The City of New York
Executive Budget
Fiscal Year 2006

Michael R. Bloomberg, Mayor

Office of Management and Budget
Mark Page, Director

Message of the Mayor

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THE CITY OF NEW YORK
OFFICE OF THE MAYOR
NEW YORK, N.Y. 10007

May 5, 2005

To the Citizens of the City of New York
Members of the City Council
Members of the Financial Control Board

My Fellow New Yorkers,

We have come a long way since September 11th, 2001 and the fiscal crisis that followed. New York City faced difficult choices and an uncertain future. By working together, confronting our problems and making the necessary sacrifices, we have put our City back on track. Almost four years later, we are seeing the results of fiscal prudence and responsible leadership.

Our quality of life continues to improve. Since 2002, crime overall has dropped by 20% and the murder rate is at a 40-year low. Fatalities from fires and traffic accidents are also at historic lows. Our streets are clean and each year we add more parks and recreational space for New Yorkers to enjoy. 311 has fielded nearly 20 million calls transforming how New Yorkers interact with their government and giving real-time feed back on how City services are being delivered.

We are aggressively rezoning long-neglected areas across the City, including Downtown Brooklyn, the Far West Side of Manhattan, Greenpoint-Williamsburg, and Jamaica to encourage increased economic development and create jobs. To make sure New Yorkers aren't priced out of their neighborhoods, we are investing $3 billion to build or renovate 68,000 units of affordable housing across the City.

Social service caseloads continue to decline and we are expanding efforts to move public assistance recipients into the workforce. Foster care caseloads have plummeted and we are implementing our blueprint to end homelessness as we know it and to better serve families in need.

This budget includes $500 million in tax relief for hard-working New Yorkers and their families. We will again offer a $400 property tax rebate, and we will end the sales tax on clothing purchases under $110. Tax relief will also be provided for renovations of small rental buildings and repairs to Mitchell-Lama properties.

In this budget, we have also funded important initiatives to all New Yorkers, including summer jobs and additional funding for libraries and cultural organizations. We are investing in our future by an additional $50 million annually in education funding, for class size reductions, new school safety agents, and gifted and talented programs.

I am pleased that the City budget can accommodate these important initiatives this upcoming year, however fiscal prudence demands that the City take a longer–term view of its finances. We have reduced City headcount by 15,000 and we have reduced the budget in FY2006 by $3.8 billion since 2001. Despite these efforts, the budget gaps in the out-years are significant. In FY2007 and beyond, significant budget gaps exists. Non-discretionary costs now exceed agency spending on services that New Yorkers demand and deserve by $5.6 billion. Pensions, Health Benefits, Medicaid and Debt Service are growing by 12.7% between this year and next year, while agency spending increases only 1%.

The City's budget is healthy again this year, but now is not the time to change course. Budget gaps in the future show we have hard work ahead of us. Our success requires that New Yorkers make innovative and creative investments in our future to grow our economy and our tax revenues.

New York's best days are yet to come and together our City will grow to new heights that we have yet to imagine.

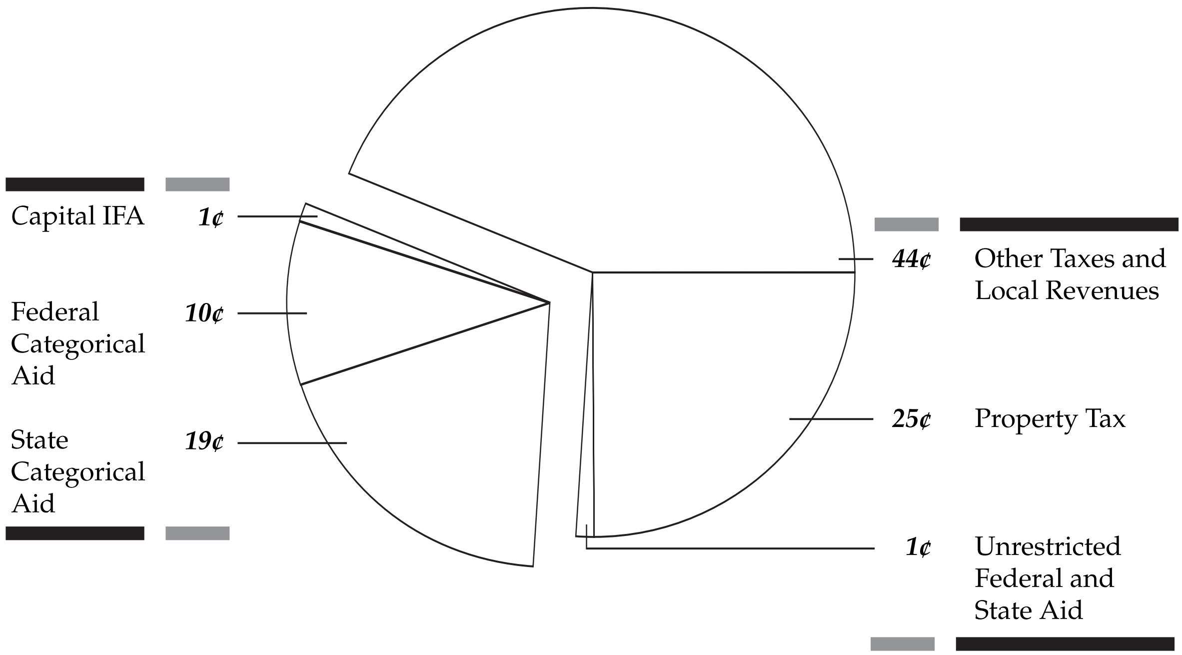
Very truly yours,

Michael R. Bloomberg
Mayor

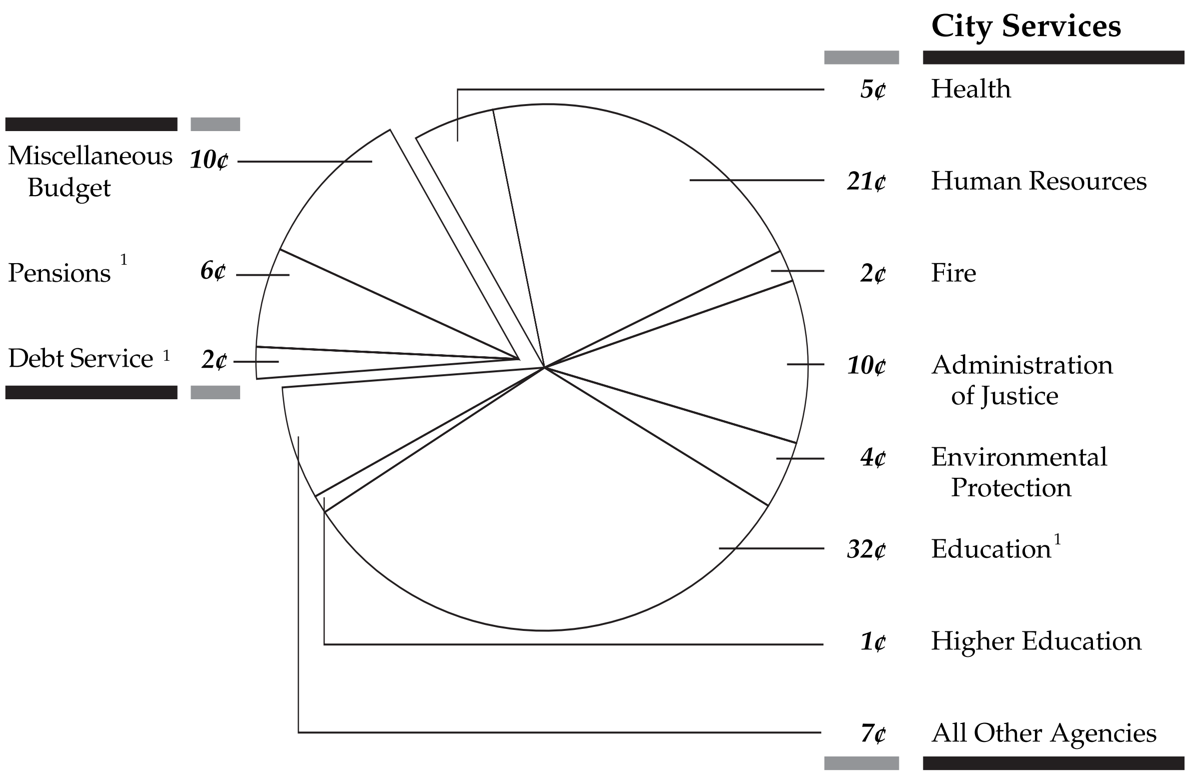
Contents

Budget and Financial Plan Summary

Where the 2006 Dollar Comes From



Where the 2006 Dollar Goes To



[1] Debt Service and Pension costs related to the Department of Education have been included in Education.

BUDGET AND FINANCIAL PLAN OVERVIEW

The 2006 Executive Budget is $49.7 billion. This is the twenty-sixth consecutive budget which is balanced under generally accepted accounting principles.

For **fiscal year 2005** an operating surplus of $3,271 million is projected, which will be used to help balance the 2006 Executive Budget. The Executive Budget and Financial Plan include $3,271 million of discretionary transfers and prepayments in 2005, reflecting discretionary transfers of $1,704 million to the budget stabilization account and $88 million in lease debt service due in fiscal year 2006, subsidy prepayments of $208 million to the Transit Authority, $172 million to the Health and Hospitals Corporation and $152 million to the Library Systems, and a Miscellaneous Budget grant of $947 million to the Transitional Finance Authority in fiscal year 2005, which increases personal income tax revenue by $947 million in fiscal year 2006. The 2005 forecast provides for a general reserve of $40 million to offset any adverse changes, which may surface during the remainder of the fiscal year or during the audit of the operating results.

The **fiscal year 2006** budget includes $491 million for tax reductions including $256 million for the continuation of the $400 Property Tax Rebate and $230 million for the early restoration of the Sales Tax exemption on clothing under $110. The budget provides $100 million for the next round of collective bargaining at 1.25% per year. Savings from State actions of $317 million and requests for Federal assistance of $50 million are assumed in the budget. The 2006 budget provides for a general reserve of $300 million.

Financial Summary—2000-2006

($ in Millions)

	Fiscal Years Ending June 30						
	2000*	2001*	2002*	2003*	2004*	2005**	2006***
Revenues							
Taxes:							
General Property Tax	$7,850	$8,246	$8,648	$9,942	$11,582	$11,501	$12,326
Other Taxes [1]	13,993	14,564	12,585	12,847	16,007	18,180	17,361
Tax Audit Revenues	416	401	485	571	576	525	512
Tax Reduction Program	—	—	—	—	—	(23)	(235)
Miscellaneous Revenues	4,239	4,953	5,129	4,258	4,583	6,167	4,765
Transitional Finance Authority - 9/11	—	—	—	1,500	—	—	—
Unrestricted Intergovernmental Aid	631	634	666	1,443	963	562	562
Anticipated Federal Actions	—	—	—	—	—	—	50
Less: Intra-City Revenue	(1,150)	(1,330)	(1,390)	(1,110)	(1,213)	(1,289)	(1,249)
Disallowances	(5)	(46)	—	(47)	(27)	(15)	(15)
Subtotal City Funds	$25,974	$27,422	$26,123	$29,404	$32,471	$35,608	$34,077
Other Categorical Grants	431	492	615	1,006	956	856	923
Inter-Fund Revenues	240	284	305	300	328	358	364
Total City & Inter-Fund Revenues	$26,645	$28,198	$27,043	$30,710	$33,755	$36,822	$35,364
Federal Categorical Grants	4,417	4,550	6,097	5,618	5,415	6,873	5,081
State Categorical Grants	7,062	7,768	8,030	8,317	8,454	9,021	9,279
Total Revenues	$38,124	$40,516	$41,170	$44,645	$47,624	$52,716	$49,724
Expenditures							
Personal Service	$19,178	$21,182	$22,756	$23,608	$24,410	$26,305	$28,085
Other Than Personal Service	16,165	17,405	18,409	18,681	19,568	22,132	21,534
Debt Service	739	310	704	1,819	2,429	2,129	3,368
MAC Debt Service Funding	—	—	5	225	502	128	10
Discretionary Transfers							
Debt Service	2,599	2,199	667	480	1,043	1,792	(1,792)
MAC Debt Service	451	458	—	—	—	—	—
Other [1]	137	287	14	937	880	1,479	(532)
	3,187	2,944	681	1,417	1,923	3,271	(2,324)
General Reserve	—	—	—	—	—	40	300
	$39,269	$41,841	$42,555	$45,750	$48,832	$54,005	$50,973
Less: Intra-City Expenditures	(1,150)	(1,330)	(1,390)	(1,110)	(1,213)	(1,289)	(1,249)
Total Expenditures	$38,119	$40,511	$41,165	$44,640	$47,619	$52,716	$49,724
Surplus/(Deficit) GAAP Basis	$5	$5	$5	$5	$5	$ —	$ —

* Actual, Comptroller's Report as of the audit of the respective fiscal year excluding subsequent restatements.
** Forecast
*** Executive Budget
[1] Discretionary transfers in the Miscellaneous Budget for delayed receipt of revenues from the Transitional Finance Authority include $624 million, $400 million and $947 million in 2003 through 2005, respectively.

Summary of Financial Plan

The City's financial plan sets forth projected operations on a GAAP basis for the 2006 through 2009 fiscal years. In accordance with the City Charter a four-year financial plan is to be included in the Executive Budget submission. The financial plan will also be submitted to the Financial Control Board in accordance with the Financial Emergency Act. The assumptions, upon which the four-year plan revenue and expenditure estimates are based, are summarized in the Appendix section of this Mayor's Message.

Four-Year Financial Plan
($ in Millions)

	2006	2007	2008	2009
Revenues				
Taxes:				
General Property Tax	$12,326	$13,061	$14,021	$14,695
Other Taxes	17,361	16,552	16,690	17,639
Tax Audit Revenues	512	509	509	509
Tax Reduction Program	(235)	(177)	(17)	(38)
Miscellaneous Revenues	4,765	4,462	4,485	4,506
Unrestricted Intergovernmental Aid	562	562	562	562
Anticipated Federal Actions	50	—	—	—
Less: Intra-City Revenues	(1,249)	(1,249)	(1,249)	(1,249)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)
Subtotal City Funds	$34,077	$33,705	$34,986	$36,609
Other Categorical Grants	923	927	932	938
Inter-Fund Revenues	364	355	343	343
Total City & Inter-Fund Revenues	$35,364	$34,987	$36,261	$37,890
Federal Categorical Grants	5,081	4,858	4,848	4,847
State Categorical Grants	9,279	9,361	9,421	9,464
Total Revenues	$49,724	$49,206	$50,530	$52,201
Expenditures				
Personal Service				
Salaries and Wages	$17,771	$18,018	$18,246	$18,518
Pensions	4,762	5,018	4,911	4,783
Fringe Benefits	5,552	5,811	6,154	6,477
Subtotal – PS	$28,085	$28,847	$29,311	$29,778
Other Than Personal Service				
Medical Assistance	$5,024	$5,172	$5,319	$5,458
Public Assistance	2,408	2,353	2,353	2,353
Pay-As-You-Go Capital	200	200	200	200
All Other	13,902	13,885	14,005	14,184
Subtotal – OTPS	$21,534	$21,610	$21,877	$22,195
Debt Service	3,378	4,171	4,527	4,880
Budget Stabilization & Discretionary Transfers	(2,324)	—	—	—
General Reserve	300	300	300	300
	$50,973	$54,928	$56,015	$57,153
Less: Intra-City Expenses	(1,249)	(1,249)	(1,249)	(1,249)
Total Expenditures	$49,724	$53,679	$54,766	$55,904
Gap To Be Closed	**—**	**$(4,473)**	**$(4,236)**	**$(3,703)**

In the 2006 Executive Financial Plan revenues and expenditures are balanced for 2005 and 2006 and gaps of $4.5 billion, $4.2 billion and $3.7 billion are projected for fiscal years 2007 through 2009, respectively, after implementation of the gap closing program.

The Financial Plan Update table on the following page details changes to revenue and expense forecasts for 2005 through 2008 since the 2005 budget was adopted in June 2004. At that time, budget gaps of $3.9 billion, $4.5 billion and $3.7 billion were projected for 2006 through 2008, respectively. Since then, forecasted revenues have increased by $2.8 billion, $1.9 billion, $1.7 billion and $1.3 billion in 2005 through 2008, including an increase in projected tax revenues of $3.0 billion, $1.4 billion, $1.2 billion and $0.8 billion in 2005 through 2008 respectively. The projected increase in tax revenues primarily reflects increases in personal income and business tax revenues, primarily due to improved security industry profits and an improving economy, and increases in the mortgage recording, real property transfer and sales tax revenues.

Since June 2004, expenses have increased by $1.9 billion, $2.1 billion and $2.6 billion in 2006 through 2008, respectively. Major projected increases include pension and fringe benefit costs of $742 million, $550 million and $457 million in 2006 through 2008, forecasted Medicaid cost increases of $184 million, $334 million, $508 million and $699 million in 2005 through 2008, and a shortfall in anticipated savings from State actions (in SFY 2005) of $201 million, $196 million, $94 million and $77 million in 2005 through 2008 respectively. Funding of $100 million, $350 million and $625 million in 2006, 2007 and 2008 has been budgeted for the next round of collective bargaining. All other spending increases by $232 million, $528 million, $373 million and $386 million in 2005 through 2008. In addition, prior year's expenses have been reduced in fiscal year 2005 by $200 million and the General Reserve has been reduced by $260 million.

Gap closing actions totaling $508 million, $692 million, $517 million and $744 million in 2005 through 2008 respectively are assumed in the budget and four year financial plan from agency actions, State and Federal actions, offset by the tax reduction program.

The Financial Plan includes proposed discretionary transfers and prepayments in fiscal year 2005 of $3.3 billion, which will provide equivalent budget relief in 2006, as detailed earlier.

FINANCIAL PLAN UPDATE

($ in Millions)

	2005	2006	2007	2008
2005 Adopted Budget Surplus/(Gap)-Restated	**$220**	**$(3,894)**	**$(4,522)**	**$(3,681)**
Revenue Changes				
Property Tax Forecast	(130)	234	438	588
Other Tax Revenue Forecast	3,010	1,415	1,174	650
Non Tax Revenues	44	100	50	44
TSASC	(120)	120	(2)	(2)
Federal Aid in 2005 Adopted Budget	(50)	—	—	—
Total Revenue Changes	$2,754	$1,869	$1,660	$1,280
Expense Changes				
State Budget (SFY 2005)	(201)	(196)	(94)	(77)
Medicaid	(184)	(334)	(508)	(699)
Hudson Yards Debt Service	(6)	(46)	(95)	(139)
Other Debt Service and MAC	129	113	(48)	(86)
Pension and Fringe Benefit Costs	(30)	(742)	(550)	(457)
Education	(147)	(105)	(110)	(110)
Other Agency Expenditures	(232)	(528)	(373)	(386)
Next Round of Collective Bargaining	—	(100)	(350)	(625)
Revised Estimate of Prior Years' Expenses	200	—	—	—
Reduce General Reserve to $40 Million	260	—	—	—
Total Expenditure Changes	**(211)**	**(1,938)**	**(2,128)**	**(2,579)**
Surplus/(Gap to be Closed)	**2,763**	**(3,963)**	**(4,990)**	**(4,980)**
Gap Closing Program				
Agency Actions	413	475	318	317
Debt Service	10	85	1	1
Asset Sales (Airport Lease and Taxi Medallion Sale)	85	—	—	—
State Actions (SFY 2006)	23	317	375	443
Subtotal	531	877	694	761
Federal Actions	—	50	—	—
Tax Reduction Program	(23)	(235)	(177)	(17)
Total Gap Closing Program	**508**	**692**	**517**	**744**
Surplus/(Gap)	3,271	(3,271)	(4,473)	(4,236)
Budget Stabilization and Discretionary Transfers	(3,271)	3,271	—	—
Remaining (Gap)	**$—**	**$—**	**$(4,473)**	**$(4,236)**

Continued increases in non-discretionary spending create out-year gaps in the City's financial plan.

City Revenue and Expense Growth[1]

	2005	2006	2007	2008	2009
Revenues	$36,212	$34,170	$34,752	$36,067	$37,696
Year-to-Year Change	$3,484	($2,042)	$582	$1,315	$1,629
Year-to-Year Change	10.6%	-5.6%	1.7%	3.8%	4.5%
Expenditures					
Agency Expenses	$15,767	$15,919	$16,241	$16,496	$16,823
Year-to-Year Change	$553	$152	$322	$255	$327
Year-to-Year Change	3.6%	1.0%	2.0%	1.6%	2.0%
Nondiscretionary Expenses[2]	$19,097	$21,522	$22,984	$23,807	$24,576
Year-to-Year Change	$2,094	$2,425	$1,462	$823	$769
Year-to-Year Change	12.3%	12.7%	6.8%	3.6%	3.2%
Total Expenses	$34,864	$37,441	$39,225	$40,303	$41,399
Year-to-Year Change	$2,647	$2,577	$1,784	$1,078	$1,096
Year-to-Year Change	8.2%	7.4%	4.8%	2.7%	2.7%
Prepayments	$1,348	($3,271)	$0	$0	$0
Gap to be Closed	$0	$0	($4,473)	($4,236)	($3,703)

[1] Includes TFA and Tobacco Bonds.

[2] Nondiscretionary expenses include pensions, fringe benefits, debt service, Medicaid, re-estimate of prior year's expenses, general reserve, judgments and claims, subsidies to the Transit Authority and private bus lines and public assistance.

Employment Levels

Over the last three years headcount reporting has been enhanced by including the full-time equivalent headcount associated with part-time, seasonal and hourly spending together with the traditional reporting of full-time headcount. The staffing levels of non-city employees paid in part by City subsidies have also been reported.

Where practicable and cost-effective, agencies have contracted-in certain services that previously have been provided by outside vendors. The Executive Budget includes the continued authorization to contract-in and to reduce the use of outside vendors in these areas. To facilitate accurate comparisons of 2006 Executive Budget planned agency staffing levels with prior periods, the December 2001 and March 2005 actual headcounts in the following table have been adjusted to reflect the number of employees provided via contract for those services to be contracted-in.

Similarly the Department of Education now includes per-diem teachers and professional administrative hourly employees in their employee statistics. The December 2001 data in the following table has been restated to include these employees.

A comparison of City-funded actual staffing for December 2001 and March 2005 to the June 2006 projected staffing authorized in the 2006 Executive Budget follows:

	December 2001 Total	March 2005 Total	Executive Plan June 2006 Total
City Employees			
City Funded Employees	269,956	252,085	256,528
Non-City Funded Employees	41,848	45,308	45,768
Total Employees	311,804	297,393	302,296
Non-City Employees Paid by City Subsidies [1]			
Health and Hospitals Corporation	37,941	38,254	37,657
Housing Authority	14,863	13,359	13,619
Libraries	4,428	4,074	3,707
Cultural Institutions	1,728	1,863	1,512
School Construction Authority	933	507	453
All Other	1,241	1,404	1,442
Sub-Total	61,134	59,461	58,390
Grand Total (Full-Time and FTE's)	**372,938**	**356,854**	**360,686**
City Funded Employees	**316,227**	**298,182**	**301,294**

A more detailed presentation by agency is presented in Exhibits 5 and 5A.

