.2 million, from HUD. Approximately 159,000 dwelling units are in the Federal program. They make up 88% of NYCHA’s portfolio.

The operating subsidy pays for operating expenses, which are not covered by rental income. NYCHA expects to receive \$773.2 million in operating subsidy during FY 2007. This amount

reflects a 3% decrease from the prior-year. In FY 2007 HUD has warned housing authorities that it will be prorating this program at 82.9% of the funding formula. In FY 2006, NYCHA received only 86% of its funding request pursuant to HUD's formula.

The operating subsidy calculation consists of five major components:

- Eligible Unit Months - the actual number of PHA units that are eligible for funding.
- Project Expense Level (PEL) - the estimated amount of non-utility expenses for a given development based on a model which calculates the effects of a property's characteristics on its annual operating expenses. The PEL is inflated every year to correspond with the funding year. The inflation factor for FY 2007 is 2.7%.
- Utility Expense Level (UEL) - the estimated amount of utility expenses for a given development. The UEL is based on prior year utility consumption and rate information. An inflation adjustment is included in the final UEL amount. The utilities inflation adjustment for FY 2007 is 11%.
- Add-ons (Non PEL/UEL Expenses) - expenses specific to housing authorities that have unique operating and program needs, not already accounted for in the PEL and UEL.
- Formula Income- an estimate of a PHA's annual rental income.

Operating subsidy is calculated by multiplying the PEL and UEL by units eligible to receive subsidy. This number is then added to any unique funding and equals the housing authority's total expense level. Formula income is subtracted from the total expense level, which then equals operating subsidy. When congressional appropriations do not meet subsidy requests nationwide, then HUD provides a percentage of the subsidy need, called proration.

Project-Based Section 8

HUD provides \$6.1 million for NYCHA's project-based Section 8 developments. There are over 1,000 of these units in NYCHA's portfolio. The operating subsidy is based on the difference between the HUD-determined contract rent per apartment size and the per unit rent the resident can afford to pay. This is generally 30% of a family's income. Unlike tenant-based Section 8 assistance, project-based funding is tied to a unit. In addition to the operating subsidy, NYCHA budgets \$0.6 million for interest payments associated with the debt service for these properties. Although HUD generally allows a two percent annual contract rent increase for these developments, the subsidy for FY 2007 does not show a significant increase because one development, Metro North Rehab, is in the process of being vacated. The reduction of rent and subsidy for this development will offset the increases in contract rents.

State and City Funding

NYCHA currently manages approximately 21,000 unsubsidized units, which were previously subsidized by the State and City. NYCHA budgets approximately \$1.8 million for City and State debt service payments. In FY 2006, the City of New York provided a one-time award of \$100 million to maintain these developments. In FY 2007, the State of New York is expected to provide NYCHA with an operating subsidy of \$3.4 million, and the City will be providing a one-time \$50 million payment for property to be used for development of affordable housing.

Section 8/Housing Choice Voucher Program (HCVP)

NYCHA expects to receive \$893.2 million from HUD to operate the Section 8/Housing Choice Voucher Program in FY 2007. Of this amount, \$817.7 million of this funding will be used for making direct payments to landlords. The remaining amount is a payment to NYCHA for administering the Section 8 Program, and these funds pay for staffing, leases and other

operational needs. HUD currently funds the Section 8 program on a budget basis instead of on a voucher-based formula.

Revenue from Operations

After government subsidies, NYCHA's next largest source of revenue is development-based income with rental income comprising 97.9% of this category. NYCHA expects to generate \$714.2 million in dwelling rent collections. Rental income is expected to increase over the prior year by \$39.0 million as a result of the following:

- Revenue realized from the ceiling/flat rent initiative implemented in FY 2006. The FY 2007 budget assumes \$21.8 million in additional revenue to be achieved as a result of this initiative;
- A two percent annual increase in resident income. Rental income has grown at a rate of 2.3% per year based on modest income increases in residents' median income from FY 2001 through FY 2006.

The remaining \$15.8 million will come from other development-based income which includes excess utility charges, residential washing machine fees, sales and services, and parking fees.