[1] For these agencies the December 2001 data reflects staffing as of February 2002.

FEDERAL AND STATE AGENDA

OVERVIEW

For the first time in over twenty years, the New York State Legislature passed a budget by the April 1st statutory deadline. The Budget was subsequently amended on April 12th and signed by the Governor. As a result, there is no State Gap closing Agenda in the City's Executive Budget for 2006. One of the most significant actions included in the Adopted State Budget is a cap on local Medicaid spending beginning January 1, 2006. New York City has long called for a cap on local Medicaid expenditures. This action provides the City and local governments across the State with significant budgetary relief from the Medicaid program, which is one of the fastest growing components of New York City's budget.

The 2006 Executive Budget includes a menu of items that totals approximately $350 million to help meet a Federal Agenda target of $50 million. The Federal Agenda proposes equitable reimbursement to New York City for undertaking mandated functions. Additionally, the City requests greater flexibility in the use of Homeland Security funds. Strengthening enforcement mechanisms related to the cigarette tax is also included as part of the Agenda. Although the recently enacted State cap on local Medicaid spending provides the City with budgetary relief, Medicaid continues to be a significant part of the City budget. The Federal government must find ways to ease this burden without jeopardizing the health services provided by our public hospital system and to the neediest populations.

FEDERAL AGENDA

Federal Initiatives to Close the Gap

Allocate All Homeland Security Funding to Localities Based on Threat and Allow this Funding to be Used for Counterterrorism Measures

The Homeland Security Appropriations Act of 2005 demonstrated progress towards threat-based funding that has consistently been advocated by the City. This past year, under the Urban Areas Security Initiatives (UASI), the City was allocated over 20 percent of aggregate funding, up from six percent last year. However, a majority of homeland security funding continues to be distributed on the basis of population, with each state and territory guaranteed a minimum amount under statutory formula. Under the State Homeland Security Grant (SHSG) the City received only $4.38 per person, while Wyoming received $25 per person.

Additionally, last year Congress made progress in providing greater flexibility on construction-related projects and in lengthening the performance period of the grants. However, greater flexibility is critically needed to support law enforcement personnel dedicated to intelligence and counter-terrorism. The City continues to bear the burden of ensuring preparedness and security. Both increased funding and additional flexibility in the use of funds are critically needed to provide reimbursement for expenses related to detection, intelligence collection, analysis of intelligence, investigation, prevention and interdiction of suspected terrorist activity, and personnel and operational costs associated with counter-terrorism and intelligence professionals.

In the aftermath of September 11th, the City created several intelligence and counter-terrorism divisions within the New York City Police Department. The City hired outstanding individuals from outside the Department to lead intelligence and counter-terrorism functions. Staffing costs associated with these measures continue to be borne solely by the City. Allowing the use of Federal homeland security dollars to fund these positions would provide the City with fiscal relief of $80 million each year.

Close Cigarette Tax Loopholes

Tobacco taxes are both a source of revenue for New York City and a sensible public health measure as a way to discourage cigarette consumption. With the development of the Internet, tobacco products are more easily available and furthermore, it has been easier to avoid the payment of taxes on tobacco products through sales over the Internet.

Since 1949, the Federal government has required retail sellers of tobacco products who ship across state lines to provide information to the state taxing authorities under the Jenkins Act. However, as detailed in a recent General Accounting Office report on Internet tobacco sales (GAO-02-743) the Jenkins Act has significant limitations. The City strongly supports strengthening the Jenkins Act. Some provisions supported by the City include: giving local authorities the ability to enforce the Act, requiring additional information be provided at the time of tobacco sale and requiring that state and local taxes be paid prior to shipment. It is estimated that these proposed Jenkins Act amendments will provide an estimated $75 million in additional tax revenue to the City.

Update Federal Foster Care Funding

Title IV-E Eligibility: Currently a child's eligibility for foster care maintenance payments is tied to the child's eligibility as it existed prior to the 1996 Federal Welfare Reform. This proposal urges foster care payment eligibility to be linked to existing and more up-to-date public assistance (TANF) guidelines. Children in foster care would therefore qualify for Federal care and maintenance reimbursement based upon their family's current income eligibility for TANF, not outdated and impractical guidelines. This change would reduce the administrative burden on states and localities of determining separate eligibility requirements and allow the Federal government to support the care of children already eligible for Federal income maintenance. Currently, approximately 50 percent of New York City's Administration for Children's Services (ACS) foster care case load is IV-E eligible. However, approximately 75 percent of ACS foster care children come from households where families are TANF eligible. The City would receive close to $60 million in additional Federal foster care payments in 2006 if these payments were tied to TANF eligibility.

Counseling Services: The Federal government provides an open-ended 50 percent match to New York State for eligible foster care expenditures. Federal law limits expenditures under Title IV-E to costs incurred for maintenance and care. The City supports an expansion of the Federal definition of eligible expenditures to include reimbursement for counseling services to families with foster care children. Counseling is a vital service to these vulnerable children and can help to reduce the length of stay in foster care. The City would save $7 million if the Title IV-E reimbursed counseling services.

Restore State Criminal Alien Assistance Program Funding

The Federal government reimburses states and localities for a portion of the costs of incarcerating illegal aliens who have been convicted of one felony or two misdemeanor offenses. In past years, the City has received $30 million annually to partially offset the costs of keeping these individuals in local jails through the State Criminal Alien Assistance Program (SCAAP). However, this allocation has been reduced in recent years to approximately $21 million, shifting even more of the cost of housing these individuals to the City. The City's jail system holds more than 8,000 criminal illegal aliens each year at a cost of more than $80 million. Cuts in this program force the City to divert law enforcement resources away from crime prevention and homeland security efforts. The City requests that SCAAP be funded at an appropriate level to cover the full cost of this program which will provide the City with an additional $60 million in 2006.

Reimburse the City for the Full Costs of Protecting the United Nations and Foreign Missions

Under an agreement with the State Department, New York City provides extraordinary security measures for the protection of dignitaries and foreign missions, as well as providing security for special international events held in the City. Although the State Department reimburses the City approximately $7 million a year for these services, the cost of providing protection has increased beyond the current reimbursement level to approximately $15 million annually. The City is seeking $30 million in reimbursement from 2002-2005, as well as an increase in the annual reimbursement rate from $7 million to $15 million for providing this special UN protection.

Restore The Local Law Enforcement Block Grants

The Local Law Enforcement Block Grant (LLEBG) supports localities in their efforts to reduce crime. In New York City, LLEBG funding is used to pay the salaries of 911 call takers at the New York City Police Department, to help District Attorney's Offices enhance adjudication of violent offenders, and to help the City's anti-drug efforts. In 1999, New York City received $30 million for LLEBG; this funding level has steadily decreased and by 2004 the City received only $6 million in these funds. In addition to these cuts in program funding, LLEBG and Byrne Formula Grants were then consolidated in the 2005 Federal Omnibus Appropriations Act and replaced with the Justice Assistance Grant (JAG) program. This resulted in an overall decrease of 13 percent for these criminal justice programs. The City requests that LLEBG funding be fully restored in 2006 which would result in an additional $24 million for New York City.

Extend Parking Summons Provisions for Foreign Diplomats

In 2002, the State Department and New York City agreed to an historic parking program that has dramatically reduced illegal parking by the diplomatic community and improved the collection of payments for summons issued. Since the implementation of the program, the rate of summonses resolved increased from 9 percent to 67 percent. Not only has the program generated more revenue for the City, it has reduced the number of parking violations issued. Given the success of this program, the City is seeking to collect fines accrued prior to the implementation of the program. More than 180 countries owe the City approximately $20 million dating back to April 1, 1997.

The 2005 Foreign Operations Appropriations bill included a provision that withheld 110 percent of the amount owed to the City from scofflaw countries in foreign aid, except aid that is determined to be in the national interest. The City supports incorporating similar language into the 2006 appropriations bill and applying that funding to unpaid fines and penalties dating back to April 1, 1997.

Expand Definition of Emergency for Homelessness

Current rules under the Temporary Aid to Needy Families (TANF) program define an "emergency" as lasting four months or less. After the four-month cutoff, services such as homeless shelters are considered "assistance" and it is not possible to use TANF funds for the homeless families who are not TANF eligible. For those non-public assistance families, homeless services are funded exclusively by City funds. With the severely limited availability of affordable housing in New York City, homeless families generally stay in shelters an average of 11 months in the City. However, the emergency is no less real than in other localities where shelter stays may be shorter. The City urges Congress to extend the TANF definition of emergency related to homelessness beyond four months, as it was under Aid to Families with Dependent Children (AFDC), the predecessor program to TANF. Under AFDC, localities were individually allowed to define "emergency". This proposal will provide $10 million in relief in 2006.

CONTRACT BUDGET

The Contract Budget is presented as part of the 2006 Executive Budget submission. The Contract Budget includes all projected expenditures for contracts that are personal service, technical or consulting in nature, as defined in Section 104 of the City Charter. Purchase orders and open market orders, as well as small purchases that do not require registration by the Comptroller's Office, are included in the Contract Budget. Contracts for the purchase of supplies, materials and equipment are not included.

The 2006 Executive Contract Budget contains 17,401 contracts totaling over $6.87 billion. Approximately 75 percent of the total contract budget dollars will be entered into by the Department of Social Services, the Administration for Children's Services, the Department of Homeless Services, the Department of Health and the Department of Education. The Administration for Children's Services has over $1.13 billion in contracts, over 70 percent of which represents contracts allocated for Children's Charitable Institutions ($481 million) and Day Care ($323 million). Of the over $1.83 billion in Department of Education contracts, approximately 40 percent are allocated for pupil transportation contracts ($737 million).

Each agency's Contract Budget is delineated by object code within the agency's other than personal service units of appropriation. The Executive Budget Supporting Schedules further break down the Contract Budget by budget code within unit of appropriation. All object codes in the 600 object code series are included in the Contract Budget. In addition, the Executive Budget Supporting Schedules reference the 2005 Modified Budget condition for these contract object codes.

Agencies in preparing their contract budgets were requested to categorize their contracts into 52 specific contract objects. The distribution of these contracts is summarized as follows:

	Est. # of Contracts	Dollars (Millions)	% Total Dollars
Social Service Related and Health Services . . . . • Home Care, Child Welfare, Employment Services, Public Assistance, Day Care, Family Services, Homeless Programs, AIDS, Senior Citizen Programs, Health, Mental Hygiene, & Prison Health, etc.	4,531	$3,603	52.4%
Youth and Student Related Services . . . . • (including Transportation of Pupils and Payments to Contract Schools)	1,286	1,478	21.5
Other Services . . . . • Custodial, Security Services, Secretarial, Cultural Related, Employee Related, Economic Development, Transportation, Municipal Waste Exporting, etc.	2,953	781	11.4
Professional Services/Consultant . . . . • Accounting, Auditing, Actuarial, Education, Investment Analysis, Legal, Engineering & Architectural, System Development & Management Analysis, etc.	4,431	670	9.7
Maintenance & Operation of Infrastructure . . . . • Lighting, Streets, Buildings, Parks, Water Supply, Sewage and Waste Disposal, etc.	1,885	214	3.1
Maintenance of Equipment . . . . • Data Processing, Office Equipment, Telecommunications & Motorized Equipment, etc.	2,315	132	1.9
TOTAL	17,401	$ 6,878	100.0%

Borough Presidents' Proposed Reallocations

In accordance with section 245 of the New York City Charter, the Borough Presidents may propose modifications to the Preliminary Expense Budget during the Executive Budget process. Any recommended modifications may not result in an increase to the total appropriations proposed in the Preliminary Budget. If increases within a borough are recommended, offsetting reductions in other appropriations within the borough must also be recommended. The Queens Borough President submitted a proposal.

The Queens Borough President proposed increasing allocations by $122 million. Among the suggested increases are $12 million to the Queens Public Library, $4.2 million to Cultural Affairs, $38 million for youth programs, $8.3 million for seniors, $24.4 million for the City University of New York, $3.5 million for Sanitation, $8.5 million for Parks, $4.7 million for housing programs, $7.2 million for health and mental health programs.

The proposed funding sources come from eliminating the property tax exemption for Madison Square Garden, procurement consolidations and efficiencies, enforcement of property house numbers, converting the multiple dwelling registration flat fee to per unit fee, energy conservation at municipal agencies, expanding the bottle bill in New York City, capturing property tax rebates from delinquent water and sewer payers, eliminating school year jury duty for teachers and implementing sales tax on fuel sold to airlines.

The Borough President of Queens has not proposed specific borough reallocations of appropriations.

COMMUNITY BOARD PARTICIPATION IN THE BUDGET PROCESS

New York City's 59 community boards provide a formal structure for local citizen involvement in the budget process as well as other areas of City decision making. Each board represents up to 250,000 residents in a community district. The Charter mandates that the community boards play an advisory role in three critical areas: changes in zoning and land use, monitoring the delivery of City services in the community district and participating in the development of the City's capital and expense budgets.

Each community board receives an annual budget to pay for a district manager, support staff and other operating expenses. In 2006 the uniform base budget for each community board is $180,558. This excludes the cost of office rent and heat, light and power, which are in a separate unit of appropriation. Included in the rent unit of appropriation are funds for the cost of the move and telephone installation for community boards which plan to move in 2006.

Each Borough President appoints board members for staggered two year terms. City Council members in proportion to each member's share of the district's population nominate half the appointments. The fifty volunteer members of the community board either live or work in the district.

Each year agencies that deliver local services consult with community boards about budget issues and the needs of the districts, prior to preparing their departmental estimates. The boards then develop and prioritize their capital budget requests (up to 40) and expense budget requests (up to 25). For 2006 community boards submitted 1,629 capital requests to 28 agencies and 1,306 expense requests to 35 agencies. Almost two-thirds of the community board capital budget requests seek improvements to streets, sewers and parks. Community board expense budget requests concentrate on Citywide programs and personnel increases.

Boards also rank agencies' local service programs by their importance to the community. For 2006 community boards ranked 85 programs within 24 agencies. The top five programs are police patrol, services to the elderly, parks maintenance, refuse collection and youth programs. Historically, local services have been the highest ranked.

District specific budget information is available in the following geographic budget reports, which accompany the release of the 2006 budget.

Register of Community Board Budget Requests for the Executive Budget, Fiscal Year 2006 - lists the funding status for all community board proposals in priority order within community district. Also available in Council district and agency sorts.

Geographic Report for the Executive Expense Budget for Fiscal Year 2006 - details the expense budgets of fourteen agencies that deliver local services by borough and service district. Includes 2006 Executive Budget information as well as 2005 current modified budget and budgeted headcount data (as of April 10, 2005).

Executive Capital Budget for Fiscal Year 2006 - details the Mayor's Capital Budget by project within agency including two geographic sorts of the Capital Budget. One presents budget data by community district and borough. The other presents the budget by borough within project type.

Geographic Fiscal Year 2006 Executive Budget Commitment Plan - presents information on capital appropriations and commitments by community board, including implementation schedules for each month of 2005 and the succeeding four years for all active project identifications by budget line.

Geographic Project Detail Data Report, FY 2006 Executive Budget – describes for each project within a budget line in the Commitment Plan the schedule of funding from 2002 through 2005 and all projects with proposed financial support from 2006 through 2009, sorted by community board. Unique to this document is information regarding the specific location, scope summary and capital assets of each project.

TAX REDUCTION PROGRAM

The national recession and the economic disruption caused by the September 11, 2001 terrorist attack forced the City to ask New Yorkers to sacrifice by paying higher taxes and living with service cuts to mitigate the financial impacts of these two events. Now that growth has returned to the national and local economies, the City will keep its promise to New Yorkers by allowing the temporary tax increases to expire, and at the same time enacting a package of tax reductions. The temporary tax increases set to expire include the personal income tax surcharge and the 1/8 percent sales tax rate increase. The tax reduction package includes the continuation of the property tax rebate, designed to ease the burden on the City's primary homeowners; the early restoration of the sales tax exemption on clothing and footwear purchases under $110; two measures to incentivize maintenance of the City's housing stock; a phase-out of the taxation of out-of-City transactions performed by small City firms; and an increase in the Senior Citizen Rent Increase Exemption threshold. In 2005, the tax reduction program totals $279 million and increases to $1.1 billion in 2007.

Tax Reduction Program
($ Millions)

Tax Reductions	**2005**	**2006**	**2007**	**2008**	**2009**
• Property tax rebate - $400 rebate for primary homeowners	($256)	($256)	($256)	—	—
• Early restoration of the sales tax exemption on clothing under $110	(23)	(230)	(166)	—	—
• Incentivize rehabilitation of rental housing stock:					
- Tax relief for renovations of small rental buildings	—	(3)	(7)	(10)	(13)
- J-51 tax abatement for repairs to Mitchell-Lama properties	—	(2)	(2)	(3)	(4)
• Phase out taxation of out-of-City transactions performed by small City firms	—	—	(1)	(3)	(19)
• Senior Citizen Rent Increase Exemption income threshold increase	—	—	(1)	(1)	(2)
Subtotal	**($279)**	**($491)**	**($433)**	**($17)**	**($38)**
Expiration of Temporary Tax Increases					
• End temporary personal income tax surcharge	—	($236)	($549)	($587)	($613)
• Sales tax rate decrease (from 4.125 percent to 4.0 percent)	—	(117)	(122)	(128)	(134)
Subtotal	**—**	**($353)**	**($671)**	**($715)**	**($747)**
Total	**($279)**	**($844)**	**($1,104)**	**($732)**	**($785)**

The 2006 Executive Budget tax reduction proposals:

- **Property tax rebate — $400 rebate for primary homeowners:** Effective January 1, 2003, the City increased the property tax by 18.49 percent. To alleviate the tax burden on primary homeowners, the City enacted a three-year property tax rebate program in 2005 to provide one-, two- and three-family homeowners and cooperative and condominium owners with a $400 rebate of property taxes. The rebate is the lesser of $400 or the amount of annual tax liability on the property. The first rebate checks were mailed in the second quarter of 2005, for a savings of $256 million to taxpayers. In 2006 and 2007, taxpayers will again save $256 million in each year.

- **Early restoration of the sales tax exemption on clothing under $110:** Effective June 1, 2005, the City will reinstate the local sales tax exemption on clothing and footwear purchases costing under $110 twenty–two months ahead of the March 31, 2007 exemption restoration date. The reinstatement of the exemption will save taxpayers $23 million in 2005, $230 million in 2006 and $166 million in 2007.

- **Incentivize rehabilitation of housing stock – Tax relief for renovations of small rental buildings:** Effective July 1, 2005, the City will assess value increases due to alterations made to Class 2A, 2B and 2C properties at 15 percent. Currently, small Class 2 properties' (2A for rentals with 4-6 units, 2B for rentals with 7-10 units and 2C for co-ops and condos with 2-10 units) billable assessed value increases due to physical changes are assessed at 45 percent. As a result, small Class 2 property owners face a large increase in their tax bills when they renovate their properties. Limiting the assessment increases from physical improvements to 15 percent will mitigate the taxpayers' increased tax burden and incentivize the improvement of housing stock in the City. This proposal will save taxpayers $3 million in 2006, $7 million in 2007, $10 million in 2008 and $13 million in 2009.

- **Incentivize rehabilitation of housing stock – J-51 tax abatement for repairs to Mitchell-Lama properties**: Effective July 1, 2005, the City will: (1) eliminate the average assessed value per unit requirement for Mitchell-Lama co-ops, if they agree to remain in the Mitchell-Lama program for 15 additional years and; (2) extend J-51 benefits to Mitchell-Lama properties with government-financed major capital improvements and renovations. Currently, co-ops and condos are not eligible for J-51 benefits if the average assessed value exceeds $40,000 per unit. The proposal will extend the benefits to all the Mitchell-Lama co-op buildings regardless of the average assessed value per unit. In addition, Mitchell-Lama developments are ineligible for J-51 program benefits if alterations or improvements are financed with government grants, loans or subsidies. The extension of benefits to government-assisted renovations will help many Mitchell-Lama properties in need of extensive rehabilitation and preserve affordable housing in the City. This proposal will save taxpayers $2 million in both 2006 and 2007, $3 million in 2008 and $4 million in 2009.

- **Phase out taxation of out-of-City small business transactions:** Beginning January 1, 2006, the City will modernize the unincorporated business tax by making the three-factor formula allocation method the preferred method of apportioning taxable income, conforming to the GCT and national business income taxation methods. This proposal will also change the method for determining the location of service receipts from the office where the employee performing the service works to the location where the service is performed. Also enhancing conformity, tangible personal property rented to a taxpayer will be included for taxpayers using the formula allocation method. This proposal corrects an inconsistency in the tax law that serves as a disincentive for establishing an unincorporated business in the City and will save City businesses $1 million in 2007, $3 million in 2008 and $19 million in 2009.

- **Senior Citizen Rent Increase Exemption (SCRIE) threshold increase from $24,000 to $29,000:** The Senior Citizen Rent Increase Exemption program provides eligible seniors with relief from rent increases. Effective July 1, 2005, the City will increase the income threshold for the SCRIE program eligibility by $1,000 per year from the currrent level of $24,000 to $29,000 over 5 years. Eligible seniors are 62 years old or above, must live in rent regulated apartments and spend one-third or more of their income on rent. This proposal will save taxpayers $1 million in both 2007 and 2008 and $2 million in 2009.

The 2006 Executive Budget — Expiration of temporary tax increases:

- **End personal income tax temporary surcharge:** Effective January 1, 2003, a temporary personal income tax rate schedule was imposed which superseded the existing base rate schedule and the 14 percent additional tax. The temporary rate schedule combined the base rates with the additional tax, at the existing brackets, and added two new upper income brackets and rates, including a tax table benefit recapture provision. The temporary rate schedule and the recapture provisions are scheduled to expire December 31, 2005, after which the original base rates and the 14 percent additional tax again become effective. City taxpayers will save $236 million in 2006, $549 million in 2007, $587 million in 2008 and $613 million in 2009.

- **Sales tax rate decrease:** Effective June 1, 2003, legislation was enacted which temporarily increased the local NYC sales tax rate by 1/8 percent, from 4.0 percent to 4.125 percent. The temporary rate increase is scheduled to expire June 1, 2005, saving taxpayers $117 million in 2006, $122 million in 2007, $128 million in 2008 and $134 million in 2009.

ECONOMIC OUTLOOK

Overview

The U.S. economy continued to advance in 2004, accelerating even beyond the early years of the recovery. Real GDP grew by a robust 4.4 percent, the nation's strongest performance in five years, as firms invested heavily and consumers remained resilient. Investment spending, which declined during the last recession, rebounded, and was up over 10.6 percent. Consumption spending, still unfazed by the increase in energy prices, posted growth of 3.8 percent. Prompted by this healthy economic rebound and signs that inflationary pressures were picking up, the Federal Reserve reversed course on monetary policy, boosting short-term interest rates from a historic low of 1.0 percent to the current 3.0 percent. Financial markets continue to have faith that the Federal Reserve will be successful in thwarting inflation and will keep the economy on track through measured increases in the Fed funds rate.

Real GDP growth is forecast to remain healthy in 2005 at 3.7 percent, propelled by further investment spending as consumption decelerates. Economic growth subsequently slows to three percent on average as the effects of higher interest rates finally begin to take hold. Employment has only just begun to show momentum, and is expected to expand by 1.7 percent for the year, before moderating to one percent in the outyears. The concerns in this current economic atmosphere are inflation and rising interest rates. The inflation story revolves around the uncertainty in the future price of oil and the recent uptick in core CPI. Oil prices, which have not yet posed much of a problem to the economy, remain extremely vulnerable to any supply shock as demand continues to rise. Prices are assumed to remain high for the remainder of the year, before tailing off. Even without any further oil shock, inflation averages 2.6 percent in 2005. The other major concern is the path of interest rates. While it is clear that the days of loose monetary policy are over, the question is how aggressive the Fed will be and what impact its actions will have on long-term interest rates. It is assumed that the Fed will succeed in fighting off inflation, and that long-term borrowing costs, measured by the 10-year Treasury bond, will gradually rise to 6.0 percent by the end of 2006. With long-term interest rates rising, the housing market is expected to cool from its current level of activity.

After two strong years of profits on Wall Street as well as the strength of the residential housing market and the tourism industry, the City's economy rebounded nicely in 2004. Fat bonus checks in the securities industry in 2003 and 2004 clearly enhanced the City's income base, with overall wage earnings estimated to have risen by over six percent in 2004, the strongest year since 2000. Vacancy rates in the commercial real estate market dropped to 10 percent and overall employment began to rise, although the pace of job creation so far has been relatively contained, similar to the U.S.

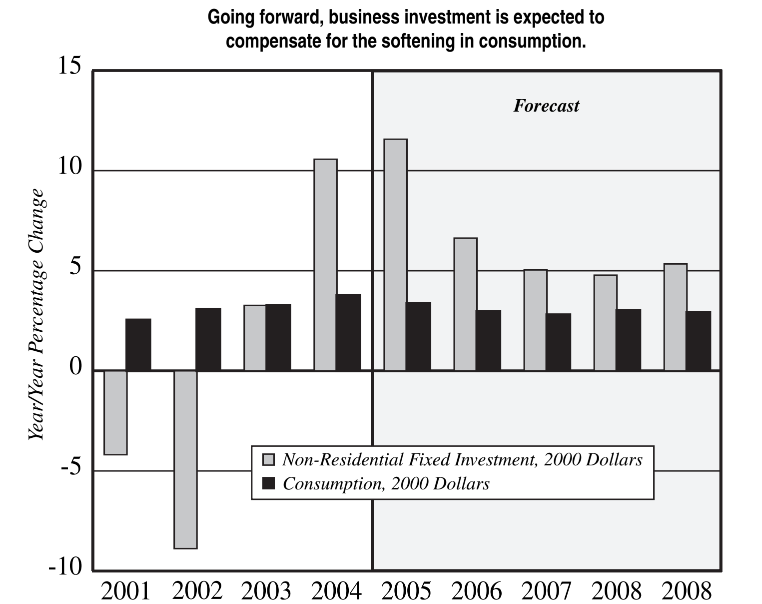
The City's forecast is also largely dependent on the assumption that the Federal Reserve's monetary policy will be successful. Overall job gains are expected to pick up in 2005-2006, averaging 39,000 per year, and the average wage outside of finance grows by 4.5 and 4.2 percent, respectively. The financial sector should continue to benefit from sustained activity in mergers & acquisitions and underwriting. New York Stock Exchange member-firm profitability is expected to hold at $14 billion in 2005. Average wages in the finance sector are forecast to grow 5.8 percent and 2.3 percent in 2005 and 2006, respectively.

The higher interest rates will dampen City's economic growth in the latter part of 2006 and into 2007. In particular, the financial markets should begin to lose steam, with profits cooling to $10.1 billion in 2007 before rebounding in 2008 and 2009. Mirroring the national slowdown, employment growth falls back to 28,000 jobs on average from 2007 to 2009. Wage income slows to four percent in the outyears compared to five percent per year in 2005 and 2006, and the City's residential market recedes to a more sustainable pattern of growth.

The U.S. Economy

The U.S. economy has been on a remarkably steady growth path for the last two years in spite of a number of potentially destabilizing shocks. The impact of the war in Iraq was minimal, and the economy has so far proven resilient to higher oil prices. Nonetheless, if oil prices remain at their current level for a sustained period of time, and with the economic recovery maturing into the fourth year of its growth cycle, some deceleration in overall growth is expected. This may actually be desirable as the Federal Reserve tries to steer the economy towards a soft landing. After expanding 4.4 percent in 2004–the strongest pace in five years–real GDP is forecast to ease to 3.7 percent growth this year and continue at around three percent for the rest of the forecast period.

U.S. INVESTMENT AND CONSUMPTION



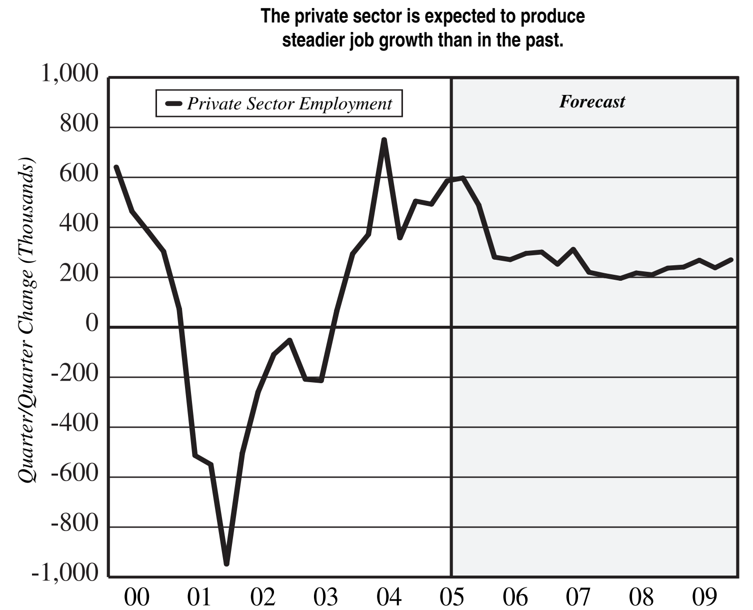
One of the unusual aspects of the current recovery was the delayed pick-up in capital spending, which only picked up speed in the latter part of 2003, five quarters after the end of the recession. This delayed response may yet be a silver lining for the economy. Business investment spending contributed approximately 30 percent to GDP growth in 2004. The first quarter of 2005 advance GDP report indicates businesses may have shifted some capital spending planned for 2005 into the latter part of 2004 in response to the "bonus depreciation" allowance that expired last year, but not as heftily as orignally anticipated. Non-residential fixed investment is therefore forecast to grow 11.6 percent in 2005, more than triple the growth rate projected for consumer spending. Capital spending growth then moderates to around five percent in the outyears, still outperforming consumption, which generates only three percent growth.

The forecast for consumption is less upbeat due to the convergence of several factors. First, the immediate and direct impact of higher oil prices falls squarely on consumers as real disposable income available for other purchases is reduced. It is estimated that every 10-cent increase in gasoline prices at the pump costs consumers about $1 billion per month.[1] With gasoline prices rising almost 20 percent since the start of this year, it should not be surprising that sales of big-ticket durables, especially autos, have weakened. Second, during the last four years, households have benefited from a phenomenal increase in real estate wealth that is estimated to have added over $3 trillion in net worth. Extremely low mortgage rates have led to a surge in refinancing and home equity loans which, along with tax cuts, pumped large sums of cash into the economy.[2] The forecast rise in interest rates, however, will significantly dampen–if not bring to a halt–further asset appreciation and therefore any meaningful continuation of this wealth effect on consumer spending.

1. *This estimate is based on a March 2005 simulation by Global Insight.*
2. *According to a recent study by the Federal Reserve, 57 percent of all refinancing applicants withdrew equity from their homes, taking out an average value of $26,700 per home.*

Finally, future growth in consumption spending will now depend more on wage and employment growth. So far, job growth has been sluggish and erratic. It has taken the labor market almost two years to regain the 2.7 million jobs lost since the employment peak in February 2001.[3] The labor market has only recently started to show some momentum, adding roughly half a million jobs in the first quarter of 2005. This pace of job creation is expected to be maintained for the rest of the year, which translates to 1.7 percent growth. Employment growth decelerates to 1.2 percent in 2006 and maintains slightly less than 1.0 percent growth for the outyears. At this rate, new additions to the labor force are just barely absorbed enough to keep the unemployment rate stable at 5.2 percent.

U.S. PRIVATE SECTOR EMPLOYMENT



The outlook for inflation has become uncertain. The price of crude oil has been highly volatile in recent months. Reports about supply conditions, refineries' operational capacity, the level of global inventories and demand have generally indicated further upward movement in oil prices, leading forecasters to increase their future levels for crude oil prices significantly. It remains to be seen how high they will go. In addition, although the economy is less oil-dependent than in prior episodes of oil price spikes, it is still difficult to assess the actual impact these high oil prices could have.

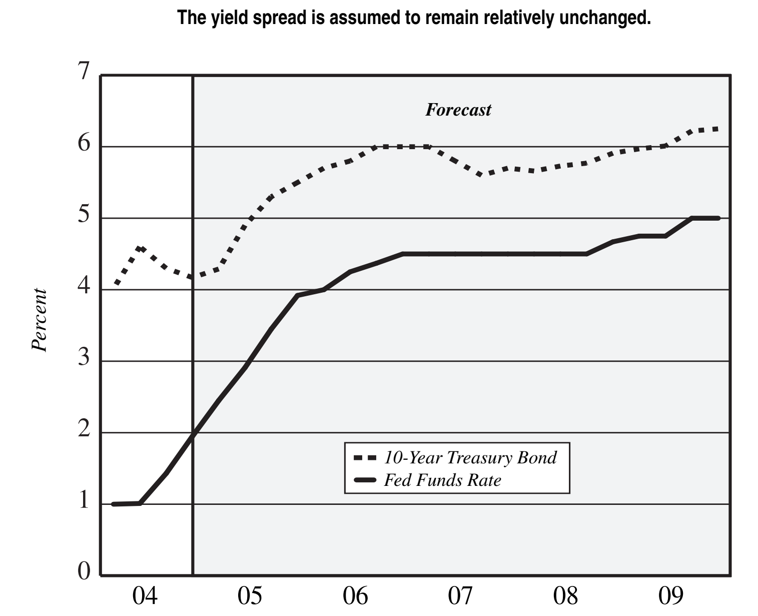
With regard to inflation, higher oil prices are not the only concern. Core CPI is currently running at 2.4 percent (March 2005 over March 2004), about 0.8 percentage points higher than the same month last year. The Federal Reserve's preferred inflation barometer, the core PCE (personal consumer expenditure) index, is also up 2.4 percent over the same period. Rising medical costs, slowing productivity and the concomitant increase in unit labor costs will put some pressure on business profit margins. Therefore, the forecast for core CPI in the outyears remains slightly higher than previous estimates, averaging 2.4 percent this year and 2.5 percent next year. Overall CPI is forecast to increase 2.6 percent in 2006, and slows to 2.0 percent in 2007 in response to lower oil prices. The outyear overall inflation rate is forecasted to remain between 2.2 and 2.4 percent.

In response to these signs of inflationary pressures, the Federal Reserve has already lifted short-term interest rates from 1.0 percent in the beginning of 2004 to the current 3.0 percent. The Federal Reserve's commitment to maintaining a balance between the upside and downside risks to both sustainable growth and price stability will likely be tested in the coming months. It is anticipated that the Fed will continue to raise rates at a measured pace to 4.0 percent by the end of 2005 and to 4.5 percent by 2006, although a one-shot 50-basis-point increase can not be ruled out. The 10-year Treasury bond, which so far has remained stubbornly low, will increase to 6.0 percent by the end of 2006. The yield curve (10-year T-bond vs. the Federal Funds

3. The extremely slow job growth may have contributed to the observed increase in the number of discouraged workers; this caused the labor force participation rate to fall from 67.1 percent in early 2001 to the most recent estimate of 65.8 percent.

Rate) falls to a relatively flatter 1.25 spread, reflecting the market's trust in the Fed's ability to keep inflation under control while mainting growth in the economy.

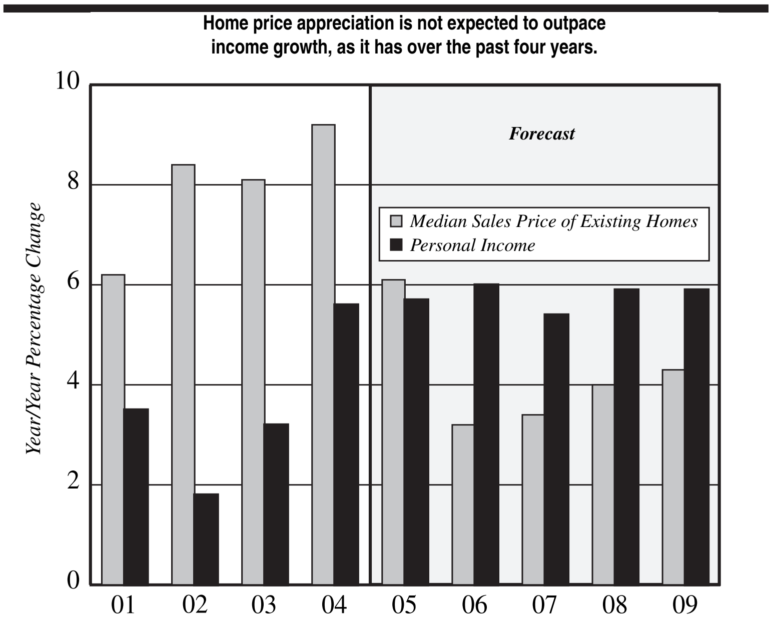
FED FUND RATES AND 10-YEAR TREASURY BONDS



Interest rates will clearly affect the residential housing market, which remains one of the most crucial areas of the economic forecast. The most recent data continue to reflect an exuberant market. Sales of existing homes are on track to set new record highs in 2005, up 7.7 percent, in the first quarter, with strength seen in all four Census regions (Northeast, South, Midwest, and West). Sales of new homes, which run at about 1.2 million, also continue at record levels. March's data on housing starts and permits, both leading indicators, showed sharp drops, but the less volatile quarterly figures report increases of 5.6 percent and 1.0 percent, respectively.

Price appreciation has also been remarkable. Over the past four years the national median home price has grown at an annual rate of over eight percent per year,[4] exceeding personal income growth over the same period by almost four percentage points, and median household income growth by nearly five percent. Unprecedented low mortgage rates have no doubt been the main driver for the housing boom. As a result, housing affordability (measured by monthly mortgage payments as a share of income) has been kept relatively stable for the U.S., though in the hot market areas of the West Coast and Northeast affordability has recently dropped sharply.

HOME PRICES AND PERSONAL INCOME



The real issue going forward is the effect that higher interest rates and mortgage rates will have on the market. Data on mortgage originations have shown that the refinancing boom has likely ended. Since peaking at over $800 billion in the second quarter

4. Prices are measured by the National Association of Realtors existing home sales.

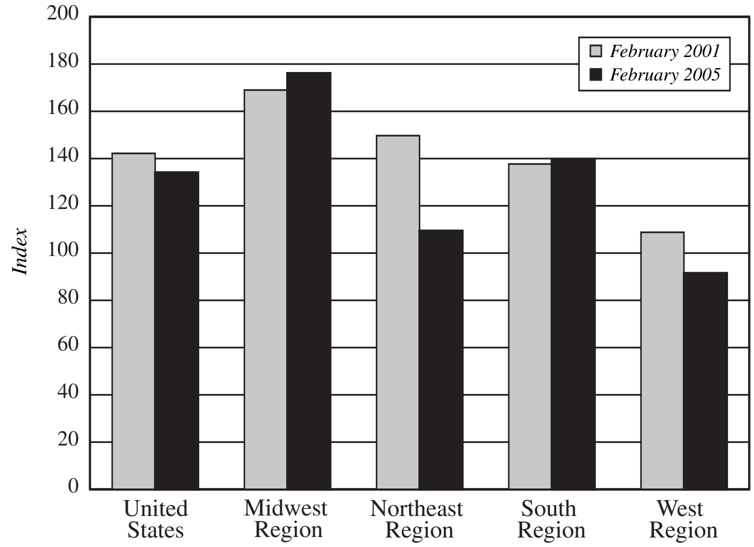
5. Mortgage origination figures are estimated by the Mortgage Bankers Association.

of 2003, refinancing activity has dropped off to just over $200 billion in the third quarter of 2004.[5] With mortgage rates expected to rise to 6.75 percent by year-end 2005 and then to 7.0 percent in 2006, the consensus is that the sales market will also begin to cool. Sales of existing homes in the U.S. are expected to decline by nearly six percent in 2005 and settle at an annual pace of about five million units for the remainder of the forecast period. Median home prices are projected to grow by only 3-4 percent per year in 2005-2006 and then by four percent in the out-years. This compares to personal income growth of close to five percent.

A higher-than-anticipated rise in interest rates, combined with slower growth in output and employment, would pose a significant downside risk for the real estate market. Those areas that have experienced rapid price appreciation and supply growth would be more vulnerable on the downside.

HOUSING AFFORDABILITY

Housing remains generally affordable across the country, although the Northeast and West have recently experienced sharp declines in affordability.*



Source: National Association of Realtors

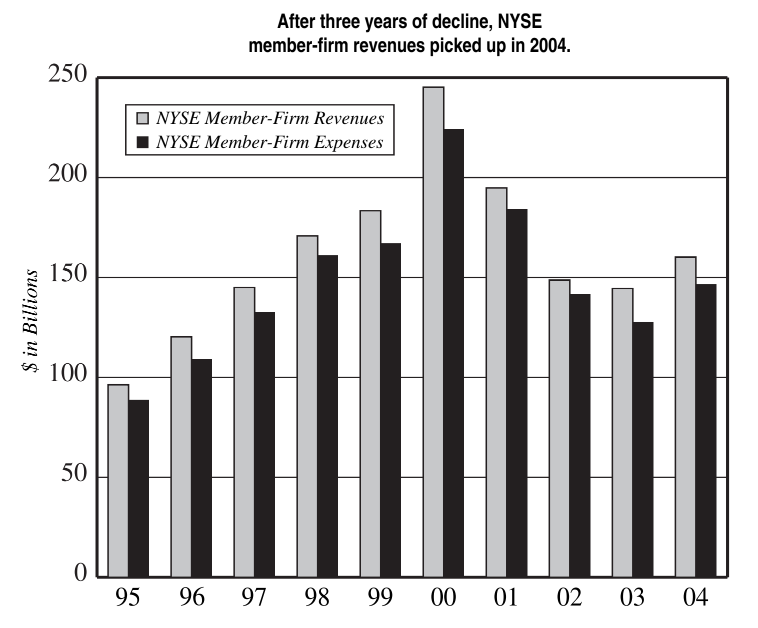
* *A value of 100 means that a family with the median income has exactly enough income to qualify for a mortgage on a median-priced home. An index above 100 signifies that a family earning the median income has more than enough income to qualify for a mortgage loan on a median-priced home, assuming a 20% down payment.*

The New York City Economy

New York City's economy continues to recover from the cyclical downturn experienced at the start of the decade. The City's critical engine of growth, Wall Street, posted its second consecutive year of above-average profitability. Boosted by the cheap dollar, the City's tourism-related industries are robust and the local commercial and residential real estate markets are thriving. Although local employment gains have been relatively modest to date, mirroring the early stages of the 1990s recovery, recent reports indicate stronger growth ahead. There is still the risk, however, that inflationary pressures will force interest rates to climb significantly higher, rattling the City's vital financial and real estate markets.

Securities firms saw their gross revenues pick up in 2004, following three years of declines. Specifically, a surge in underwriting and mergers & acquisitions (M&A) activity in the fourth quarter lifted New York Stock Exchange (NYSE) member-firm profits to $13.7 billion for the year. With revenues perking up, firms finally began to hire. Since bottoming out in the third quarter of 2003 at 160,000, securities sector employment reached 166,000 by the end of 2004. Not only did firms hire additional employees, they also increased bonuses across the board. Bonus payouts in the securities industry, after rebounding by nearly fifty percent in 2003, rose by an additional seven percent in 2004.[6] With a fair amount of M&A and underwriting activity still in the pipeline, NYSE member firms are forecast to have another solid year in 2005, with $14.4 billion in profits. As a result, securities firms hire 4,000 new employees in 2005, and total bonus payouts remain on par with the robust 2004 levels. In 2006, profits hold steady at around $14 billion. Higher interest rates and slower revenue growth cause profits to fall in 2007 to around $10 billion, before rebounding in 2008-2009. Consequently, firms slow their hiring but maintain reasonably healthy bonuses.

NYSE MEMBER-FIRM REVENUES AND EXPENSES



The steady growth in the finance sector, as well as the overall strength in the U.S. economy, bodes well for selected sectors of the City's economy. The tourism-related industries, the information sector, professional & business services, and health & education services together made up 39.9 percent of total employment in the City in 1994. Ten years later, they accounted for 46.6 percent of total employment. Continuing this decade-long trend in the City's employment distribution, these sectors are all expected to report moderate growth in 2005 and 2006. The rest of the major sectors, including construction, trade, utilities, transportation, and financial activities, post more modest gains, while manufacturing, as usual, is projected to decline.

6. *Bonus payouts are calculated by OMB based on the industry's distribution of earnings in the fourth quarter of the calendar year and the first quarter of the following calendar year.*

NYC Job Growth Gains/(Loss)

	2005 *Level* *(Thousands)*	2005 *Percent Change*	2006 *Percent Change*
Total	3,582	1.1%	1.1%
Private	3,027	1.3	1.2
Construction	112	0.6	0.9
Manufacturing	112	(6.4)	(6.1)
Financial Activities	439	1.1	0.1
Securities	169	2.6	0.2
Information	164	1.7	2.0
Transportation & Utilities	119	0.4	0.1
Health & Education	678	1.7	1.8
Leisure & Hospitality	277	3.2	2.8
Wholesale & Retail Trade	425	1.2	0.7
Professional & Business Services	549	2.1	2.8
Other Services	152	1.4	1.0
Government	554	0.1	0.0

Tourism has become a major economic driver in the City, thanks to the cheap dollar, the pickup in the U.S. economy and the post-9/11 rebound in air travel. In 2004, the number of air passengers at the region's airports grew by 12 percent,[7] hotel occupancy hit 83 percent (up from 76 percent the previous year), and the average rate charged for a hotel room per night was up almost 10 percent.[8] This robust growth in tourism benefited at least two employment sectors. Employment in leisure & hospitality services grew by 3.2 percent in 2004, and is expected to gain a further 3.2 percent in 2005. Retail trade, also supported by tourism, expanded by 2.1 percent in 2004 and is anticipated to grow by 2.3 percent in 2005 and 1.7 percent in 2006.