Other Revenue

The Other Revenue category consists of revenue NYCHA generates through Central Office initiatives which is budgeted at \$88.1 million in FY 2007. Included in this category is a \$64.4 million sale of properties. Of this amount, a \$50.0 million sale to NYC is a key budget balancing initiative in FY 2007.

In addition, the FY 2007 budget assumes \$6.3 million in revenue gained from interest on investments, \$5.5 million from commercial leases, \$1.6 million in Marshall Fees, and \$0.369 million in commercial washing machine commissions. Budgets for these sources of revenues are based on cash collections from the previous fiscal year with no increase projected in FY 2007.

Capital Administrative Transfer (Transfer to Operating)

This category consists primarily of reimbursement from NYCHA's capital fund for personal services originally charged to NYCHA's General Fund. Of the \$177.6 million shown in this category, \$64.3 million covers salary and fringe benefit costs. \$13.3 million represents a reimbursement of OTPS costs charged to the General Fund for fire safety and security costs. The remaining \$100.0 million is a transfer from the Capital budget to cover general operating expenses. NYCHA is using these funds to mitigate the impact of Federal budget reductions on service levels.

Categorical Grants

NYCHA is expecting to receive \$34.1 million in competitive grant funds during FY 2007. Of this amount the largest grant-funded program is the Human Resources Administration (HRA) Support Services grant in the amount of \$29.4 million. The remaining grant-funded revenues come from the Federal, State, and City governments to support an array of resident service programs. These programs and their funding amounts are described below. Grant funding is based on contractual amounts entered between the grantor and NYCHA.

Support Services Program

NYCHA will receive \$29.4 million to administer this program. This program funds caretakers and community assistants at the developments, community centers, and senior centers.

Childcare Feeding Program

NYCHA will receive \$2.0 million to administer this program. This grant provides lunches and snacks to children, up to age eighteen, who reside in NYCHA developments.

Summer Lunch

NYCHA will receive \$0.628 million to administer this program. This program provides lunches and snacks to ensure that youth, up to age eighteen, continue to receive nutritious meals during summer vacation.

Senior Resident Advisor

NYCHA will receive \$0.450 million to administer this program. The grant provides supportive services to at-risk elderly residents living in various developments located throughout the City.

Resident Opportunity and Self-Sufficiency (ROSS)

NYCHA will receive \$0.377 million to operate two ROSS grants which will provide computer literacy training programs for NYCHA residents.

Elderly Safe-At-Home

NYCHA will receive \$0.255 million to administer this program. This grant provides crisis intervention and crime prevention services for elderly and handicapped residents at seven developments in the South Bronx.

HEADCOUNT PLAN

The following table details NYCHA's full-time headcount plan by department for FY 2007 through FY 2011. Also included is the budgeted headcount for FY 2006. All decreases in authorized headcount will be achieved through a combination of attrition and the elimination of vacant positions.

Table 5: FY 2006 - FY 2011 Authorized Headcount Plan

Department	FY 2006**	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
<u>Chair</u>						
Authority - Chair	13	13	13	13	13	13
Secretary	35	35	35	35	35	35
Equal Opportunity	36	36	36	36	36	36
Inspector General	45	45	45	45	45	45
Department of Communications	19	19	19	19	19	19
Intergovernmental Relations	4	4	4	4	4	4
Law Department	208	204	204	204	204	204
Subtotal Chair	360	356	356	356	356	356
<u>General Manager</u>						
General Manager	9	8	8	8	8	8
Leased Housing	609	611	511	511	511	511
Development	39	20	20	20	20	20
Subtotal General Manager	657	639	539	539	539	539
<u>Operations</u>						
DGM Operations	10	10	10	10	10	10
ADGM Operations	9	9	9	9	9	9
Manhattan Borough Management	2,252	2,183	2,178	2,178	2,178	2,178
Brooklyn Borough Management	2,728	2,646	2,641	2,641	2,641	2,641
Staten Island Borough Management	271	264	263	263	263	263
Queens Borough Management	849	824	822	822	822	822
Bronx Borough Management	1,951	1,897	1,892	1,892	1,892	1,892
ADGM-Support Services	3	3	3	3	3	3
Technical Services	636	604	616	616	616	616
Emergency Services	271	309	309	309	309	309
Applications & Tenancy Administration	335	335	329	308	308	308
Asset Management	14	14	14	14	14	14
Subtotal Operations	9,329	9,098	9,086	9,065	9,065	9,065
<u>Capital Projects</u>						
DGM Capital Projects	5	5	5	5	5	5
Capital Projects Administration	107	102	102	102	102	102
Design	76	76	76	76	76	76
Building Exteriors	77	75	75	75	75	75
Building Interiors	98	94	94	94	94	94
Building Systems	88	86	86	86	86	86
New Construction & Major Renovations	61	61	61	61	61	61
Site Improvements	57	54	54	54	54	54
Subtotal Capital Projects	569	553	553	553	553	553