The information sector, which had declined after the dot-com bust, is currently on the upswing due to strength in the financial markets and the U.S. economy as a whole. The sector, which includes publishing, motion picture & sound recording, broadcasting, and telecommunications, was up almost two percent on a year-over-year basis in March, and is expected to average 1.7 percent growth in 2005 and 2.0 percent in 2006. Professional & business services, which includes supporting services such as legal, accounting, architecture, management consulting, advertising, and temp agencies, have also been buoyed by activities in the financial market. Growth in these sectors is projected at 2.1 percent in 2005 and 2.8 percent in 2006. The non-cyclical education & health sector has expanded every year since 1990 in the City, and is expected to keep growing in the future, by 1.7 percent in 2005 and 1.8 percent in 2006. In aggregate, private sector employment grew only 0.5 percent in 2004, but is slated to rebound with the nation to 1.3 percent in 2005 and 1.2 percent in 2006.

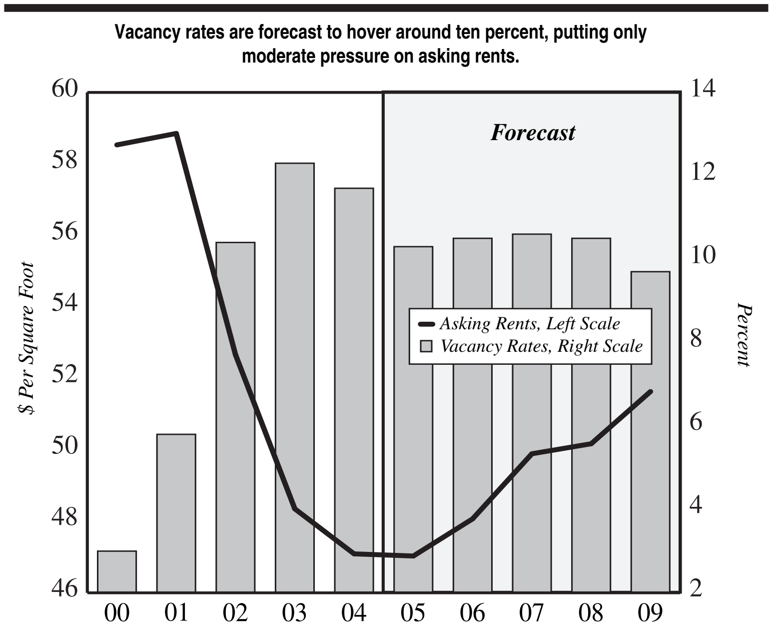
In spite of modest job gains, total wage earnings (the aggregate wages paid to all employees in the City) are estimated to have risen by 6.8 percent in 2004, compared with 0.4 percent in 2003. Much of the earnings growth last year is directly attributable to an estimated 15 percent bounce in the financial industry's average wage. Outside of the finance industry, average wages rose a more modest 3.9 percent. In 2005, total wage

7. *Source: The Port Authority of New York and New Jersey (the regional airports include Newark, JFK, and LaGuardia).*
8. *Source: NYC & Company.*

earnings are forecast to rise by another 6.0 percent, boosted by slightly stronger employment growth and average wage growth of 4.9 percent. Financial industry salaries, already at high levels, increase a more modest 5.8 percent and non-finance wages increase by about 4.5 percent, with inflation expected to taper off to about three percent. In 2006-2007, wage earnings rise, but at a more moderate pace due to a pullback in the financial sector. By 2008-2009, earnings growth rebounds to average five percent per year.

Since the commercial real estate market bottomed out in the middle of 2003, firms have signed leases for over 20 million square feet of office space in the City.[9] While many of the leases were renewals and consolidations, over 10 million square feet were expansions. As a result, primary market vacancy rates fell to 10.4 percent by the first quarter of 2005. Over the same period, office employment is estimated to have grown by only 14,000.[10] Based on the industry standard of 250 square feet per employee, these 14,000 employees should create demand for only about 3.5 million square feet, when in fact occupied inventory increased by 10 million square feet. This implies that firms have leased space in anticipation of future expansion.

OFFICE ASKING RENTS AND VACANCY RATES



Part of the reason for the dramatic increase in office leasing activity is that rents have declined for three consecutive years and are now about 30 percent lower than their peak. Asking rents at under $50 per square foot in the primary market are relatively low by historical standards. This suggests that firms have seized the opportunity to sign long-term leases to avoid getting caught if the market tightens rapidly, as happened in the late 1990s.

Such rapid tightening, however, is not anticipated. With office employment growth forecast at about 15,000 jobs per year, it is estimated that 3.5 million square feet of inventory will be occupied incrementally each year. This will begin to fill some of the recently-leased space and eventually put further demand pressures on the market in the outyears. Vacancy rates are therefore poised to improve gradually over the next few years, hovering around 10 percent. This will put only moderate upward pressure on asking rents.

Even with Manhattan's office market off from its peak, it still remains desirable to investors and should continue to do so in the near term. Fueled by low interest rates, a weak dollar, and few alternative investment opportunities as attractive as Manhattan real estate, the volume and value of commercial buildings continue to set records. There remains, however, considerable risk to the real estate market if interest rates rise significantly above the forecast.

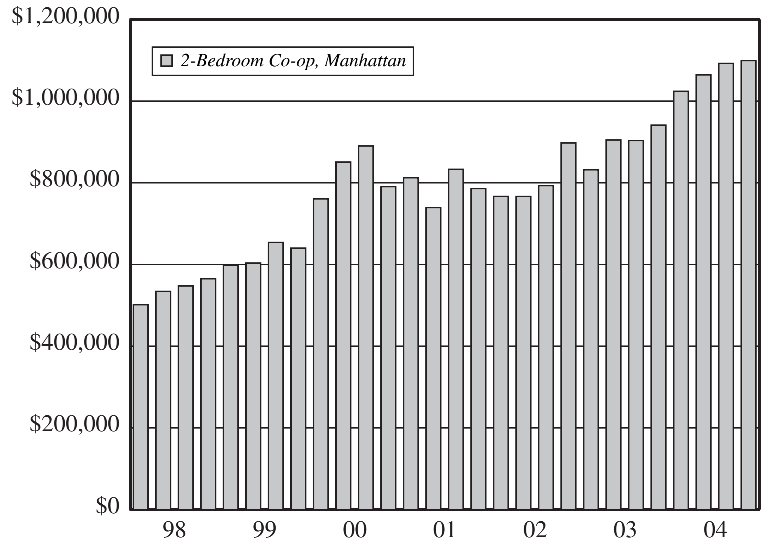
Conditions in the City's residential housing market continue to exceed most expectations. Over the past six years the median sales price of a single family home in the New York area has doubled. The high-end

9. Office data compiled using statistics published by Cushman & Wakefield.
10. Office employment includes the financial, information and professional & business services sectors.

Manhattan co-op/condo market posted another quarter of significant price appreciation. Preliminary data for the first quarter of 2005 indicate that the median price for a co-op now stands at $1.2 million, and has also doubled over the past six years. This price appreciation exceeds even the incredible gains in securities industry wages over the same period, which rose by 35 percent in comparison. It is difficult to foresee this trend continuing, given that the pace of housing price growth cannot exceed income growth indefinitely. Going forward, as mortgage rates rise and new supply comes to the market,[11] the value and volume of sales will begin to cool, mirroring the expected slowdown in the national real estate market.

RESIDENTIAL HOUSING

Since 1998, the average price of an apartment in Manhattan has doubled to over $1,000,000.



Source: Miller Samuel

11. The NYC Department of City Planning estimates that over 50,000 new housing units were completed between 2000-2003 (2004 data are not yet available), based on the number of certificates of occupancy issued for new buildings. This compares with a total of just over 80,000 for the entire decade of the 1990s. Also the number of permits issued in 2004 reached 25,000, the highest level in over 30 years according to the U.S. Census.

Executive Budget Fiscal Year 2006
Forecasts of Selected United States and New York City Economic Indicators
Calendar Years 2004-2009

	2004	2005	2006	2007	2008	2009	1974-2004*
NATIONAL ECONOMY							
Real GDP							
Billions of 2000 Dollars	10,842	11,248	11,589	11,939,	12,312	12,701	
Percent Change	4.4	3.7	3.0	3.0	3.1	3.2	3.1
Non-Agricultural Employment							
Millions of Jobs	131.5	133.7	135.4	136.5	137.5	138.5	
Change from Previous Year	1.5	2.3	1.6	1.2	0.9	1.1	
Percent Change	1.1	1.7	1.2	0.9	0.7	0.8	1.7
Consumer Price Index							
All Urban (1982-84=100)	188.9	193.9	197.7	202.0	206.9	211.8	
Percent Change	2.7	2.6	2.0	2.2	2.4	2.4	4.6
Wage Rate							
Dollars Per Year	40,738	42,426	44,076	45,776	47,265	49,502	
Percent Change	3.8	4.1	3.9	3.9	4.0	3.9	4.8
Personal Income							
Billions of Dollars	9,671	10,224	10,756	11,326	11,962	12,619	
Percent Change	5.6	5.7	5.2	5.3	5.6	5.5	7.1
Before-Tax Corporate Profits							
Billions of Dollars	979	1,313	1,292	1,326	1,345	1,367	
Percent Change	12.0	34.1	-1.6	2.6	1.4	1.7	6.5
Unemployment Rate							
Percent	5.5	5.2	5.1	5.2	5.2	5.2	6.4 (avg)
10-Year Treasury Bond Rate							
Percent	4.3	5.0	5.9	5.8	5.8	6.1	7.9 (avg)
Federal Funds Rate							
Percent	1.3	3.2	4.3	4.5	4.5	4.9	6.8 (avg)
NEW YORK CITY ECONOMY							
Real Gross City Product**							
Billions of 2000 Dollars	438	450	457	460	478	497	
Percent Change	3.3	2.6	1.7	0.6	3.9	4.0	3.1
Non-Agricultural Employment							
Thousands of Jobs	3,542	3,582	3,619	3,644	3,671	3,702	
Change from Previous Year	10.0	39.9	37.8	24.8	26.4	31.4	
Percent Change	0.3	1.1	1.1	0.7	0.7	0.9	0.1
Consumer Price Index							
All Urban NY-NJ Area							
(1982-84=100)	204.8	211.0	216.1	221.8	227.2	232.9	
Percent Change	3.5	3.0	2.4	2.6	2.4	2.5	4.6
Wage Rate							
Dollars Per Year	64,344	67,483	69,825	71,645	74,034	77,919	
Percent Change	6.6	4.9	3.5	2.6	3.3	5.2	5.9
Personal Income							
Billions of Dollars	333	352	369	384	403	427	
Percent Change	5.9	5.6	4.9	4.0	5.0	5.9	6.4
NEW YORK CITY REAL ESTATE MARKET							
Manhattan Primary Office Market							
Asking Rental Rate***							
Dollars Per Sq Ft	47.09	47.03	48.07	49.89	50.17	51.63	
Percent Change	-2.6	-0.1	2.2	3.8	0.6	2.9	N.A.
Vacancy Rate***							
Percent	11.7	10.3	10.5	10.6	10.5	9.7	N.A.

* *Compound annual growth rates for 1974-2004. Compound growth rate for Real Gross City Product covers the period 1975-2003; for NYC wage rate, 1975-2003.*
** *GCP estimated by OMB.*
*** *Office market data are based on statistics published by Cushman & Wakefield.*

TAX REVENUE

Overview

Total tax revenue*, excluding audits, is forecast to increase 10.8 percent in 2005 and 0.6 percent in 2006. After the inclusion of tax law changes, most notably the expiration of both the temporary personal income tax increase at the end of calendar year 2005 and the temporary 1/8 percent sales tax rate increase on June 1, 2005, and significant changes in retention by the Transitional Finance Authority (TFA) (a decline in 2006 retention, the result of a decline in retention of $9 million from the January Plan forecast, coupled with a TFA roll of $947 million bringing TFA retention to zero in 2006), total tax revenue is forecast to increase 7.6 percent in 2005, and to have flat growth in 2006.

Non-property tax revenue in 2002 fell 12.4 percent as the national recession, the protracted bear market on Wall Street and the impact of the September 11, 2001 terrorist attack delivered blows to the local economy. In 2003, non-property tax revenue declined another 2.6 percent due to the slow pace of the national economic recovery, Wall Street weakness and the loss of 63,000 jobs in the City. In 2004, with steady growth in the local and national economies and a rebound in New York Stock Exchange (NYSE) member-firm profits, which more than doubled from $6.9 billion in calendar year 2002 to $16.8 billion in calendar year 2003,

2005 and 2006 Tax Revenue Forecast
($ Millions)

Tax	2005 Forecast	2006 Executive Budget	Increase/(Decrease) From 2005 to 2006 Amount	Growth
Real Property	$11,501	$12,326	$825	7.2%
Commercial Rent	445	456	11	2.5
Mortgage Recording	1,152	634	(518)	(45.0)
Real Property Transfer	1,008	593	(415)	(41.2)
Personal Income†	5,872	5,991	119	2.0
General Corporation	1,844	1,908	64	3.5
Banking Corporation	506	497	(9)	(1.8)
Unincorporated Business	1,115	1,077	(38)	(3.4)
Sales and Use	4,326	4,345	19	0.4
Utility	305	306	1	0.3
Cigarette	123	120	(3)	(2.4)
Hotel	254	267	13	5.1
All Other	445	420	(26)	(5.8)
Subtotal	$28,897	$28,940	$43	0.1%
STAR Aid	784	748	(36)	(4.6)
Tax Audit Revenue	525	512	(13)	(2.6)
Tax Reduction Program	(23)	(235)	(212)	—
Total††	**$30,183**	**$29,964**	**$(219)**	**(0.7)%**

† *Personal income tax after TFA retention of $509 million in 2005.*

†† *Totals may not add due to rounding.*

* *The tax revenue in this section is reported on a common rate and base. The May 2005 report, "Tax Revenue Forecasting Documentation" discusses the tax forecasting techniques used in this Executive Budget.*

non–property tax revenue grew 14.1 percent (25.7 percent after including the effects of tax law changes and TFA retention).

Strength in non-property tax collections growth has continued into 2005. Accelerating growth in the national and local economies in calendar years 2003 and 2004, higher than expected Wall Street profits in calendar year 2004, City employment gains and a booming real estate market have buoyed a significant growth in non-property tax revenue for the second year. Non-property tax revenue in 2005 is expected to grow 15.4 percent (12.6 percent after including the effects of tax law changes and TFA retention).

The personal income tax in 2005 is forecast to grow 19.3 percent (7.9 percent after including the effects of the temporary tax increase), reflecting wage earnings growth stemming from employment gains, as well as higher than expected bonus payouts on robust calendar year 2004 Wall Street profits, and 30 percent growth in capital gains realizations in calendar year 2004.

Business tax collections (general corporation tax, banking corporation tax and unincorporated business tax) are expected to increase 19.8 percent in 2005 as the rebound in finance sector liability seen in calendar year 2003 continues into calendar year 2004, as Wall Street profitability becomes more broad based.

Sales tax collections are expected to grow 8.1 percent (7.7 percent after including the effects of the temporary 1/8 percent tax rate increase and the repeal of the clothing and footwear exemption for purchases under $110) in 2005, reflecting growth in wage earnings, the continuation of the wealth effect on consumer spending from the surge in real estate transactions and refinancings, as well as consumption strength from the rebounding tourism industry.

Property tax revenue is forecast to increase 2.5 percent in 2005, based upon 3.8 percent growth in billable assessed value. The real property transfer tax collections are forecast to remain strong, growing at 31.1 percent, due to continued historically low mortgage interest rates and continued investor interest in New York City's large commercial office buildings. Similarly, mortgage recording tax collections are forecast to grow 42.1 percent in 2005, largely due to historically low interest rates which have led to a continuation of the mortgage refinancing boom locally, despite the retrenchment seen in refinancing at the national level. The commercial rent tax is forecast to grow 3.2 percent.

For 2006, the non-property taxes are forecast to decline 3.0 percent (a decline of 4.5 percent after including the effects of the aforementioned tax law changes and TFA retention). Personal income tax revenue is expected to decline 2.8 percent (growth of 2.0 percent after including the effects of the phaseout of the temporary rate increase and a decline in TFA retention of over $500 million from the prior year) reflecting a slowdown in growth in the national and local economies as well as a more sustainable nonwage income forecast than seen in the previous two years. Business tax collections growth is expected to be flat, the result of subdued growth in Wall Street profits in calendar year 2005 after two years of robust profitability. The sales tax is forecast to grow 3.5 percent (flat growth after including the effects of the tax law changes) paralleling forecast growth in wage earnings.

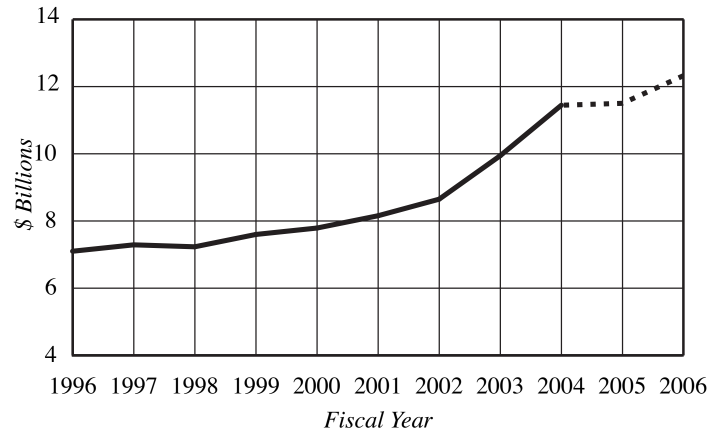
In 2006, property tax collections are forecast to grow 8.0 percent. The levy increases 6.5 percent over 2005, driven by growth in billable assessed value. The residential collections from the real property transfer and mortgage recording taxes are forecast to decline 34.8 percent and 45.7 percent, respectively. This slowdown, relative to the overheated level of activity seen the last two years, reflects the forecast rise in mortgage interest rates. Commercial collections from the real property transfer and mortgage recording taxes are forecast to decline 48.8 percent and 43.5 percent, respectively, also reflecting a forecast rise in interest rates and decline in the inventory available for sale. The commercial rent tax is forecast to grow by 2.5 percent in 2006 with moderate improvement in vacancy rates and asking rents for commercial office space.

REAL PROPERTY TAX

The real property tax is projected to account for 41.5 percent of tax revenue in 2006, or $12,326 million.

Tax Base and Administration: In December 1981, Chapter 1057 of the Laws of 1981, commonly referred to as S.7000A, amended Article 18 of the Real Property Tax Law, significantly restructuring the tax beginning in 1983. Prior to that time, a single tax rate was applied to all taxable real property, regardless of type or use.

REAL PROPERTY TAX 1996-2006



With the enactment of S.7000A, real property was classified into four classes: Class 1, consisting of one-, two- and three-family residential property and small condominiums; Class 2, consisting of all other residential property, including multi-family cooperatives and condominiums; Class 3, consisting of utility real property; and Class 4, consisting of all other real property, such as office buildings, factories, stores, lofts and vacant land.

All properties in the City are reassessed each year between June and January. In mid-January a tentative assessment roll is produced and taxpayers are notified of their new assessment level. Taxpayers may protest this tentative assessment level by applying to the Tax Commission for a hearing. Owners of Class 2, 3 and 4 properties must file their applications before March 1; Class 1 property owners must file by March 15th.

The assessment may be protested because the underlying property is misclassified, or because it is unlawful, unequal or excessive. Adjustments resulting from this process or from Department of Finance changes by notice are integrated into the final assessment roll, which is normally released in late May.

Properties are not assessed at full market value, but at some proportion of market value. The Class 1 assessment percentage has varied over time. It was 18 percent of market value in 1983, which has dropped over time to eight percent and to six percent in 2006. The Class 2 and Class 4 assessment percentage was reduced to 45 percent from 60 percent in 1985. Class 3 properties are assessed either by the Department of Finance (DOF) or by the State Board of Real Property Services (SBRPS)[1]. Prior to 1994, locally assessed property (plant and equipment, known as Real Estate of Utility Corporations, or REUC) was assessed at 50 percent. Special franchise property (the right to locate, maintain and operate property in the public domain including tangible property like pipelines, cables and other equipment on, below, or over public property, and also the intangible right to use the public right of way) is assessed by SBRPS, using the State equalization ratio, which fell to 22 percent in 1993. In 1994, a uniform 45 percent assessment ratio was adopted for all types of Class 3 property.

The law also established restrictions on annual assessment increases. Assessments of Class 1 properties may not increase by more than six percent annually nor 20 percent over five years. Class 2 assessment increases for rental buildings of less than 11 units, and since 1994 cooperatives and condominiums of less than 11 units as well, are limited to eight percent a year and 30 percent over five years.

For all other Class 2 and all Class 4 properties, there are no annual restrictions on assessment increases. Instead, market value changes are reflected in actual assessments and are phased in over five years for tax purposes. Both increases and decreases are phased in. The interim value during the phase-in period is represented as the transitional assessment.

(1) Formerly known as the Office of Real Property Services (ORPS).

The billable or taxable assessment amount in any given year is the lower of the actual or transitional assessment. Increases due to physical changes such as new construction, demolition, alterations or change in taxable status, are taxable immediately and are not subject to the assessed value "caps" or the phase-in requirement. There are no statutory limitations on annual assessed value changes in Class 3.

Legislative History: Since 1985, a number of administrative and legislative changes have been made to the taxable base and to the assessment practices. Legislation enacted in 1985 changed the definition of telecommunications utilities' (Class 3) taxable property to include central office equipment of competitors of New York Telephone (now part of Verizon) and AT&T which had previously been exempt or taxed at lower effective rates. Telephones and other station equipment were removed from the taxable base to reflect the increasing volume of privately owned equipment. The 1985 legislative amendments expired on December 31, 1986 and were replaced in July 1987 by State legislation which implemented a four-year phase-out of taxation on central office and telecommunication equipment at 25 percent per year, beginning in 1990.

Legislation in 1986 reclassified condominiums of three stories or less, and built as condominiums, from Class 2 to Class 1.

In 1987, the State Court of Appeals unanimously upheld Local Law No. 63 of 1986, allowing the City to require that owners of income-producing properties with actual assessed value in excess of $40,000 file annual income and expense statements. Most Class 4 properties and Class 2 properties with more than 10 residential units (or six residential units and one retail store) were affected. These taxpayers (except those who purchase property on or after August 1) must file annual income and expense statements with DOF by September 1. Failure to file means denial of a Tax Commission hearing and possible penalty assessment. Statements need not be filed for condominium or cooperative properties which are completely residential, or for properties which are wholly tax-exempt or completely owner occupied and operated. Co-ops and condos with professional or commercial space must file income and expense statements for that space. Also in 1987, assessment increases for residential rental properties with seven to ten units were restricted to eight percent annually and 30 percent over five years.

Legislative changes enacted in 1989 reclassified certain types of properties beginning with the 1991 assessment roll. Vacant land in a residential zone or adjacent to residential property with the same owner was transferred from Class 4 to Class 1 (except in Manhattan below 110th Street). Class 3 land and buildings were transferred to Class 4, leaving Class 3 with only plant and equipment. Class 2 condominiums with no more than three residential units, provided such property had previously been classified as Class 1, were transferred back from Class 2 to Class 1. As of the 1992 final roll, mixed-use residential/commercial buildings (with "Mom and Pop" stores), formerly in Class 4, were assessed as residential if more than 50 percent of the building was residential. Such properties were shifted either into Class 1 (if not more than three units) or Class 2 (if more than three units). One-family homes on cooperatively-owned land ("bungalows") were also reclassified from Class 2 to Class 1. Almost 1,500 summer cottages in Queens and the Bronx were affected by this shift.

Beginning with the fiscal year 1997 roll, telephone company central office equipment and station equipment (except public telephones) installed in public rights-of-way were exempt from real property taxation.

Beginning in 1997, an abatement program was implemented in order to reduce the disparity in property tax burden between owners of cooperatives and condominiums (Class 2) and single family homes (Class 1). In the case of properties where the average assessment was $15,000 or less per unit, a tax abatement of 2.0 percent, 16.0 percent and 25.0 percent was granted in 1997, 1998 and 1999, respectively. For properties where the valuation was greater than $15,000 per unit on average, the tax abatement in 1997, 1998 and 1999 was 1.375 percent, 10.75 percent and 17.5 percent, respectively. The 1999 abatement levels were extended by an additional two years through June 30, 2001 and in 2001 by an additional three years through June 30, 2004. The City Council passed a home rule on March 24, 2004 to extend the program through June 30, 2008. The abatement is restricted to owners who own no more than three units held in the condominium or cooperative form of ownership.

The State enacted the School Tax Relief (STAR) program beginning in the 1998-99 school year (fiscal year 1999). It is designed to provide property tax relief to owners of one-, two- and three-family homes, cooperatives and condominiums where the property serves as the primary residence of the owner. An enhanced exemption is available for senior citizens who are 65 years or older with a household income of less than $64,650. The exemption is based on a fixed market value adjusted for differences between local and statewide median home prices, levels of assessment and the portion of the real estate tax that represents the school tax (for New York City this portion is fixed at 50 percent). Beginning in 2003, a modified STAR benefit was made available for Mitchell-Lama co-op apartments, with one-third of the original exemption amount for both basic and enhanced STAR.

In addition, the State passed legislation in 2003, giving the City the authority to levy a 25 percent surcharge on Class 1 non-owner occupied properties, effective July 1, 2003, commonly referred to as the absentee landlord surcharge. This surcharge was intended to equalize the tax burden between Class 1 income generating properties and small Class 2 properties. Local legislation passed by the City Council on March 24, 2004 delayed the implementation date of the absentee landlord surcharge to July 1, 2006.

For fiscal years 2005, 2006 and 2007 owners of Class 1 properties and Class 2 cooperative and condominium apartments are eligible for an annual real estate tax rebate of $400 or the annual real estate tax on the property, whichever is less. To qualify for this rebate, the dwelling unit must be the owner's primary residence and the delinquent taxes owed must not be more than $25.

Beginning in 1996 a comprehensive plan to improve compliance by selling real property tax liens was instituted. Under the terms of the lien sale, the City forgoes future cash flows from the delinquent taxes sold in exchange for a lump sum payment and a subordinate position in any cash flows that remain after the holders of the senior position are repaid. For Class 1 or Class 2 (residential co-ops and condos only) properties, the liens are eligible for sale if the real property tax component of the liens remained unpaid for three years. For all other properties, the liens are eligible for sale if the real property tax component of the liens remained unpaid for one year. Other non-qualifying liens (water and sewer rent and surcharge and other City charges such as environmental charges, HPD charges and BID charges) are included in the sale when a qualifying property tax lien exists for the same property. Upon sale, each lien is levied a mandatory five percent surcharge and accrues interest at the rate of 18 percent per year.

The lien sale program was originally set to expire in 1997, but was repeatedly extended in 1997, 1999, 2001 and 2004. Currently the program is set to expire in 2008. The lien law was amended in 2001 to close a loophole. Certain taxpayers, after being notified of inclusion in the lien sale, paid only the property tax lien which removed them from the sale but left other tax liens unpaid. The amendments allow the sale of Class 2 (excluding residential co-ops and condos), Class 3 and Class 4 liens, which remain unpaid after the publication of the first notice of sale whether or not they include a real property tax component. In addition, the law was amended to allow the sale of water and sewer liens on Class 4 properties regardless of whether there is a real property lien on the property. Similar amendments were made for the sale of subsequent tax liens.

The sale of real property tax liens netted (before refunds for defective liens) $169.1 million in 1996, $51.5 million in 1997, $22.5 million in 1998, $127.0 million in 1999, $73.0 million in 2000, $210.9 million in 2001, $44.5 million in 2002, $22.6 million in 2003, and $89.8 million in 2004. Revenues in 2005 from real property tax liens are expected to be $42.3 million.

Discretionary Adjustments [1] and Class Shares

Fiscal Year	Class 1 Discretionary Shift (%)	Class 1 Class Share	Class 2 Discretionary Shift (%)	Class 2 Class Share	Class 3 Discretionary Shift (%)	Class 3 Class Share	Class 4 Discretionary Shift (%)	Class 4 Class Share
1983	(3.88)	0.141	(2.85)	0.263	4.80	0.180	1.25	0.416
1984	(1.58)	0.139	0.00	0.260	0.00	0.180	0.53	0.421
1985	(3.22)	0.134	(0.37)	0.259	(1.28)	0.178	1.83	0.429
1986	(2.15)	0.129	(0.68)	0.255	(2.02)	0.182	1.96	0.434
1987	(4.95)	0.125	2.69	0.254	(4.60)	0.166	1.76	0.455
1988	(2.81)	0.122	0.60	0.255	(4.51)	0.157	2.07	0.466
1989	(4.36)	0.116	0.58	0.256	(4.95)	0.150	2.49	0.478
1990	(5.00)	0.111	0.23	0.257	(4.49)	0.139	2.44	0.493
1991	(5.00)	0.109	(2.18)	0.258	(4.50)	0.103	3.19	0.530
City Council's discretion to adjust class shares no longer applicable beginning in 1992.								
1992	—	0.115	—	0.280	—	0.078	—	0.527
1993[2]	—	0.113	—	0.290	—	0.066	—	0.532
1994	—	0.116	—	0.308	—	0.058	—	0.518
1995[2]	—	0.119	—	0.316	—	0.059	—	0.505
1996[2]	—	0.122	—	0.326	—	0.062	—	0.490
1997[2]	—	0.125	—	0.336	—	0.064	—	0.475
1998[2]	—	0.127	—	0.339	—	0.069	—	0.465
1999[2]	—	0.130	—	0.332	—	0.071	—	0.467
2000[2]	—	0.133	—	0.341	—	0.074	—	0.452
2001[2]	—	0.135	—	0.345	—	0.076	—	0.444
2002[2]	—	0.137	—	0.349	—	0.074	—	0.440
2003[2]	—	0.139	—	0.349	—	0.074	—	0.438
2004[2]	—	0.141	—	0.356	—	0.071	—	0.432
2005	—	0.147	—	0.349	—	0.074	—	0.431

(1) City Council action to reallocate the tax levy among the classes, subject to a five percent cap over the prior year's shares.

(2) The maximum increase in the current base proportion over the prior year's share is capped at five percent by the State Constitution. The State can authorize the City to set cap rates lower than five percent and the City Council has the discretion to reapportion the excess to other classes. The State law capped the maximum increase at 2.0 percent in 1993; 2.75 percent in 1995 and 1996; 2.5 percent in 1997 through 2000; and 2.0 percent in 2001 through 2004.

Totals may not add due to rounding

Class Shares and City Discretion: The City Council determines property tax rates annually for each of the four classes of property. Under the provisions of the Real Property Tax Law, the total levy is apportioned to each of the four classes of property by the "class shares" referred to as adjusted base proportions (see following section). Once the class levies are set, the tax rate is determined annually by the City Council by dividing the levy for each class by the billable assessed value for the class.

As originally enacted, S.7000A required that the class shares for the 1981 roll be certified as base proportions. These base proportions were to be modified periodically by SBRPS for relative changes in market values among the four classes as well as for physical change. While the adjustment for physical change took place each year, the first market value adjustment was not scheduled until 1987. At that time legislation postponed the implementation of market value changes until calendar year 1989 (for use in fiscal year 1990). This legislation also substituted the 1984 class shares for the 1981 base proportions in calculating market value changes. Legislation passed in the spring of 1989 amended S.7000A, changed the mechanics of the market value adjustment and further postponed it until 1992 in order to prevent a significant shift in tax burden towards Class 1 taxpayers in fiscal year 1990. From 1983 to 1991 the City apportioned the tax levy by using the 1981 proportions, as adjusted annually for physical change. In addition, during this period the City Council had discretion in setting class shares as long as each class's share increase was within five percent of the previous year's share.

Since 1992, class shares have been adjusted annually for relative changes in market value (subject to a "cap" of five percent over the prior year's share) in addition to physical change. The resulting shares are called adjusted base proportions. In 1993 and 1995 through 2004, State legislation lowered the five percent cap. In 2005, however, the cap remained at five percent.

Components of the Tax Levy: The real property tax is the primary source of revenue for the General Debt Service Fund. Under the State Constitution, the City's ability to levy a real property tax for the payment of principal and interest on the City's long-term debt is unlimited. There is a limit, however, on the amount of real property tax that can be raised for operating purposes. This operating limit is equal to 2.5 percent of the average full value of taxable real estate for the current and prior four years, less payments for City short-term debt and business improvement district levies. In addition, total debt outstanding, including business improvement district debt, may not exceed 10 percent of the five-year average full value. SBRPS estimates full value as of

Real Property Tax Operating Limit [1]

Fiscal Year	Operating Limit ($ Millions)	Unused Margin ($ Millions)	(Percent)
1983	$2,718.1	$15.1	0.56%
1984	3,181.6	209.7	6.59
1985	3,589.1	407.6	11.36
1986	4,010.5	361.7	9.02
1987	4,432.0	476.0	10.74
1988	4,969.5	537.2	10.81
1989	6,808.5	1,812.2	26.62
1990	7,789.1	2,387.8	30.66
1991	9,109.3	2,892.9	31.76
1992	10,631.8	4,369.0	41.09
1993	11,945.0	5,475.1	45.84
1994	13,853.8	7,932.9	57.26
1995	13,380.2	7,832.6	58.54
1996	8,633.4	3,451.2	39.97
1997	7,857.3	2,924.0	37.21
1998	7,599.7	1,665.5	21.92
1999	7,170.3	862.6	12.03
2000	7,268.7	45.5	0.63
2001	7,573.1	140.4	1.85
2002	8,128.0	42.1	0.50
2003[2]	8,881.0	1,158.0	13.00
2003[3]	8,925.2	230.6	2.60
2004	9,893.5	506.1	5.10
2005	10,675.8	1,060.9	9.94

(1) Source: Adopted Budget Tax Fixing Resolution. Figures for 1999, 2000, 2001, 2002 and 2004 reflect the November 1998, September 1999, September 2000, October 2001 and November 2003 amended resolutions, respectively.

(2) Reflects levy fixed in June, 2002.

(3) Reflects levy fixed in November, 2002.

January 1st for each of the five years of the average. The market value survey results from calendar year 2003 were incorporated into the calculation to determine the operating limit for Fiscal Year 2005.

The levy is divided into a levy for education and non-education purposes. Veterans receive a partial exemption on their assessed value for purposes of calculating the tax they pay for non-education purposes. They are however, required to pay the full amount of their levy for education purposes.

Tax Rates: From 1983 through 1992 the average tax rate grew consistently, a result of decisions to increase the tax levy at a rate in excess of the growth in billable assessed value.

As discussed earlier, beginning in 1992 the City Council no longer had discretion to adjust class shares. With the introduction of the market value adjustment mechanism in 1992, Class 1, Class 2 and Class 4's tax rates increased significantly, and a commitment was made to freeze the average tax rate at $10.591 per $100 of assessed value. Class 3's rate declined considerably in 1994, mainly as a result of a change in the assessment percentage, which caused the class's billable assessed value to increase dramatically while the Class 3 share decreased proportionally. The increase in billable assessed value was considered a technical change which did

Class Tax Rates [1]

Fiscal Year	Class 1	Class 2	Class 3	Class 4	Average Tax Rate
1983...............	$8.950	$8.950	$9.109	$9.294	$9.120
1984...............	9.100	9.057	9.237	9.323	9.206
1985...............	9.100	9.150	9.051	9.460	9.255
1986...............	9.100	9.150	9.051	9.460	9.256
1987...............	9.330	9.150	9.172	9.460	9.315
1988...............	9.330	9.150	9.942	9.460	9.434
1989...............	9.452	9.272	11.289	9.582	9.703
1990...............	9.452	9.229	12.903	9.539	9.797
1991[2].............	9.840	9.154	15.079	9.924	10.135
1992...............	10.888	9.885	13.083	10.631	10.591
1993...............	10.888	9.910	12.794	10.698	10.591
1994...............	10.900	10.369	7.404	10.724	10.366
1995...............	10.694	10.552	7.702	10.608	10.366
1996...............	10.725	10.807	7.922	10.402	10.366
1997...............	10.785	11.056	7.840	10.252	10.366
1998...............	10.849	11.046	8.282	10.164	10.366
1999...............	10.961	10.739	8.800	10.236	10.366
2000...............	11.167	10.851	9.398	9.989	10.366
2001...............	11.255	10.847	10.540	9.768	10.366
2002...............	11.609	10.792	10.541	9.712	10.366
2003[3].............	11.936	10.564	10.607	9.776	10.366
2003[4].............	14.160	12.517	12.565	11.580	12.283
2004...............	14.550	12.620	12.418	11.431	12.283
2005...............	15.094	12.216	12.553	11.558	12.283

(1) Tax Rate per $100 of assessed value.

(2) Does not include funding for the "Safe Streets, Safe City" program, a mid-year tax increase of 8¢ for Class 1, 7.4¢ for Class 2, 12.1¢ for Class 3 and 8¢ for Class 4.

(3) Effective July 1, 2002 through December 31, 2002.

(4) Effective January 1, 2003.

not yield additional tax levy. However as a result, the “freeze” tax rate of $10.591 fell to $10.366 where the average tax rate remained through 2002. Effective January 1, 2003, the average tax rate was increased from $10.366 to $12.283 affecting the second half of the year.

Reserve for Uncollectible Taxes: The property tax levy, approved by the City Council each year, includes a reserve for uncollectible taxes. Uncollectible taxes fall into three general categories: delinquency, cancellation of tax liability due to reductions in assessed value, and tax expenditures for a number of housing and economic development programs. In addition, there are significant cash inflows and outflows affecting the reserve, including refunds of current and past year payments due to overpayments and reductions in assessed value, collections against prior year levies[2], and payments from exempt property restored to taxable status.

Real Property Tax Collections and Delinquency
($ Millions)

Fiscal Year	Tax Levy [1]	Tax Collection on Current Year Levy [2]	Tax Collection as a Percentage of Tax Levy	Prior Year (Delinquent Tax) Collections	Refunds [3]	Cancellations, Net Credits, Abatements, Exempt Property Restored and Shelter Rent	Delinquent as of end of Fiscal Year [4]	Delinquency as a Percentage of Tax Levy	Lien Sale [5]
1989	$6,233.0	$5,913.4	94.9%	$108.4	($78.9)	($166.7)	($152.7)	2.45%	$—
1990	6,872.4	6,507.1	94.7	109.6	(74.1)	(135.0)	(230.2)	3.35	—
1991[6]	7,681.3	7,199.2	93.7	149.7	(62.7)	(166.4)	(315.7)	4.11	—
1992	8,318.8	7,748.4	93.1	193.7	(124.3)	(200.2)	(370.2)	4.45	—
1993	8,392.5	7,766.1	92.5	227.7	(107.2)	(215.2)	(411.2)	4.90	—
1994	8,113.2	7,520.3	92.7	223.1	(199.1)	(189.5)	(403.4)	4.97	—
1995	7,889.8	7,377.4	93.5	210.8	(164.2)	(130.8)	(381.6)	4.84	—
1996	7,871.4	7,306.9	92.8	240.6	(399.7)	(275.5)	(289.1)	3.67	169.1
1997	7,835.1	7,371.3	94.1	146.8	(279.0)	(179.4)	(284.4)	3.63	51.5
1998	7,890.4	7,414.4	94.0	148.2	(345.6)	(199.1)	(277.1)	3.51	22.5
1999	8,099.3	7,519.7	92.8	127.7	(175.5)	(303.4)	(276.2)	3.40	127.3
2000	8,374.3	7,768.1	92.8	149.2	(200.2)	(345.7)	(260.5)	3.11	73.0
2001	8,730.3	8,069.1	92.4	132.3	(256.2)	(410.5)	(250.7)	2.87	210.9
2002	9,271.2	8,590.4	92.6	151.2	(138.1)	(374.2)	(306.2)	3.30[7]	44.5
2003	10,688.8	9,943.5	93.0	126.3	(149.1)	(457.2)	(288.1)	2.70	22.6
2004	12,250.7	11,370.3	92.8	180.1	(195.1)	(591.1)	(289.3)	2.36	89.8
2005[8]	12,720.0	11,534.1	90.7	152.0	(227.0)	(853.7)	(332.2)	2.61	42.3

(1) As approved by the City Council.
(2) Quarterly collections on current year levy. Amounts for fiscal years 1994, 1995 and 1996 are adjusted to eliminate the effects of the 1994 and 1995 sales of delinquent tax receivables.
(3) Includes repurchases of defective tax liens amounting to $19.7 million, $10.8 million, $12.9 million, $10.8 million, $15.1 million, $3.9 million, $11.1 million, $5.6 million, and $3.0 million in 1997 through 2005 respectively.
(4) These figures include taxes due on certain publicly owned property and exclude delinquency on shelter rent and exempt property restored.
(5) Net of reserves for defective liens.
(6) Does not include supplemental levy of $61.7 million raised in mid-year for the Criminal Justice Fund.
(7) Includes $68.1 million delinquency for the World Trade Center. Delinquency rate adjusting for this is 2.57%.
(8) Forecast.

(2) In 1994 and 1995, anticipated collections from prior year delinquencies or receivables (along with the accrued penalty and interest) were sold netting $200.6 million and $223.1 million, respectively. Once sold, the actual collections of prior year levies as it occured were turned over to the purchaser until the purchase price (interest and expenses) was satisfied.

Property Tax Revenue
($ Millions)

	1999	2000	2001	2002	2003	2004	2005*f*	2006*f*
Levy	$8,099	$8,374	$8,730	$9,271	$10,689	$12,251	$12,720	$13,543
Current Year Reserve[1]	(585)	(600)	(661)	(681)	(745)	(880)	(1,186)	(1,211)
Prior Year Collections	133	144	132	152	126	180	152	136
Refunds	(167)	(189)	(241)	(134)	(138)	(189)	(224)	(227)
Sub-Total	$7,480	$7,729	$7,960	$8,608	$9,932	$11,361	$11,462	$12,241
Lien Sale Proceeds[2]	119	62	196	41	12	84	39	85
Total[3]	**$7,599**	**$7,791**	**$8,156**	**$8,649**	**$9,943**	**$11,445**	**$11,501**	**$12,326**

(1) Includes cancellations, delinquency, net accruals, abatements, exempt property restored, shelter rent and STAR.

(2) Net of defective lien reserve and repurchase of prior year defective liens.

(3) Totals may not add due to rounding.

f=forecast

The delinquency rate rose from 2.45 percent in 1989 to nearly five percent in 1994 due to a weak local economy, but with a recovery in the local economy and the beginning of the lien sale program, the delinquency rate declined to 2.9 percent by 2001.

In 2002, however, the trend of declining delinquency rates ended and the delinquency rate rose to 3.3 percent, in part due to the destruction of the World Trade Center (WTC) in the September 11, 2001 terrorist attack. The overall delinquency rate adjusted for WTC was 2.6 percent. In 2004, however, deliquency returned to the declining trend at 2.4 percent, reflecting a rebound in the economy.

Remissions in assessed value granted by the City Tax Commission during the summer hearings after the final assessment roll is released are reflected in the reserve for cancellations. These actions represent most of the value of cancellations, which also include reductions resulting from court decisions and Law Department settlements.

The reserve for refunds covers reimbursement to taxpayers who have overpaid their tax liabilities, or whose liabilities were reduced after payment was made. There are reserves for tax expenditures that are given in the form of tax abatements. However, it is not necessary to reserve for exemptions since they are not included in the tax base to start with.

Tax Expenditures: Each year the City forgoes revenue that it could collect under the basic tax structure in order to protect certain taxpayers or to create an economic incentive for taxpayers to take certain actions that would be beneficial to the City as a whole. The foregone revenue is commonly referred to as a tax expenditure.