** FY 2006 Current Modified Budget

Authorized Headcount FY 2006 - FY 2011 (Cont.)

Department	FY 2006**	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
<u>Administration</u>						
DGM Administration	5	4	4	4	4	4
Facility Planning & Administration	48	49	49	49	49	49
General Services	123	123	123	123	123	123
Supply Chain Operations	155	149	149	149	149	149
Office of Security	29	29	29	29	29	29
Human Resources	158	151	145	139	133	133
Staff Development	64	63	63	63	63	63
Subtotal Administration	582	568	562	556	550	550
<u>Policy, Planning & Management</u>						
DGM Policy, Planning & Management	4	6	6	6	6	6
Audit	28	28	28	28	28	28
Research & Policy	33	30	30	30	30	30
Program Assessment & Policy Development	28	27	27	27	27	27
Subtotal Policy, Planning & Management	93	91	91	91	91	91
<u>Finance</u>						
DGM Finance	5	5	5	5	5	5
Budget & Financial Planning	58	58	58	58	58	58
Accounting and Financial Services	207	208	209	209	209	209
Energy	36	36	36	36	36	36
Risk Finance	10	10	10	10	10	10
Subtotal Finance	316	317	318	318	318	318
<u>Information & Technology</u>						
DGM Information & Technology	14	14	14	14	14	14
IT Business Enterprise Systems Technology	5	4	4	4	4	4
IT Infrastructure	134	129	129	129	129	129
IT Application Development	90	85	85	85	85	85
IT Information Management	46	46	45	45	45	45
Subtotal Information & Technology	289	278	277	277	277	277
<u>Community Operations</u>						
DGM Community Operations	31	31	25	25	25	25
Community Operations - Administration	31	32	32	32	32	32
Community Operations - Citywide	40	40	40	40	40	40
Social Services	246	246	246	246	246	246
Resident Employment Services	65	67	67	67	66	66
Resident Support Services	11	11	11	11	11	11
Manhattan Community Operations	154	154	154	154	154	154
Brooklyn Community Operations	269	266	266	266	266	266
Staten Island Community Operations	46	46	46	46	46	46
Queens Community Operations	72	71	71	71	71	71
Bronx Community Operations	186	184	184	184	184	184
Subtotal Community Operations	1,151	1,148	1,142	1,142	1,141	1,141
Total NYCHA Headcount	13,346	13,048	12,924	12,897	12,890	12,890
Service Reductions	-	(500)	(500)	(500)	(500)	(500)
Total NYCHA Headcount	13,346	12,548	12,424	12,397	12,390	12,390

** FY 2006 Current Modified Budget

CAPITAL BUDGET

OVERVIEW

NYCHA prepares an annual budget for capital expenditures and a four-year financial plan for the renovation and modernization of its developments. Capital projects span multiple years. Table 1 highlights the projects budgeted for FY 2007 and planned for the following four years.