Real property tax exemptions and abatements, which totaled $2,286.9 million in 2004, can be grouped in three general categories: economic development, housing development and individual assistance. Economic development exemptions are granted under the City's Industrial and Commercial Incentive Program (ICIP), the Commercial Revitalization Program, the Commercial Expansion Program and by City and State development corporations. The New York City Housing Authority is the single largest source of residential exemp-

Estimated Value of Real Property Tax Exemptions and Abatements 1995-2004
($ Millions)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Economic Development Exemptions										
I.C.I.B/I.C.I.P	$107.1	$105.7	$99.3	$111.9	$132.5	$144.6	$177.7	$193.4	$249.2	$315.4
Battery Park City Authority [1]	113.7	94.2	87.2	81.6	79.5	71.2	79.8	72.8	89.3	31.9
Industrial Development Agency [1]	52.6	48.5	47.2	47.8	61.5	84.5	66.0	66.6	62.8	82.2
Urban Development Corp. (U.D.C.) [1]	78.3	77.0	76.9	80.0	84.5	101.0	107.6	113.1	141.1	165.2
Economic Development Corp. [1]	4.3	3.7	3.4	4.1	7.4	3.8	3.9	7.1	11.5	12.8
World Trade Center [1]	80.7	79.8	64.0	54.7	61.5	60.5	59.0	5.4	n.a.	n.a
Teleport, Port Authority [1]	0.9	2.2	1.1	1.3	1.5	6.7	6.7	6.9	6.9	7.2
Madison Square Garden	9.0	8.8	8.7	8.6	8.7	8.5	8.3	8.8	10.6	11.1
Commercial Revitalization and Expansion Programs	n.a.	n.a.	1.3	3.6	7.0	14.1	18.1	19.3	15.4	12.6
Subtotal	$446.6	$419.9	$389.1	$393.6	$444.1	$494.9	$527.1	$493.4	$586.8	$638.4
Residential Exemptions										
Public Housing										
Housing Authority [1]	$295.2	$281.7	$264.0	$255.3	$241.2	$239.5	$244.0	$254.1	$297.5	$328.9
Private Housing										
J-51 (exemption)	70.8	67.9	59.5	54.6	54.9	55.9	60.8	65.9	78.0	91.5
J-51 (abatement)	113.8	108.7	105.4	104.6	105.7	106.9	99.5	96.5	97.8	97.6
421-a - New Multiple Dwellings	117.2	103.4	96.5	87.9	78.9	104.8	111.3	130.0	181.6	251.8
421-b - New Private Housing	10.9	10.3	9.9	9.5	9.8	10.5	11.7	14.6	13.9	23.8
Senior Citizen Homeowner Exemption	15.1	17.2	18.2	19.8	21.1	25.6	26.7	28.4	27.8	34.2
Senior Citizen Rent Increase Exemption (abatement)	59.8	91.9	54.1	61.0	62.5	63.5	63.5	80.2	66.5	80.2
HPD Division of Alternative Management	3.9	3.7	4.0	4.3	4.6	5.4	5.8	6.7	8.5	9.8
Veteran's Exemption	10.1	9.1	10.0	11.0	16.1	18.0	18.5	19.0	16.1	19.8
Co-op/Condo Abatement	n.a.	n.a.	9.0	91.8	152.7	157.8	170.2	181.3	215.0	250.6
Lower Manhattan Conversion	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	19.9	22.7	31.1
Other [2]	287.4	270.3	257.7	252.1	234.2	235.8	236.7	248.2	298.1	324.9
Subtotal	$984.2	$964.2	$888.3	$951.9	$981.7	$1,023.7	$1,048.7	$1,144.8	$1,323.5	$1,544.2
Other Exemptions										
Utility										
NY Power Authority	$31.8	$34.5	$35.5	$38.5	$41.3	$44.7	$49.4	$50.3	$80.1	$86.3
Jamaica Water Supply	6.8	7.2	7.4	7.8	8.2	8.6	9.5	9.5	10.4	11.2
Trust for Cultural Resources	5.1	4.8	4.8	5.7	5.7	5.7	5.8	5.7	6.1	6.8
Subtotal	$43.7	$46.5	$47.7	$52.0	$55.2	$59.0	$64.7	$65.5	$96.6	$104.3
TOTAL	**$1,474.5**	**$1,430.6**	**$1,325.1**	**$1,397.5**	**$1,481.0**	**$1,577.6**	**$1,640.5**	**$1,703.7**	**$2,006.9**	**$2,286.9**

Source: Department of Finance

(1) Net of Payments in Lieu of Taxes (PILOTs) and other miscellaneous payments.

(2) "Other" includes miscellaneous State-assisted housing, housing development fund companies, limited dividend housing companies, redevelopment companies, limited profit housing companies, the Urban Development Action Area Program, net of payments in lieu of taxes (PILOTs) and persons with disabilities and low incomes.

Notes:

- *The revenue estimates of assessed value exemptions and abatements are calculated by multiplying the exempted (or abated) assessed value by the applicable statutory tax rate for each fiscal year.*
- *U.D.C., J-51, 421-a and "Other" Residential include commercial and residential properties.*
- *Totals may not add due to rounding.*

tions. The remainder of residential tax relief is provided by a variety of legislatively mandated exemption and abatement programs. The other exemptions are for certain utility properties, public authority properties and special incentives to promote cultural institutions.

The Department of Finance, which administers many of the City's taxes and maintains records of these expenditures, aids in the estimation of their value (see the "Estimated Value of Exemptions and Abatements" table).

Forecast: The real property tax revenue for 2005 is forecast at $11,501 million, growth of 0.5 percent over the prior year and a reduction of $35 million from the January Plan. The property tax revenue is forecast at $12,326 million in 2006, growth of 7.2 percent over 2005 and a decline of $19 million from the January Plan.

The flat property tax revenue growth projected for 2005 is due to the deceleration in billable assessed value growth seen on the 2005 final roll and the implementation of the $400 property tax rebate program this year. In 2005, market value growth reached a recent record high, the highest since 1990. This was, however, primarily based on the improvements made in the Department of Finance's valuation methodologies for Class 1 and Class 2, two-to-ten family properties, to better reflect actual market values. While these properties saw very strong growth in market value, the rest of the Class 2 and Class 4 properties' market value growth was four percent and three percent, respectively. Since the Class 1 and small Class 2 properties are subject to assessment increase caps,[3] much of the growth on market value did not translate into billable assessed value. In fact, the overall billable assessed value grew only 3.8 percent in 2005, a slow-down from the 5.8 percent average growth seen from 2001 to 2004. Last fall, as a result of the $400 property tax rebate program, 668,104 rebate checks were mailed to Class 1 and Class 2 property owners, saving taxpayers $256 million. The forecast decline of $35 million in 2005 from the January Plan results primarily from an increase in the refunds forecast by $30 million.

The 2006 property tax revenue forecast is based on the tentative roll, released by the Department of Finance on January 14, 2005. The tentative roll billable assessed value (after veterans and STAR exemptions) increased by $7.8 billion to $110.2 billion, growth of 7.7 percent over last year.

Class 1 properties (one-, two- and three-family homes) saw market value growth of 14.7 percent on the tentative roll and billable assessed value grew by 5.6 percent over 2005. Although the market value growth in 2006 is down from last year's 21.8 percent, the 2006 market value growth is still the highest in over a decade, excluding 2005, reflecting strength in sales prices. The billable assessed value in 2006, however, grows 3.7 percent due primarily to the assessed value cap. Class 2 properties (apartments, condominiums and cooperatives) also saw the highest market value growth since 1992, except for 2005, with growth of 14.2 percent on the tentative roll. Billable assessed value grew by 9.1 percent, up from last year's 5.3 percent, which again was limited by the assessment increase cap. The growth of billable assessed value for both Class 1 and Class 2 came in higher in 2006 than the prior year and is, in fact, the highest since 1991. Class 3 properties (utility) saw market value growth on the tentative roll of 4.1 percent, down from last year's 6.6 percent, with billable assessed value growing 4.1 percent over 2005. Class 4 properties (office and commercial space) saw market value growth of 13.5 percent on the tentative roll, the highest since 1990, and the billable assessed value increased 7.6 percent, up from 2.3 percent in 2005.

The final roll, to be released in May, is currently estimated to be about $1.2 billion lower than the tentative roll level as a result of Tax Commission actions, Department of Finance changes by notice and completion of exemption processing. The Class 2 market value growth is expected to remain at a historic high level and the

(3) The operation of the real property tax law (S.7000A) limits the annual assessment increases due to equalization for Class 1 properties to six percent per year and 20 percent over five years and eight percent per year and 30 percent over five years for Class 2A, 2B and 2C.

Class 4 market value growth is expected to surpass the recent average of 5.1 percent. In addition, a sizable amount of existing "pipeline"[4] from the previous years is being phased in, sustained by the high market value growth seen in the recent years, over eight percent and five percent on average annually from 1998 to 2005 in Class 2 and Class 4, respectively. The growth on the billable assessed value on the final roll is estimated to be 6.5 percent in 2006. For the forecast period, based on expectations of above trend market value growth, billable assessed value is forecast to grow 5.2 percent on average from 2007 through 2009.

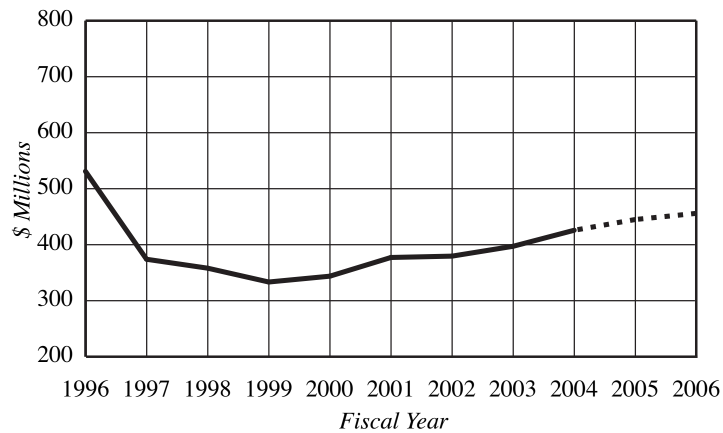
In 2006, the levy is expected to increase by $823 million to $13,543 million, growth of 6.5 percent over 2005 due to the strong growth in the billable assessed value. Revenue from the property tax is forecast at $12,326 million, an increase of $825 million and growth of 7.2 percent over 2005. The forecast decline of $19 million over the January Plan results from a $4 million reduction in the prior year collections and a downward revision to the lien sale proceeds by $15 million. Sustained by the strong growth in billable assessed value projected in the out-years, the real property tax revenue is forecast to grow at 6.0 percent on average from 2007 through 2009.

(4) Increases and decreases in value are phased into billable assessments over five years for Classes 2 and 4. Increases in value not yet phased into billable assessed value are referred to as the "pipeline"

COMMERCIAL RENT TAX

The commercial rent tax is projected to account for 1.5 percent of tax revenue in 2006, or $456 million.

COMMERCIAL RENT TAX 1996-2006



Tax Base and Rate: The commercial rent or occupancy tax is imposed under Chapter 7 of Title 11 of the New York City Administrative Code, on the rental of space in New York City for commercial or professional purposes. The tax is levied only on tenants who rent space in Manhattan south of 96th Street at an effective rate of 3.9 percent. Tenants whose base rents are less than $250,000 per year do not pay tax; those whose base rents are in excess of $250,000 but less than $300,000 receive a sliding-scale credit.

Legislative History: The commercial rent tax was first imposed on June 1, 1963 at a rate of five percent on base rents of $2,500 and over. On June 1, 1970, a graduated rate schedule was adopted:

Base Rent	Tax Rate
$0 to $2,499	2.50%
$2,500 to $4,999	5.00
$5,000 to $7,999	6.25
$8,000 to $10,999	7.00
$11,000 or over	7.50

In 1977, the City began a tax reduction program that effectively reduced the tax rate by 20 percent over four years. The maximum rate was reduced to 6.75 percent as of June 1, 1977, to 6.375 percent in 1980 and to 6.0 percent in 1981. Effective June 1, 1981, a tenant whose annual base rent was less than $5,000 was exempt from the tax. The base rent exemption was increased to $8,000 on June 1, 1984 and to $11,000 on December 1, 1984.

In 1985, the City instituted a tax reduction program which lowered the commercial rent tax for taxpayers in certain locations. As of January 1, 1986, the base rent for taxable premises located in Manhattan north of 96th Street and in the Bronx, Brooklyn, Queens and Staten Island was reduced by 10 percent. The base rent was reduced by 20 percent as of June 1, 1987, and by 30 percent as of June 1, 1989 for a total reduction worth $34 million in 1995. In 1994, a 25 percent tax credit was granted to taxpayers located in Manhattan below 96th Street whose base rent was between $11,000 and $14,000, and to those located north of 96th Street in Manhattan or in the other boroughs whose base rent was between $15,715 and $20,000. In 1995, this credit expanded to a full exemption for taxpayers with base rent up to $21,000 in central and lower Manhattan and up to $30,000 elsewhere.

Beginning in 1996, the base rent exemption was raised to $31,000 in central and lower Manhattan and $44,286 elsewhere. In addition, primary tenants became eligible to deduct the rent received from sub-tenants, even if the sub-tenant was exempt from tax. This legislation raised the base rent exemption for tenants located in Manhattan south of 96th Street to $40,000 in 1997, allowed a sliding scale of credit for base rents ranging between $40,000 and $59,999, and completely eliminated the commercial rent tax in the rest of the City. However, legislation passed in 1995 accelerated the effective date of these changes to September 1, 1995. The 1995 legislation further allowed tenants to reduce rent subject to the tax by 15 percent for the tax period from March 1, 1996 to May 31, 1996, and by 25 percent for tax years beginning on or after June 1, 1996, which brought the effective tax rate down to 5.1 percent as of March 1, 1998 and to 4.5 percent as of June 1, 1998.

For tax years beginning on or after June 1, 1997, tenants with annual base rents of less than $100,000 were exempt from the tax, and a sliding scale of credit was allowed for base rents ranging between $100,000 and $140,000. From September 1, 1998, tenants were allowed to reduce their base rent subject to tax by 35 percent, which brought the effective tax rate further down to 3.9 percent.

Effective December 1, 2000, the base rent exemption was further increased to $150,000 with a sliding scale of credit up to $190,000. The base rent exemption was again increased to $250,000 with a sliding scale of credit up to $300,000, effective June 1, 2001.

Under the Commercial Revitalization Program, qualifying tenants in the lower Manhattan abatement zone are eligible for a three- or five-year special reduction to their commercial rent tax liability. The tax reduction period is determined by the number of employees the tenant employs, the length of the initial lease term and the lease execution date.

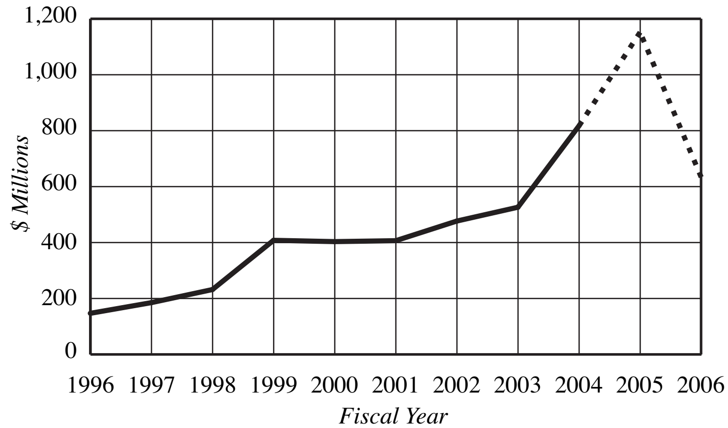
Forecast: Commercial rent tax revenue for 2005 is forecast at $445 million, 4.5 percent growth over the prior year and no change from the January Plan level. The growth is primarily driven by an increase in the occupied inventory of about five million square feet as firms anticipating future growth locked in low rental rates, which are about 30 percent below their peak seen in the fourth quarter of 2000. With growth in asking rents and occupied inventory for primary space forecast to moderate, the 2006 commercial rent tax revenue is forecast at $456 million, growth of 2.5 percent. For 2007 through 2009, asking rents are forecast to increase slightly and vacancy rates are forecast to fall, yielding projected average commercial rent tax collections growth of 2.6 percent.

MORTGAGE RECORDING TAX

The mortgage recording tax is projected to account for 2.1 percent of tax revenue in 2006, or $634 million.

Tax Base and Rate: The mortgage recording tax is imposed on the recording of real estate mortgages in New York City. The tax rate ranges from 1.0 percent for mortgages securing a debt of under $500,000 to 1.75 percent for commercial mortgages securing a debt of $500,000 or more. In addition, the State imposes a 1.0 percent tax, half of which is dedicated to the Metropolitan Transportation Authority (MTA) and the State of New York Mortgage Agency (SONYMA).

MORTGAGE RECORDING TAX 1996-2006



Mortgage Recording Tax Rates

Distribution of Revenue	All Mortgages Under $500,000	Mortgages of $500,000 or More on 1-3 Family Homes & Condos	Commercial Mortgages of $500,000 or More
State Taxes			
NYC General Fund	0.500%	0.500%	0.500%
MTA/SONYMA	0.500	0.500	0.500
City Taxes			
NYC General Fund	1.000	1.125	1.125
NYCTA, Paratransit and Franchised Bus Operators	—	—	0.625
Total	**2.000%**	**2.125%**	**2.750%**

Legislative History: The City's mortgage recording tax revenue is composed of two separate taxes, one levied by the State and the other a City tax established by local law under State authority. The State mortgage recording tax was established in 1906 at a rate of 0.5 percent on the amount of the mortgage. The tax was imposed statewide, with the law calling for the proceeds to be paid to county treasurers in counties outside of New York City, and in the case of New York City, to the general fund.

In 1969, a surcharge of 0.25 percent of the amount of the mortgage was added to the statewide tax. Inside the MTA region, the proceeds from the tax were required to be paid to the MTA. Counties outside the MTA region were given the option to suspend the surcharge by local law.

In 1979, another 0.25 percent surcharge was imposed, with the funds dedicated to SONYMA. Taxpayers, however, were allowed to credit payments of this surcharge against their liability for the State general corporation tax, personal income tax or banking corporation tax. In 1987, the State Legislature amended this second surcharge so that the MTA receives tax revenue from mortgages made on one- to six-family homes within the MTA region. In addition, the credit provision was altered to allow taxpayers to take payments as a deduction against taxable income rather than as a credit against liability.

The New York City mortgage recording tax dates from 1971, when the rate was set at 0.5 percent on the amount of the mortgage. In 1982, the tax was increased for mortgages securing a debt of $500,000 or more. For these large mortgages, the rate on one-, two- and three-family homes was increased to 0.625 percent; on other large mortgages, the rate was increased to 1.25 percent. Half of the collections from large nonresidential mortgages were paid to the City's general fund, and the other half was dedicated to the New York City Transit Authority (NYCTA), the City paratransit system and certain private bus operators franchised by the City.

Effective July 1, 1989, several "loophole-closing" provisions were enacted with regard to the City and State mortgage recording taxes. The provisions: (1) permit the aggregation of related mortgages for the purpose of determining whether the higher rates apply; (2) require payment of the City's tax if the lien of a mortgage recorded outside the City is "spread" to realty located in the City; (3) treat an assignment of rents, given as security for an indebtedness, as a mortgage for purposes of the tax; (4) eliminate the practice of securing new debt under a previously recorded, but since repaid, mortgage by requiring that a certificate of discharge be issued when a mortgage has been repaid; (5) limit the "condominium credit" to initial sales of condominium units only if the first unit in the project is sold within two years from the recording date of the construction or blanket mortgage, or if the proceeds of a blanket mortgage were used to purchase the condominium property or, if the purchase occurred no more than two years before the declaration of the condominium; and (6) increase the rate of interest payable on underpayments and overpayments and increase nonpayment penalties.

Effective August 1, 1990, the New York City mortgage recording tax was raised across-the-board by 0.5 percent. Total revenue dedicated to the general fund from both State and City mortgage taxes is based on a tax rate of 1.5 percent for mortgages under $500,000 and 1.625 percent for all mortgages of $500,000 or more. The combined City and State mortgage recording tax rates for mortgages recorded in New York City are 2.0 percent for mortgages under $500,000, 2.125 percent for residential mortgages of $500,000 or more, and 2.75 percent for large commercial mortgages.

Beginning in 1996, credit line mortgages (i.e. mortgages which allow a series of advances, repayments, and readvances) under $3 million are not subject to additional mortgage recording taxes. Previously, this advantage was available only to credit line mortgages on owner-occupied one- to six-family homes. Readvances under other mortgages remain taxable.

Forecast: The mortgage recording tax for 2005 is forecast at $1,152 million, 41.0 percent growth over the prior year and an increase of $334 million from the January Plan level. The upward forecast revision in 2005 is based on an analysis of transaction volume and average transaction value year-to-date through March and housing market indicators. Collections strength is forecast to continue into the first quarter of 2006. The mortgage recording tax has reached record levels in recent years, reflecting the continued strength in real estate sales attributable to historically low mortgage interest rates and price appreciation, as well as a boom in refinancings.

Residential collections in 2005 are forecast at $769 million, growth of 32.9 percent over 2004. Collections from commercial transactions in 2005 are forecast at $383 million, up 60.4 percent from 2004.

The two components of the mortgage recording tax are mortgage-financed purchases and the refinancing of existing mortgages and the recent decline in interest rates has played differently on these two components throughout the City. Mortgage rates averaged 8.1 percent from 1990 to 2000 before dropping to levels not seen in forty years, a 5.8 percent average from 2003 through the third quarter of 2005. These unprecedented low interest rates have spurred the demand for homeownership and refinancings. In Manhattan, significant increases in new mortgages for purchases have driven transaction volume and mortgage recording tax revenue. In the boroughs other than Manhattan, refinancings have been the order of the day, driving revenue growth.

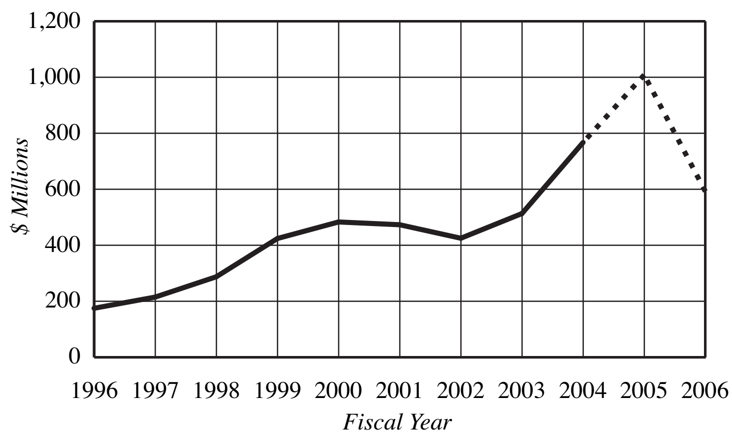
Nationally, the Mortgage Bankers Association (MBA) reports that mortgage originations for purchases continue to show strength, while indicating that a significant retrenchment in the refinancing market has already started. The MBA reported a drop in the level of refinancings in July through September of calendar year 2004. The quarter came in 74.5 percent below the peak levels seen the prior year. Following this national trend, collections in the City from both commercial and residential mortgage refinancing activities are forecast to decline in 2006. A decline is also forecast in new mortgages for purchases as real property sales retreat from the overheated levels seen in 2004 and 2005. These expected declines reflect the continuation of interest rate increases which have already begun.

A slowdown in mortgage recordings after the first quarter of 2006 is forecast to dampen mortgage recording tax revenue in 2006. Paralleling the decline seen nationally, mortgage recording tax revenue is forecast at $634 million in 2006, a decline of 45.0 percent from 2005. From 2007 through 2009, the volume of transactions is expected to return to sustainable levels, while average mortgage values retain much of their current value. Over this period, mortgage recording tax collections are projected to decline an average of 4.4 percent.

REAL PROPERTY TRANSFER TAX

The real property transfer tax is projected to account for 2.0 percent of tax revenue in 2006, or $593 million.