**Table 1: Capital Budget: FY 2007 - FY 2011
(\$000)**

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
<u>Non-CPD DGM Programs</u>					
Administration	702	702	702	702	702
Community Operations	986	-	-	-	-
Energy	3,656	25,300	25,300	25,300	25,300
Information Technology	7,137	7,137	7,137	7,137	7,137
Operations	21,527	21,527	21,527	21,527	21,527
Subtotal Non-CPD DGM Programs	\$ 34,008	\$ 54,666	\$ 54,666	\$ 54,666	\$ 54,666
<u>CPD Programs</u>					
Bathrooms / Kitchens	11,076	-	3,500	1,900	61,717
Brickwork / Concrete	187,906	-	34,804	2,550	3,250
Community Center Construction	1,804	-	-	-	-
Contingency	42,865	16,271	26,184	14,688	14,688
Doors / Entrances	546	-	1,218	650	3,970
Electrical / Lighting	1,356	5,316	268	7,793	16,450
Elevators	16,031	-	9,300	10,200	3,950
Fire Safety	183	45	-	468	-
Floors	2,082	-	-	1,600	-
Garbage Disposal	1,026	114	-	4,092	458
General Construction	10,704	-	-	2,001	9,611
Grounds	1,296	-	2,950	2,450	2,590
A&E / CM Fees	21,465	18,000	18,000	18,000	18,000
Heating / Plumbing	27,785	16,326	14,210	54,631	9,340
Intercoms / Security	5,801	-	-	95	-
Major Renovations	63,419	57,000	9,658	-	-
Roofs	166,402	4,840	1,859	26,488	14,247
Unplanned Projects	24,593	19,493	20,775	10,393	10,000
Windows	571	1,687	5,182	-	2,519
Subtotal CPD Programs	\$586,912	\$ 139,092	\$147,908	\$ 157,999	\$ 170,790
<u>Other Capital-Eligible Costs</u>					
CFFP Transaction Costs	29,243	52,520	52,543	52,560	52,579
CPD OTPS	480	480	480	480	480
NYPD	4,854	4,854	4,854	4,854	4,854
Subtotal Other Capital-Eligible Costs	\$ 34,577	\$ 57,854	\$ 57,877	\$ 57,894	\$ 57,913
Total Capital Plan	\$655,497	\$ 251,612	\$260,451	\$ 270,559	\$ 283,369

USE OF CAPITAL FUNDS

NYCHA plans to spend \$655.5 million for capital improvements during FY 2007. These funds are spent on construction as well as non-construction projects and programs.

Non-Construction Projects and Development Programs

In FY 2007, NYCHA will spend \$34.0 million on non-construction projects. Such projects include the installation of energy efficient technology, upgrades to computer systems, lead and asbestos abatement, and painting stairwells.

Capital Projects Programs

In FY 2007, NYCHA will spend \$586.9 million to preserve its physical infrastructure, a list of all construction capital projects is available in Volume 2, Capital Projects By Development.

- The Bathrooms and Kitchens budget of \$11.1 million is for upgrades at two developments.
- The Brickwork and Concrete budget of \$187.9 million is for brickwork replacement at approximately twenty-three developments.
- The Community Center Construction budget of \$1.8 million includes the upgrading of electrical, lighting, and security systems; and the replacement of vinyl asbestos tile at various community centers. No new community centers are budgeted for construction in FY 2007.
- The Capital Projects Contingency budget is \$42.8 million; \$4.7 million is reserved for scope changes and change orders for the Construction Management (CM) Build Program, and \$38.1 million is reserved for change orders and scope changes for projects not covered by CM Build.
- The Doors and Entrances budget of \$0.55 million is for the installation of lobby entrance doors, apartment entrance doors and closet doors at one development.
- The Electrical/Lighting budget of \$1.3 million is for electrical system upgrades at four developments.
- The Elevators budget of \$16.0 million is for elevator system upgrades at two developments.
- The Fire Safety budget of \$0.18 million is for fire safety system upgrades at six developments.
- The Floors budget of \$2.1 million is for the replacement of floor tiles at three developments.
- The Garbage Disposal budget of \$1.0 million is for the installation of new garbage compactors at approximately nine developments.
- The General Construction budget of \$10.7 million is for the renovation of interior public space, mailbox replacements, demolition, and minor construction at approximately six developments.
- The Grounds budget of \$1.3 million is for the upgrade of walkways at approximately seven developments.
- The A&E/CM Fees budget of \$21.5 million is for Architectural and Engineering fees, and Construction Management fees that are awarded during the design phase of the projects.
- The Heating and Plumbing budget of \$27.8 million is for the upgrading of heating systems at approximately eighteen developments.
- Intercoms and Security budget of \$5.8 million is for the installation of new intercoms, security doors and CCTV at approximately ten developments.

- The Major Renovations budget of \$63.4 million is for the complete renovation of four developments and includes the design and planning costs associated with the renovation.
- The Roofs budget of \$166.4 million is for the installation and restoration of roofs at approximately forty-six developments.
- The Unplanned Projects budget of \$24.6 million is for emergency work and unforeseen conditions associated with various capital projects.
- The Windows budget of \$0.57 million is for the installation of new windows at two developments.

Other Eligible Costs

In FY 2007, NYCHA will spend \$34.6 million for other eligible capital costs. Costs under this category consist of the following:

- Debt service payments resulting from NYCHA's bond issuance;
- Payment to the New York City Police Department (NYPD) for site modernization, computer hardware/software and vehicles used by specialized units; and
- OTPS for the Capital Projects and Development Department.

FINANCIAL COMPARISON: FY 2006 vs. FY 2007

Table 2 below provides NYCHA's actual capital expenditures for FY 2005, the Adopted Budget for FY 2006 and the FY 2007 Budget by project type. It also compares NYCHA's Adopted Capital Budget for FY 2006, total \$692.4 million with the FY 2007, of \$655.5 million. The difference is due to a \$36.9 million reduction in Federal and City funds.

**Table 2: Comparison of FY 2006 and FY 2007 Budgets
(\$000)**

	FY 2005	FY 2006	FY 2007	Variance
	<u>Actuals</u>	<u>Adopted Budget</u>	<u>Budget</u>	<u>FY 06 vs FY 07</u>
<u>Non-CPD DGM Programs</u>				
Administration	1,585	8,797	702	(8,095)
Community Operations	1,676	6,457	986	(5,471)
Energy	16,677	33,786	3,656	(30,130)
Information Technology	9,240	64,167	7,137	(57,030)
Operations	20,198	28,010	21,527	(6,483)
Subtotal Non-CPD DGM Programs	\$ 49,376	\$ 141,217	\$ 34,008	\$(107,209)
<u>CPD Programs</u>				
Bathrooms / Kitchens	20,118	19,454	11,076	(8,378)
Brickwork / Concrete	29,695	142,776	187,906	45,130
Community Center Construction	18,560	25,737	1,804	(23,933)
Contingency	-	31,217	42,865	11,648
Doors / Entrances	11,703	9,345	546	(8,799)
Electrical / Lighting	4,245	7,850	1,356	(6,494)
Elevators	10,901	5,178	16,031	10,853
Fire Safety	1,013	286	183	(103)
Floors	212	74	2,082	2,008
Garbage Disposal	1,195	6,395	1,026	(5,369)
General Construction	13,134	9,701	10,704	1,003
Grounds	12,840	9,219	1,296	(7,923)
A&E / CM Fees	7,694	11,180	21,465	10,285
Heating / Plumbing	36,138	35,939	27,785	(8,154)
Intercoms / Security	12,216	2,263	5,801	3,538
Major Renovations	3,017	67,114	63,419	(3,695)
Roofs	8,277	94,999	166,402	71,403
Unplanned Projects	-	26,414	24,593	(1,821)
Windows	147	3,432	571	(2,861)
Subtotal CPD Programs	\$ 191,105	\$ 508,573	\$ 586,912	\$ 78,339
<u>Other Capital-Eligible Costs</u>				
CFFP Transaction Costs	-	37,146	29,243	(7,903)
CPD OTPS	-	-	480	480
NYPD	5,234	5,509	4,854	(655)
Subtotal Other Capital-Eligible Costs	\$ 5,234	\$ 42,655	\$ 34,577	\$ (8,078)
Total	\$ 245,715	\$ 692,445	\$ 655,497	\$ (36,948)

Rollover Policy

NYCHA's policy regarding unspent capital funds is to roll them over to the next fiscal year. This allows departments to continue their projects using unspent funds from the previous year as part of the current year's budget. Rollover funds from FY 2006 are not included in Table 2 and should be considered as additional available funding.

Capital Revenue Budget

The largest capital revenue source for NYCHA is HUD. The Federal *Quality Housing and Work Responsibility Act of 1998* created the Capital Fund Program (CFP), which has been the primary vehicle through which HUD has allocated modernization and other capital funds to PHAs. NYCHA's FY 2007 Capital Budget includes \$235.2 million in Federal funds exclusive of capital administrative salaries and cash transfers.