REAL PROPERTY TRANSFER TAX 1996-2006



Tax Base and Rate: The real property transfer tax is imposed on each deed at the time of transfer from the seller to the buyer. The tax is payable by the grantor, normally the seller. If the grantor is exempt from the tax, it is payable by the grantee. The rate is 1.0 percent of the sales price for residential properties of $500,000 or less. For residential properties of more than $500,000 and for commercial sales of $500,000 or less, the rate levied is 1.425 percent. For large commercial transactions, the tax is 2.625 percent of the sales price or consideration. These rates went into effect August 1, 1989. Of the tax collected from large commercial transactions, 38.1 percent goes to a special fund for the New York City Transit Authority (NYCTA), the City paratransit system and certain private bus operators franchised by the City. This amounts to a rate of 1.0 percent of the consideration on these transactions. The State also imposes a real estate transfer tax on deed recordings at a rate of 0.4 percent. Current State and local tax rates on transfers in New York City are presented below.

Legislative History: The real property transfer tax became effective in 1959. In 1982, the tax was raised from the initial rate of 1.0 percent to 2.0 percent for transfers with a sale price of $500,000 or more. Revenue from the rate increase is dedicated to the NYCTA, paratransit and certain private bus operators franchised by the City. At the same time, the base of the tax was expanded to include leasehold transfers and to disallow the deduction for continuing liens.

Real Property Transfer Tax Rates

Distribution of Revenue	Residential Sales of $500,000 or Less	Commercial Sales of $500,000 or Less and Residential Sales over $500,000	Commercial Sales over $500,000
State Tax			
NYS General Fund [1]	0.400%	0.400%	0.400%
City Tax			
NYC General Fund	1.000	1.425	1.625
NYCTA, Paratransit and Franchised Bus Operators	—	—	1.000
Total	**1.400%**	**1.825%**	**3.025%**

(1) The State real estate transfer tax includes an additional tax of one percent on residential transfers valued at over $1 million.

Legislation further expanded the base beginning in 1987 by including transfers of a majority interest in an entity which owns real property in New York City (the “Pan Am” tax). Only the value of the property is taxable, not the value of the entire interest. This change was enacted to prevent avoidance of the tax when a transfer takes place but formal ownership of the property remains unchanged. Initial transfers of cooperative apartment units as well as subsequent transfers (resales) were also made subject to the “Pan Am” tax.

In August 1989, general fund revenue was increased by raising the transfer tax rate from 1.0 percent to 1.425 percent for commercial transactions of $500,000 or less and residential transactions of more than $500,000. For commercial sales with consideration greater than $500,000, the tax rate rose from 1.0 percent to 1.625 percent. The same legislation expanded the tax base to include resales of residential cooperative apartments, the remaining category of untaxed cooperative transactions.

In June of 1994, a State law was passed which provided a temporary 50.0 percent reduction in the rate of the real property transfer tax for certain transfers to newly organized Real Estate Investment Trusts (REITs). This provision is now permanent. In addition, a 50.0 percent reduction is applicable to transfers to pre-existing REITs occurring between July 13, 1996 and August 31, 2002, provided the transferor receives and retains for at least two years of ownership interest in the REIT. Starting July 1, 1997, a deduction on the real property transfer tax payable on the transfer of a one- to three-family home, or an individual residential co-op or condo unit, is allowed for the amount of any mortgage assumed by the transferee.

In 2003, the law was amended to close a loophole on the transfer of controlling economic interest in an entity that owns or has an economic interest in real property. This amendment provided that the consideration subject to tax will be equal to the value of the real property or economic interest in real property, and is apportioned based on percentage of the ownership in the entity transferred for the purpose of determining the tax liability.

Forecast: The real property transfer tax for 2005 is forecast at $1,008 million, 31.5 percent growth over the prior year and an increase of $123 million from the January Plan level. The upward forecast revision in 2005 is based on an analysis of transaction volume and average transaction value year-to-date through March and housing market indicators. Collections strength is forecast to continue into the first quarter of 2006. The real property transfer tax has reached record levels in recent years, reflecting the continued strength in real estate sales attributable to historic low mortgage interest rates, the attractiveness of real estate as an investment asset, and local employment gains.

Residential collections in 2005 are forecast at $546 million, growth of 11.3 percent over 2004. The strong collections growth from residential transactions in 2005 resulted from robust property sales price growth and continued high levels of transaction volume. In the Manhattan market, low interest rates have spurred demand while the supply has remained scarce, driving values to record levels. In the other boroughs, the same low interest rates have spurred substantial increases in home value and in transaction activity.

Collections from commercial transactions in 2005 are forecast at $463 million, growth of 67.2 percent over 2004. Commercial activity remains strong due to the continued attractiveness of New York City real estate as an investment. A number of high valued commercial property transactions have resulted in unprecedented levels of commercial property transfer tax revenue in 2005. The record value sale of the MetLife building for $1.7 billion in April and the continued sale of other ‘trophy’ properties demonstrate the sustained investment appeal of Manhattan commercial real estate. Further, the limited supply of commercial office buildings for sale in New York City has helped maintain the high prices throughout the ongoing boom.

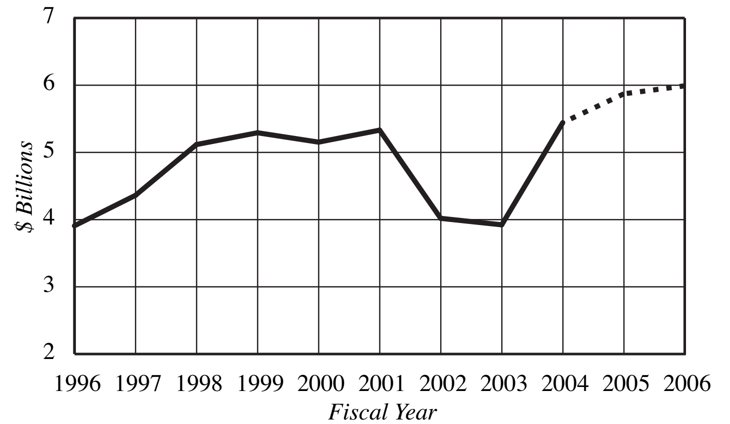
For 2006 the real property transfer tax is forecast at $593 million, a decline of 41.2 percent from the extraordinary levels attained in 2005. Collections from residential transactions are forecast to decline 34.8 percent as property transfers return to historical levels of activity and transaction value. This decline is spurred by rising composite mortgage interest rates which are forecast to reach 7.0 percent in calendar year 2006, roughly 120 basis points higher than the average seen from 2003 through the third quarter of 2005. Collections from commercial transactions are forecast to decline 48.8 percent on the heels of forecast interest rate increases. The return of trophy, and other high-value, property sales to a sustainable level in 2006 further suppresses collections from commercial property transfers. From 2007 through 2009, the real property transfer tax collections are projected to grow an average of 0.9 percent.

PERSONAL INCOME TAX

The personal income tax is projected to account for 20.2 percent of tax revenue in 2006, or $5,991 million.

***Tax Base and Rate*:** The personal income tax is imposed on the taxable income of New York City residents, estates and trusts. The starting point for determining taxable income is Federal adjusted gross income (AGI). This amount is adjusted for statutory modifications to yield New York AGI. Taxable income results from subtracting the New York deduction and New York exemptions from New York AGI. Taxpayers may claim the New York standard deduction or the New York itemized deduction (the Federal itemized deduction amount subject to New York modifications). High income taxpayers are subject to percentage reductions in their New York itemized deductions. Finally, taxpayers are allowed a flat amount exemption for each dependent. There are different tax rate schedules for single (and married taxpayers filing separately), head of household, and married (filing jointly) taxpayers. These separate schedules were introduced in 1987. The rates and brackets have changed over the years. The current top rate is 4.45 percent.

PERSONAL INCOME TAX 1996-2006



Note: Personal income tax revenue after Transitional Finance Authority retention.

2005 Rate Schedule

	Over	But Not Over	Pay	Plus	Of the Amount Over
Rate Schedule for Single Filers	$ 0	$12,000	$ 0	2.907%	$ 0
If net income is:	12,000	25,000	349	3.534	12,000
	25,000	50,000	808	3.591	25,000
	50,000	100,000	1,706	3.648	50,000
	100,000	500,000	3,530	4.050	100,000
	500,000		19,730	4.450	500,000
Rate Schedule for Joint Filers	$ 0	$21,600	$ 0	2.907%	$ 0
If net income is:	21,600	45,000	628	3.534	21,600
	45,000	90,000	1,455	3.591	45,000
	90,000	150,000	3,071	3.648	90,000
	150,000	500,000	5,260	4.050	150,000
	500,000		19,435	4.450	500,000
Rate Schedule for	$ 0	$ 14,400	$ 0	2.907%	$ 0
Head of Household Filers	14,400	30,000	419	3.534	14,400
If net income is:	30,000	60,000	970	3.591	30,000
	60,000	125,000	2,047	3.648	60,000
	125,000	500,000	4,418	4.050	125,000
	500,000		19,606	4.450	500,000

Effective January 1, 2003, legislation added two new upper income brackets and rates along with a tax table benefit recapture provision, which were enacted for tax years 2003 through 2005. A new temporary rate schedule for tax years 2003 through 2005 replaced both the base rate and 14 percent additional tax. The two higher rates for tax year 2003 included the current top rate of 4.45 percent and 4.25 percent for the second highest income bracket. In tax years 2004 and 2005, the increase is phased out by dropping the first additional rate to 4.175 percent in 2004 and 4.05 percent in 2005. In addition to the base tax, taxpayers who make extensive use of tax preferences are liable for taxes of 2.5 percent on their New York minimum taxable income.

From 1971 through June 30, 1999, an earnings tax was levied on nonresidents' New York City source income at a rate of 0.45 percent on wages and 0.65 percent on net earnings from self-employment. From 1966 through 1970, the earnings tax was levied at 0.25 percent on wages and 0.375 percent on net earnings from self-employment. The tax was eliminated by the State Legislature, effective July 1, 1999.

***Legislative History*:** New York City has imposed a personal income tax on residents and nonresidents since 1966 at various rates. The values of the dependent or personal exemptions and standard deductions have also varied as shown in the following table.

New York Dependent or Personal Exemptions and Standard Deductions, 1966-2005

Tax Year	Exemption	Standard Deduction
2003 - 05	None for taxpayers, $1,000 for each dependent	$7,500 for individual, $10,500 for head of household, $14,600 for joint filers, and $3,000 for dependent taxpayers
2002	Same as above	$7,500 for individual, $10,500 for head of household, $14,200 for joint filers, and $3,000 for dependent taxpayers
2001	Same as above	$7,500 for individual, $10,500 for head of household, $13,400 for joint filers, and $3,000 for dependent taxpayers
1997 - 00	Same as above	$7,500 for individual, $10,500 for head of household, $13,000 for joint filers, and $3,000 for dependent taxpayers
1996	Same as above	$7,400 for individual, $10,000 for head of household, $12,350 for joint filers, and $2,900 for dependent taxpayers
1995	Same as above	$6,600 for individual, $8,150 for head of household, $10,800 for joint filers, and $2,800 for dependent taxpayers
1989 - 94	Same as above	$6,000 for individual, $7,000 for head of household, $9,500 for joint filers, and $2,800 for dependent taxpayers
1988	Same as above	$5,000 for individual, $6,000 for head of household, $8,500 for joint filers, and $2,800 for dependent taxpayers
1987	$900 *(Available for taxpayers and each dependent)*	$3,600 for individual, $4,600 for head of household, $5,300 for joint filers, and $2,800 for dependent taxpayers
1986	$850	$2,600 for individuals, $3,000 for married couples and heads of households
1985	Same as above	$2,500 for individuals, $2,750 for married couples and heads of households
1982 - 84	$800	17% of AGI subject to a minimum of $1,500 ($2,000 for married couples) and a maximum of $2,500
1981	$750	Same as above
1980	Same as above	16% of AGI subject to a minimum of $1,400 ($1,900 for married couples) and a maximum of $2,400
1979	$700	Same as above
1978	$650	Same as above
1976 - 77	Same as above	15% of AGI subject to a minimum of $1,000 ($1,500 for married couples) and a maximum of $2,000
1966 - 75	$600	For all taxpayers 10% of AGI or $1,000, whichever is less

From 1982 through 1984, the City imposed a temporary surcharge on the personal income tax of every City resident, estate and trust. For calendar years 1982 and 1984, taxpayers with City adjusted gross income below $15,000 paid no surcharge. Taxpayers with adjusted gross income between $15,000 and $20,000 paid a surcharge of 2.5 percent of their tax liability, and taxpayers with adjusted gross income above $20,000 paid a 5.0 percent surcharge. For tax year 1983, the surcharge rates were doubled.

In 1985, New York State enacted a tax cut to be phased in over three years. Standard deductions and personal exemptions were raised, marginal tax rates were reduced, the real property tax credit was increased and a new benefit for married taxpayers called the "family adjustment" was introduced. Only changes to the standard deductions and the personal exemption flowed through to City tax liability. The standard deduction became a flat amount instead of being calculated as a share of adjusted gross income. It was to increase from $2,500 in 1985 to $2,800 in 1987 for single taxpayers and from $2,750 in 1985 to $3,800 in 1987 for joint and head of household filers. The personal exemption was to increase from $800 to $900. This tax program was superseded by subsequent tax reform legislation in its final year in 1987.

The Tax Reform Act of 1986 substantially altered the Federal personal income tax code. The definition of gross income, the deductions and exemptions allowed in the computation of taxable income, and the rates applied to such income were altered. Because State law conforms to Federal definitions of income and deductions, the State tax base was significantly broadened. In response, New York State altered its tax code in April 1987. The State legislation phased in a tax cut and a restructuring of the tax over five years beginning in tax year 1987.

Both the Federal and State changes significantly altered the definition of City taxable income. Since the City's personal income tax base was broadened, the City would have received a "windfall" if it had taken no action. The New York City Tax Reduction Act of 1987 was enacted to return this windfall to taxpayers and reduce income taxes for fiscal year 1988 by an additional $75 million. The City's five-year tax cut plan was designed to conform to State actions and combined new rate schedules and a low-income credit with the modified definition of taxable income. In 1987, the City introduced new rate schedules for single taxpayers, joint filers, and heads of households. Each schedule had six brackets rather than the 14 used in 1986. At the same time the top rate was reduced to 4.1 percent. By 1991, the legislation would have reduced the top rate to 3.4 percent and the number of tax brackets to four. A 0.5 percent credit for net capital gains income and a two-earner married couple deduction were transitional measures only in effect during tax year 1987.

The most significant changes to the law were large increases in the standard deduction and the introduction of a household credit to replace the low-income exclusion. For a joint filer with two dependents, these changes raised the threshold below which no tax is due from $11,000 in calendar year 1986 to $14,025 in 1987, $15,550 in 1988, and $16,046 in 1989 and 1990. Imposition of the 14 percent additional tax in 1991 lowered the threshold to $15,484 from 1991 to 1994. The taxable threshold increased again in 1995 to $16,691 and in 1996 to $17,499, as a result of increases in the standard deduction. An increase in the base rates in 1997 lowered the threshold to $15,001 from 1997 to 1998. The taxable threshold grew to $16,164 in 1999 as a result of the STAR program, and increased to $17,831 in 2000, with an increase in STAR credits and rate cuts. In 2001, the taxable threshold grew to $20,079, with the full phase-in of the STAR program, the reduction in the 14 percent additional tax and the increase in the joint filer standard deduction. In 2002, the taxable threshold grew to $20,518, the result of further increases in the joint filer standard deduction. In 2003 the taxable threshold grew to $20,918 due to another increase in the joint filer standard deduction and remains unchanged in 2004 and 2005.

Progressivity in the tax has been enhanced by placing limitations on the amount of itemized deductions allowable for New York purposes. Since 1989, itemized deductions for single filers with New York AGI over $100,000 and joint filers with New York AGI over $200,000 have been reduced up to 50 percent (20 percent in 1988).

As part of New York State's budget for fiscal year 1990-91, the last two years of the five-year tax reduction program were postponed. The legislation retained the 1989 tax rate schedule, standard deductions and the household credit for 1990. The scheduled phase-in of tax rates and deductions was to be completed by 1994. In order to avoid distortions in tax burdens which would result from coupling the City's 1990 rate schedule with the State's 1989 deductions, the City also retained its 1989 rate schedule for tax year 1990. Changes to the City rate schedules were made for tax years 1991 through 1994 in proportion to changes the State made to standard deductions. For tax years 1991 through 1994, changes to the State's tax rate schedule, standard deductions and household credit were deferred. Consequently, the City retained the rate schedule in effect in 1990 for tax years 1991 through 1994.

Effective for tax years 1990, 1991, and 1992, the City imposed a temporary income tax surcharge on City residents. The top rate was increased to 3.91 percent from 3.4 percent. Single taxpayers with AGI below \$15,000, married taxpayers with AGI below \$25,000, and heads of households with AGI below \$16,500 were not subject to the surcharge. In February of 1991, the "Safe Streets, Safe City" program was signed into law. Part of the program's funding came from the extension of this surcharge for tax years 1993 through 1996. The surcharge was subsequently extended through tax year 1998, and then allowed to expire.

Beginning in tax year 1991, the City imposed a three-year 14 percent additional income tax on City residents, increasing the top rate from 3.91 percent to 4.46 percent through tax year 1998. Low-income taxpayers were not exempt from the increase. The increase has been extended four times, in 1993, 1995, 1997 and 1999. State legislation in 1999 extended the increase through tax year 2001, while also granting local authority to lower the 14 percent additional tax by local law, effective July 24, 2000. Subsequently, the 14 percent additional tax was reduced, effective January 1, 2001. The reduction in the additional tax was structured as follows: for taxable income below the top tax bracket for each filing type (\$50,000 for single, \$90,000 for joint and \$60,000 for head of household filers) the 14 percent additional tax was reduced to 7 percent. For taxable income at or above the top tax bracket the additional tax remained 14 percent. As part of the Adopted Budget for 2002, the 14 percent additional tax was again reduced, retroactive to January 1, 2001. The reduction, intended as an across the board 3.5 percentage point cut effective for one-half year, was implemented as a retroactive 1.75 percentage point cut effective for the full-year. The reductions in the 14 percent additional tax were expected to extend beyond tax year 2001. However, after September 11, 2001 terrorist attack, the extension of the reductions in the 14 percent additional tax was no longer sought. Consequently, the full 14 percent additional tax was reinstated, effective January 1, 2002.

The 14 percent additional tax was scheduled to expire December 31, 2003. This did not occur; instead, effective January 1, 2003, the base tax and the 14 percent additional tax were replaced by a temporary rate schedule in effect for tax years 2003 through 2005.

Federal tax law changes, to which State law conformed, have also altered the City's income tax. Effective for tax years beginning in 1991, taxpayers with AGI exceeding \$100,000 were subjected to percentage reductions in their Federal itemized deductions. The \$100,000 threshold is adjusted annually for inflation. Regulations issued by the State provide that the Federal limitation also applies in calculating New York State taxable income. Another Federal law change, to which the State conformed, revised rules governing payment of estimated taxes by certain high-income filers. Beginning in tax year 1992, these taxpayers were no longer allowed the "safe harbor" of submitting the same tax paid the previous year; estimated payments needed to equal at least 90 percent of their current year liability. This required taxpayers to calculate tax liability on a quarterly basis and "pay-as-you-go." The Omnibus Budget Reconciliation Act of 1993 again revised Federal rules governing estimated tax payments and the State enacted conforming legislation for the State and City for tax year 1994. The new rules repealed the "pay-as-you-go" requirement and allowed all taxpayers with New York AGI over \$150,000 to pay estimated taxes based on either the safe harbor of 110 percent of the previous year's liability or 90 percent of current year liability. The legislation also reduced the period within which refunds must be made without payment of interest from 90 to 45 days after the due date for final returns.

As part of New York State's budget for fiscal year 1995-96, the State enacted an enhanced version of the 1987 tax cut, which had been on hold since 1990. For tax years 1995 through 1997, the State reduced its tax rates, increased standard deductions and the earned income tax credit, and reduced the number of tax brackets. The City rates effective for 1997 and 1998 reflected the City Tax Reduction Act of 1987, the 12.5 percent surcharge effective 1990 through 1998 and the 14 percent additional tax enacted in 1991.

In July of 1997, the State's Tax Appeals Tribunal issued a ruling changing the calculation of State itemized deductions for certain high-income taxpayers subject to the Federal limitation on itemized deductions. The new calculation decreases the amount of State and City taxes subtracted from Federal itemized deductions for these taxpayers, increasing State itemized deductions and lowering their taxable income. This is estimated to reduce City liability by approximately $20 million per liability year.

As part of New York State's budget for fiscal year 1997-98, the State enacted the School Tax Relief program (STAR) to provide school tax relief to localities. In addition to reductions in the property tax, the STAR program reduces City personal income tax liability through both a rate cut and a refundable credit for resident filers. The STAR rate cut is an across the board reduction in tax rates starting in tax year 1999 with a 1.25 percent reduction, increasing to 2.5 percent in tax year 2000, and to 5.9 percent in tax year 2001. The State reimburses the City for the foregone personal income tax revenue. As part of New York State's budget for fiscal year 1998-99, the State accelerated the STAR program credit against the City resident personal income tax for senior citizens. Beginning with tax year 1998, seniors receive a credit of $125 if they file jointly and $62.50 if they use other filing statuses. Non-seniors received a credit of $12 in tax year 1998, and the credit increased to $125 for joint filers and $62.50 for other filers by tax year 2001.

State Sponsored Personal Income Tax Reductions
($ Millions)

	2002	2003	2004	2005	2006	2007	2008	2009
STAR Program:								
Credit	($252)	($252)	($252)	($252)	($252)	($252)	($252)	($252)
Rate Cut	(268)	(288)	(288)	(380)	(343)	(353)	(370)	(416)
STAR Program Total	($520)	($540)	($540)	($632)	($595)	($605)	($622)	($668)

Also in 1997, the State enacted legislation enabling the City to establish a credit against the resident personal income tax for owners of unincorporated businesses for a portion of their distributive share of unincorporated business tax liability, effective tax year 1997. The credit is based on a sliding scale, and ranges from 65 percent of unincorporated business tax liability for taxpayers with taxable income of $42,000 or less, down to 15 percent of liability for taxpayers with taxable income of $142,000 or more.

Beginning in 1998, the personal income tax cash flow to the City changed with the introduction of the Transitional Finance Authority (TFA). The TFA gives the City an additional financing vehicle to meet capital commitments beyond the constitutional debt limit, which is based on the market value of real property. The new authority has first claim on personal income tax revenue to meet its debt service and administrative costs, with the remaining personal income tax revenue to be distributed to the City by the end of each month.