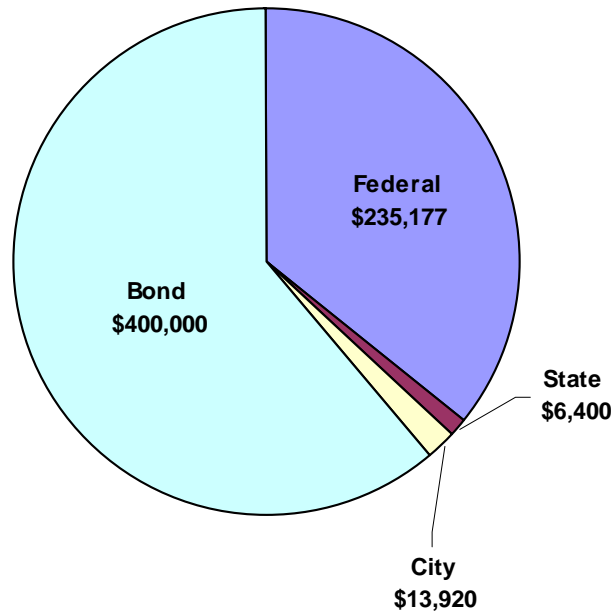
Capital Fund Program (CFP)

Under NYCHA's HUD-funded Capital Fund Program, or CFP, a new grant is awarded each year. Each award typically has a term of four years. Due to overlapping terms, NYCHA has four to five awards open at any time. HUD requires that these awards be 90% to 100% committed within two years of the start date and 100% expended within four years. Table 3 lists the open CFP grants which will support the FY 2007 Capital Budget, included are the obligation and expenditure deadlines.

**Table 3: Summary of Open CFP Grants
(\$000)**

	Grant Award	Start Date	Obligation Deadline	Expenditure Deadline
CF 2003- A	\$ 311,152	9/16/2003	9/16/2005	9/16/2007
CF 2003- B	\$ 65,855	2/28/2004	2/28/2006	2/29/2008
CF 2004	\$ 365,851	9/30/2004	9/30/2006	9/30/2008
CF 2005	\$ 367,241	8/17/2005	8/17/2007	8/17/2009
CF 2006	\$ 323,596	7/18/2006	7/18/2008	7/18/2010

**Table 4: FY 2007 Capital Budget Sources of Revenue
(\$000)**



TOTAL \$655.5 MILLION

NYCHA also receives capital funding from the New York State Division of Housing and Community Renewal and the City of New York. NYCHA enters into agreements with both prior to the adoption of the budget. For FY 2007, NYCHA has a commitment of \$6.4 million in State Modernization funds for capital improvements at Marlboro Houses. The City of New York also finances capital projects at various developments and has committed \$13.9 million for FY 2007.

In FY 2005, NYCHA participated in HUD's Capital Fund Financing Program (CFFP) by issuing \$300 million in bonds through the New York City Housing Development Corporation. This year, NYCHA intends to issue \$400 million in bonds, bringing the total to \$700 million. The chief purpose of NYCHA's participation in the CFFP is to accelerate the modernization of aging public housing stock. On average, NYCHA's 2,686 buildings are more than forty years old. NYCHA is constantly challenged to maintain these older buildings' systems and infrastructures at significant expense to the developments' operating budgets. The CFFP funds will allow NYCHA to carefully plan and execute larger, multi-year construction initiatives that will significantly address many of NYCHA's long-term needs. The first \$300 million in bond proceeds was utilized for the replacement of roofs and brickwork. The second issuance will be utilized to achieve similar objectives. Many of the CFFP projects in the second bond issuance will leverage new technology, which will facilitate upgrades to these buildings in a manner that will increase efficiency and attain long-term operating savings for NYCHA.

MAJOR CAPITAL PROJECTS - CONSTRUCTION

Highlights

The following are the largest construction projects currently in the budget, for a list of all of the construction capital projects see Volume 2, Capital Projects By Development:

Major Renovations- The comprehensive renovation for \$70.0 million of Whitman and Ingersoll Houses, two of NYCHA's oldest developments (built in 1944), will include the complete renovation of the elevators and 3,500 apartments. Apartments will be reconfigured to add more space and create separate kitchens. Living spaces, bathrooms and kitchens will be upgraded, new tile flooring will be installed, and electrical work, painting and other improvements will be performed. The elevator modernization component will include the replacement of elevator cabs, doors, and equipment in sixty-one low-rise and thirty-two high-rise buildings.

Brickwork/Roofs- Major structural renovation and brick façade replacement will be performed at Johnson Houses in Manhattan for \$60.0 million in FY 2007. In FY 2007, brick façade replacement at Marlboro Houses and Albany Houses in Brooklyn is budgeted for \$7.0 million and \$17.2 million, respectively. Over the next three years, brick façade replacement will be performed at Throggs Neck Houses in the Bronx for \$40.4 million. In addition, in FY 2007, roof replacement will be performed at Saratoga Houses and UPACA Houses in Manhattan for \$3.5 million and \$2.0 million, respectively, and at Unity Plaza Houses in Brooklyn for \$9.3 million.

Kitchens/Bathrooms- Kitchens and bathrooms will be upgraded at Edenwald Houses in the Bronx for \$10.9 million in FY 2007. Kitchens will be upgraded at Jefferson Houses in Manhattan for \$24.1 million and at Boulevard Houses in Brooklyn for \$6.9 million.

Hot Water Heaters – With a budget of \$100 million over the next four years, the Authority will continue its program of replacing domestic hot water tanks with energy efficient instantaneous hot water heaters at developments throughout the five boroughs.

MAJOR CAPITAL PROJECTS - NON-CONSTRUCTION

Information Technology (IT) Initiatives

Initiatives include the creation of a tenant and property management system (Customer Relationship Management), standardization and automation of the apartment inspection processes, automation of essential operating performance indicators, and the reduction of labor-intensive, paper-based records systems through the creation of electronic case folders, for housing applications, invoice processing, and Section 8 voucher holders. This initiative will result in an annual savings of \$10 million beginning in FY 2008.

Work Ticket Automation- \$36 million over the next four fiscal years. This IT project will enable NYCHA to enhance its work ticket system and related business processes, including field service automation to provide NYCHA with new capabilities to help manage and control work ticket scheduling, disposition, and repair management processes. NYCHA residents will be able to phone in maintenance requests, and appointments will be scheduled with the resident during an intake process. NYCHA may further expand the application to allow residents to use a centralized call number for all resident concerns, including noise and quality of life complaints, and questions about annual reviews and resident programs.

Energy Initiatives

Instantaneous Hot Water Heater Installations - \$25 million a year for four fiscal years. NYCHA is implementing a new instantaneous hot water heater program to update heating technology and improve operational efficiency at a number of developments. Instantaneous hot water systems, unlike conventional tank water heaters, heat water only when it is used, and therefore do not require storage tanks. Because hot water is only produced when needed and does not lose heat while in a tank awaiting demand, it improves operational efficiency as well as reduces maintenance costs associated with the emptying and cleaning of water tanks. Replacement of more than 560 building's hot water systems citywide have been either recently completed or are presently in the execution stage.

Computerized Heating Automated System (CHAS) Installations - \$7 million in FY 2006. NYCHA is in the process of implementing CHAS, in order to conserve energy and increase plant reliability by using technology to allow remote monitoring and troubleshooting of NYCHA's boilers and building controls via personal computer. CHAS improves staff efficiency, decreases operating costs and provides improved heat and hot water service to NYCHA residents. Over a two-year period, 200 heating plants and 2,000 apartment buildings will be equipped with CHAS by early 2008. The implementation of these technologies will result in decreased utilities expenditures in the amount of \$10 million beginning in FY 2008.

Operations Initiatives

NYC Local Law 1 Implementation - \$22 million over the next four fiscal years. On August 2, 2004, Local Law 1 went into effect, requiring the remediation of lead paint hazards in housing and day care facilities in all pre-1960 multi-dwelling facilities, as well as buildings built between 1960 and 1978 where lead paint was known to exist, in order to prevent childhood lead poisoning. NYCHA is quickly and efficiently removing lead from the most at-risk developments, thereby diminishing the risk of lead poisoning to NYCHA's residents.