On May 17, 1999, the State Legislature passed, and on May 27, 1999, the Governor signed into law a selective repeal of the City's nonresident earnings tax, limiting the nonresident earnings tax to commuters who live outside of New York State, effective July 1, 1999. Recognizing that this selective application of the City nonresident earnings tax posed possible constitutional problems, the legislation provided that if the exemption of State residents from the tax was found unconstitutional, the entire tax would be repealed effective July 1, 1999. After passage, individuals from New Jersey and Connecticut, and the State of Connecticut filed complaints against New York State, arguing that selective imposition of the nonresident earnings tax violated the Privileges and Immunities Clause, the Commerce Clause, and the Equal Protection Clause of the United States Constitution. Additionally, the City filed a complaint against New York State seeking a declaration that the legislation violated the home rule provisions of the New York State Constitution. The New York Supreme Court and the Appellate Division found that the law violated the Privileges and Immunities Clause and the Commerce Clause of the United States Constitution. The courts also ruled against the City, finding that the law did not violate State constitutional home rule requirements. The decisions were appealed by the State and City to the Court of Appeals, the State's highest court. On April 4, 2000, the Court of Appeals upheld the lower court's decisions. This decision activated the provision in the State's legislation to extend the repeal to out-of-state nonresidents, retroactive to July 1, 1999.

As part of New York State's budget for fiscal year 2000-2001, the State took several actions which reduced both State and City liability. In order to reduce the marriage penalty, the State increased the standard deduction for married families filing jointly from $13,000 to $13,400 in tax year 2001, to $14,200 in tax year 2002, and to $14,600 thereafter. The State also enacted a college tuition benefit, granted either through a refundable credit (which does not affect the City return) or an itemized deduction (which does), for college tuition expenses paid by resident taxpayers on behalf of the taxpayer, the taxpayer's spouse, or dependents who enroll in or attend a qualified institution of higher learning. The credit and deduction are available for undergraduate study. The allowable itemized deduction is limited to $10,000 of tuition expenses and is phased in over four years. For 2001, 25 percent of the tuition expense was deductible, reaching 100 percent in 2004.

As a result of the September 11, 2001 terrorist attack, the filing deadline for the quarterly estimated tax payment due through December 10, 2001 was extended to December 10, 2001. In addition, allowance was made for late filing of payroll withholding until December 10, 2001.

The Federal Job Creation and Worker Assistance Act of 2002 includes an extension of two nationwide business relief tax provisions, a 30 percent depreciation allowance and net operating loss extensions. Additionally, this act established the New York Liberty Zone (NYLZ) in New York City and provides a number of special tax incentives for businesses within the NYLZ. Since the New York City tax laws couple to Federal definitions, the Federal tax reduction flows directly through to the New York City tax base and reduced personal income tax collections in 2003 by approximately $12 million with the largest components of the cost relating to a 30 percent depreciation deduction. New York State laws and New York City local laws adopted during 2003 will not allow the aforementioned bonus depreciation provisions to apply to the New York State and New York City personal income tax, except with property located in Manhattan below Houston Street, effective 2003 and thereafter.

Tax relief for the victims of the September 11, 2001 terrorist attack was provided under New York State Law as part of Chapter 85 of the Laws of 2002. For tax year 2000 and after, New York State forgave the New York State, New York City and Yonkers income tax liabilities of decedents who died as a result of the attack. Income tax was forgiven for these decedents whether they were killed in the attack or in rescue or recovery operations. Any forgiven tax liability owed but not paid would not have to be paid. Any forgiven tax liability that had already been paid was refunded. This tax relief reduced revenues by an estimated $7 million in 2003.

As part of New York State's budget for fiscal year 2003-2004, the State authorized the City to raise revenue through State legislation. Effective January 1, 2003, State and local laws were amended imposing a temporary personal income tax increase through a new rate schedule which superseded the existing base rate schedule and the 14 percent additional tax. The temporary rate schedule combined the base rates with the 14 percent additional tax at the existing brackets and added two new upper income brackets and rates.

A tax table benefit recapture provision was also imposed. The temporary rate schedule along with the recapture provision are scheduled to expire December 31, 2005.

The temporary rate schedule sets the new brackets at $100,000 in taxable income for single, $150,000 for joint and $125,000 for head of household filers and at $500,000 for all filers. The two new higher rates are 4.25 percent and 4.45 percent in tax year 2003. The temporary personal income tax increase is phased out by dropping the first additional rate to 4.175 percent in 2004 and to 4.05 percent in 2005.

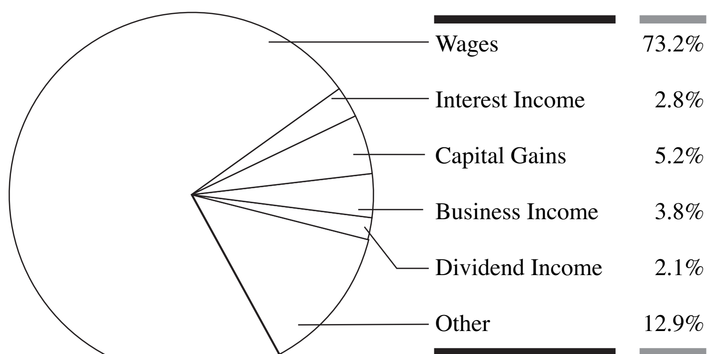
The tax table benefit recapture provision applies a supplemental tax to adjusted gross incomes over $150,000 which "recaptures" the benefit that upper income taxpayers receive because lower tax rates are applied to the lower portions of their taxable incomes. The supplemental tax recaptures a fraction of the benefit previously accorded taxpayers with adjusted gross incomes between $150,000 and $200,000, and would recapture all of the benefit for taxpayers with over $200,000 of adjusted gross income (a taxpayer of any filing status with adjusted gross income over $200,000 would be taxed at the top rate on all of his or her income).

For tax years beginning on or after January 1, 2004, New York City residents are allowed a credit against the City's personal income tax equaling five percent of the Federal earned income tax credit allowed under section thirty-two of the internal revenue code for the same taxable year (New York City Local Law 39). If the City credit is greater than the taxpayer's liability (net of other allowable credits) the excess will be treated as an overpayment and refunded to the taxpayer.

Distribution of Liability: A sample of 2002 tax returns reveals that the majority of resident returns were filed by taxpayers with adjusted gross income less than $50,000 (see charts on this and following page). However, the 26 percent of taxpayers with income greater than $50,000 paid 82 percent of the tax. Wage income was 73 percent of total reported income on resident returns. Capital gains realizations accounted for five percent of income. Interest income accounted for approximately three percent of total reported income. Generally, higher income taxpayers earned most of the nonwage income in the City.

COMPONENTS OF INCOME

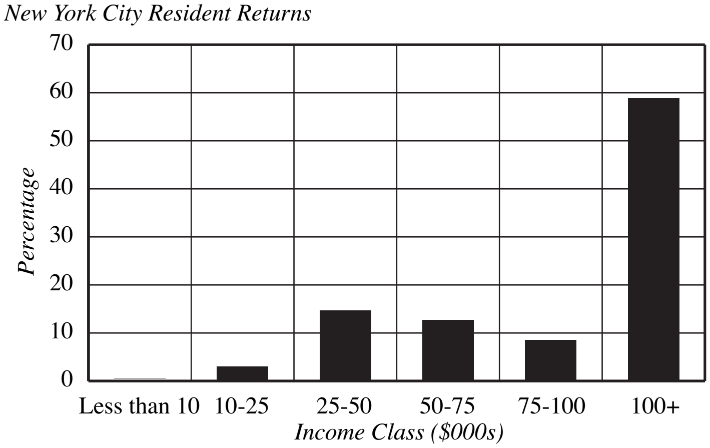
New York City Resident Returns—Tax Year 2002



Source: NYC Department of Finance, Office of Tax Policy

SHARE OF LIABILITY

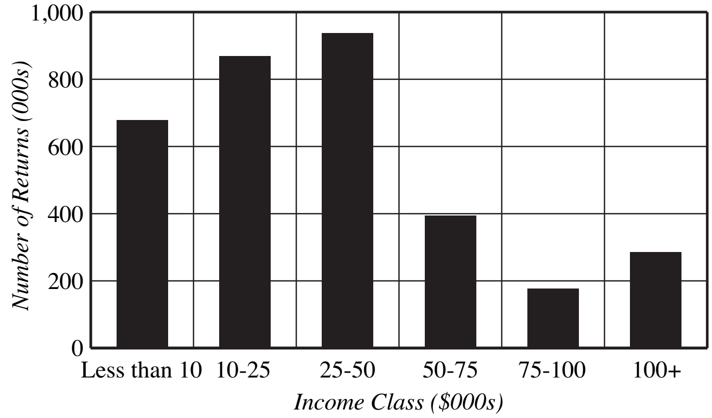
Tax Year 2002
New York City Resident Returns



Source: NYC Department of Finance, Office of Tax Policy

NUMBER OF FILERS

Tax Year 2002
New York City Resident Returns



Source: NYC Department of Finance, Office of Tax Policy

Administration: The New York City personal income tax has been administered by New York State since 1976. All collection information is received from the New York State Department of Taxation and Finance. Daily collection and refund reports are produced by the Accounting Bureau and sent to the City. At the end of the month the City receives a letter from the State Comptroller verifying the final amount of personal income tax revenue by component due to the City for that month. Each month the State charges the City for the administration of the tax. The charge is based on State expenditures for data entry, processing of tax returns and taxpayer services which can be attributed to the City. For 2004, the administrative charge paid by the City was $33 million.

Withholding Tables: Withholding tables are adjusted to reflect changes made to tax rates, standard deductions and the dependent exemption. To implement the New York City Tax Reduction Act of 1987, withholding tables were adjusted in October 1987, October 1988 and October 1989. To implement the temporary surcharge, withholding tables were changed in October 1990 and again in October 1991 to reflect the implementation of the 14 percent additional tax. Withholding tables were changed in January 1999 to reflect the expiration of the 12.5 percent surcharge and again in July 1999 to reflect a reduction in rates due to implementation of the STAR program. Effective January 1, 2000, the City nonresident withholding tables were changed to reflect a reduction in nonresident rates from 0.45 to 0.25 percent on wages, and from 0.65 to 0.375 percent on net earnings from self-employment. The lower rates applied to out-of-state nonresidents only, as in-state nonresidents were exempt from the nonresident earnings tax from July 1, 1999, and thereafter. The nonresident earnings tax repeal did not apply to out-of-state nonresidents until April 4, 2000. Effective January 1, 2001, the withholding tables were changed to reflect the first reduction of the 14 percent additional tax and the last installment of the STAR program rate cut. In response to the second reduction of the 14 percent additional tax effective for tax year 2001, the withholding tables were changed again, effective October 1, 2001. On June 1, 2002, the withholding tables were changed to reflect the full re-imposition of the 14 percent additional tax. Effective July 1, 2003, the withholding tables were changed to reflect the enactment of the temporary tax increase with two new higher income brackets and rates for tax years 2003 through 2005. In order to capture the full year liability change in six months of withholding, the increase in withholding table rates doubled for half of tax year 2003. Effective January 1, 2004, withholding tables were changed to reflect the full-year impact of the new income brackets and rates for tax year 2004. Effective January 1, 2005, withholding tables were changed again to reflect the reduction in the personal income tax rate for the second highest income bracket for tax year 2005.

Forecast: The personal income tax is forecast at $5,872 million in 2005, an increase of 7.9 percent over the prior year and an increase of $587 million from the January Plan forecast. In 2006, the personal income tax is forecast at $5,991 million, growth of 2.0 percent from the prior year and an increase of $1,147 million from the January Plan forecast. The 2006 increase is due to a reduction in 2006 TFA retention, the result of a decline in retention of $8 million from the January Plan forecast, coupled with a TFA roll of $947 million, bringing TFA retention to zero in 2006. After adjusting for the temporary personal income tax increase and the TFA retention, the personal income tax is forecast to grow 19.3 percent in 2005 and decline 2.8 percent in 2006.

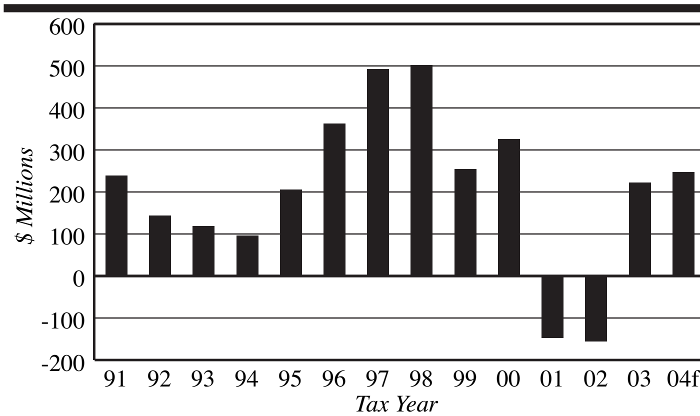
Personal income tax collections growth, prior to TFA retention, has continued strong into 2005. The steady growth of the national and local economies over the past two years, higher than expected profits on Wall Street in calendar year 2004, and rebounding employment in the City in calendar year 2004 have increased income subject to the personal income tax. As a result, personal income tax collections, on a common rate and base, are forecast to grow 19.3 percent in 2005, after growing 15.5 percent in 2004.

In 2005, withholding is forecast to grow 10.5 percent on a common rate and base, following growth of 7.7 percent in 2004. This strength stems from a 6.0 percent increase in wage earnings in 2005, following the 5.8 percent increase the previous year, and higher than expected bonus payouts in calendar year 2004. Strong Wall Street profits of $13.7 billion boosted growth in the financial industry's average wage in calendar year 2004 to 15.3 percent. In the July through November period, withholding collections on a common rate and base increased 10.5 percent from the prior year, reflecting the beginning of City employment gains. From December through March (the bonus period), withholding collections grew 12.9 percent on a common rate and base, after an increase of 19.0 percent the prior year. During the remaining quarter of the year, withholding is forecast to increase 5.9 percent, on a common rate and base, in line with the wage earnings forecast for the period.

Installment payments on liability year 2004 increased 19.3 percent on a common rate and base after a 2.7 percent growth in 2003. Installment payments have risen due in part to forecast strong growth in capital gains realizations (30 percent) in calendar year 2004, after an estimated 15 percent increase in calendar year 2003. Growth in other nonwage income sources in calendar year 2004, in particular, proprietors' income which grew 4.4 percent and dividends, interest and rent income, which grew 3.6 percent after flat growth in calendar year 2003, also contribute to growth in installment payments on 2004 liability.

Remittances for settlement payments (final returns, extensions, State/City offsets and refunds) on tax year 2004 are forecast to exceed refunds by $247 million for liability year 2004, an increase of $25 million from the prior year. Total liability on tax year 2004 is forecast to increase 16.9 percent (common rate and base), and to grow 12.6 percent including the temporary personal income tax increase and other tax law changes. Refund payouts on tax year 2004 are expected to increase from the prior year's level partially due to the enactment of the New York City Earned Income Credit. Final returns are forecast to increase substantially on a cash basis from the prior year. Extensions are also expected to increase from the prior year level.

SETTLEMENT PAYMENTS



Note: Adjusted for the City/State final return reconciliation.
f = Forecast

Withholding growth in 2006 is forecast at 2.7 percent, reflecting a decline in collections from the expiration of the temporary personal income tax increase. On a common rate and base, withholding collections are forecast to grow 5.2 percent, paralleling the wage earnings growth forecast for the year.

Installment payments are forecast to increase 7.6 percent in 2006, on a common rate and base, reflecting a five percent growth in forecast capital gains realizations in tax year 2005. On a collections basis, installment payments are forecast to grow 1.5 percent in 2006 due to the expiration of the temporary personal income tax increase affecting the last installment payments of 2006 (the first two installments on tax year 2006 due in April and June).

Personal income tax revenue is forecast to average 4.1 percent growth from 2007 through 2009, on a common rate and base, as wage and nonwage income growth slows in 2007, paralleling the deceleration in overall economic growth in both the national and local economies. A return to trend growth is forecast for 2008 and 2009, reflecting the rebounding national and local economies.

Personal Income Tax Collections By Component
($ Millions)

	2003	2004	2005 *f*	2006 *f*
Withholding	$3,901	$4,510	$4,861	$4,991
Estimated Payments [1]	738	1,108	1,512	1,314
Final Returns	217	325	495	306
Other [2]	401	425	458	305
Gross Collections	$5,257	$6,368	$7,305	$6,916
Refunds	(798)	(816)	(924)	(925)
Net Collections	$4,460	$5,552	$6,381	$5,991
Less TFA Retention	(537)	(109)	(509)	(0)
Total	$3,923	$5,444	$5,872	$5,991

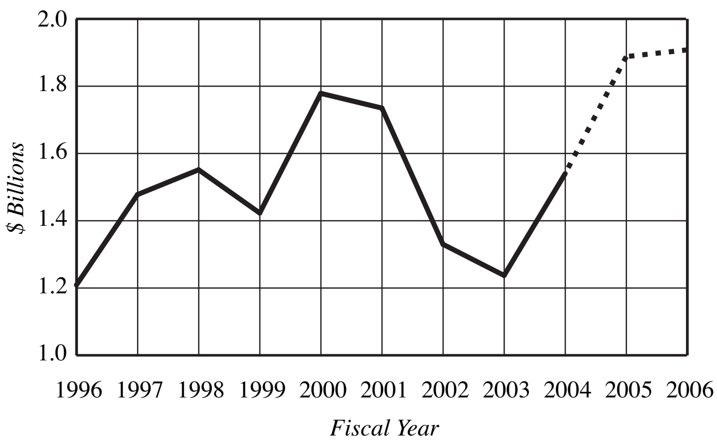
(1) Includes extension payments.

(2) Offsets, charges, assessments less City audits.

f= Forecast. Totals may not add due to rounding.

GENERAL CORPORATION TAX

GENERAL CORPORATION TAX 1996-2006



The general corporation tax is projected to account for 6.4 percent of tax revenue in 2006, or $1,908 million.

Tax Base and Rate: New York City's general corporation tax was first enacted in 1966 and is imposed on all corporations, domestic and foreign, for the privilege of doing business, employing capital, owning or leasing property or maintaining an office in New York City. Banking companies are subject to the banking corporation tax and therefore do not pay the general corporation tax. Insurance firms, nonprofit corporations and residential mortgage insurance corporations (REMICs) are exempt from the general corporation tax. For taxable years beginning on or after January 1, 1998, the general corporation tax also does not apply to an alien corporation whose activities in New York City are limited solely to investing or trading in stocks, securities or commodities for its own account.

To determine tax liability, a corporation is required to make three alternative calculations and compare these to a fixed minimum tax of $300. The tax due is the largest of the four amounts. The three alternative tax calculations are: (1) net income: 8.85 percent of the firm's entire net income allocated to the City; (2) income–plus–compensation: 2.655 percent of the sum of allocated net income plus the compensation paid to individual shareholders owning at least five percent of the firm; and (3) allocated capital: 0.15 percent of the firm's business and investment capital allocated to the City. There is an additional tax on subsidiary capital allocated to the City, at the rate of 0.075 percent. The sum of the liability paid on the highest of the four alternative bases and the tax on subsidiary capital is the firm's total tax liability.

The starting point for determining the net income base, 77.7 percent of corporate liability in tax year 2001, is Federal taxable income, which must be modified to account for differences between New York City and Federal treatment of various items, including depreciation, tax-exempt interest and net operating loss deductions. This modified income must be divided between business income and investment income, and then allocated between income derived from New York City activities and income derived from activities outside of the City. Business income is defined as the firm's entire net income less its investment income (dividends and interest from nonsubsidiary operations). The allocation formula used by most firms for business income is the average of the following ratios: (1) New York City tangible property to total property; (2) New York City receipts to total receipts; and (3) New York City payroll to total payroll. Manufacturing firms are allowed to "double weight" the receipts factor for tax years beginning on or after July 1, 1996. Of firms that pay the general corporation tax on the net income basis, slightly over half have operations both inside and outside New York City and therefore allocate their business income according to this formula. Investment income is allocated according to the amount of capital employed in New York City by the issuing corporation.

The income–plus–compensation base accounted for approximately 12.6 percent of corporate tax liability in tax year 2001. The purpose of this alternative base is to tax firms which may lower their taxable income by classifying dividends (which are not deductible) as salaries and other forms of compensation (which are deductible). The starting point for determining this base is New York City allocated net income, to which the compensation paid to shareholders owning more than five percent of the corporation's outstanding stock must be added back. After a statutory deduction of $40,000, the firm applies the 8.85 percent rate to 30 percent of this base (hence the 2.655 percent effective tax rate).

The alternative tax on allocated capital accounted for approximately 5.6 percent of all corporate tax liability in tax year 2001. This base is designed to tax firms which have low net income, either because of temporary financial difficulties or because of extensive use of tax preferences, such as deductions and net operating loss carryforwards. To determine the tax obligation under this base, a firm must compute the value of its business and investment assets, deduct liabilities against those assets and, if eligible, allocate a portion of the business capital and investment capital to the City using the same allocation formula described previously. The 0.15 percent rate is then applied. In 1998, a cap was placed on the business and investment capital tax base, limiting a corporation's tax on New York City allocated business and investment capital to a maximum of $350,000.

The additional tax on subsidiary capital (defined as a corporation of which over 50 percent of the outstanding voting stock is owned by the taxpayer) is imposed because entire net income excludes income derived from subsidiary operations. Subsidiary capital is allocated according to the amount of capital employed in New York City and taxed at a rate of 0.075 percent. All taxpayers are eligible to allocate subsidiary capital.

Legislative History: Prior to 1977, the tax rate on net corporate earnings was 10.05 percent. In 1977, the rate was reduced to 9.5 percent, and in 1978, the rate was again lowered to 9.0 percent where it remained until 1987, when it was reduced to 8.85 percent.

In response to business tax reform initiatives at the Federal and State levels, New York City has altered the general corporation tax. The Federal Economic Recovery Tax Act of 1981 and the Tax Equity and Fiscal Responsibility Act of 1982 substantially altered Federal business taxes by instituting the Accelerated Cost Recovery System (ACRS) and more liberal leaseback provisions. Under the provisions of ACRS, property could be rapidly depreciated in the first few years of service. Since the general corporation tax uses the Federal definition of net taxable income as the starting point in determining tax liability, firms depreciating property under ACRS would have been able to drastically lower their New York City tax obligation. To avoid a substantial loss of revenue, the City uncoupled from the Federal ACRS in 1982 and required firms to depreciate assets under the Asset Depreciation Range. In 1985, however, the City joined with New York State in allowing New York State assets to be depreciated under ACRS. In 1994, ACRS was extended to property placed in service outside New York State.

The Federal Tax Reform Act of 1986 substantially broadened the State and City corporate base by limiting or eliminating various deductions (such as entertainment expenses and natural resource depletion allowances) and accelerating taxable income by requiring corporations to recognize income earlier than under previous law. In order to return the business tax "windfall" which was expected to result from this change, New York State passed the Business Tax Reform and Rate Reduction Act (BTRRRA) in 1987. The City also took steps to return the windfall by lowering its corporate tax rate by 0.15 percentage points, to 8.85 percent, effective for tax year 1987. In July of 1988, the State Legislature passed a bill to conform the City tax law to changes made as part of BTRRRA. As part of this legislation, which became effective in tax year 1988, the City: (1) exempted residential mortgage insurance corporations (REMICs) from the tax; (2) established a ceiling on the alternative capital base of $350,000; (3) amended the definitions of subsidiary, investment and business capital to allow for the deduction of long-term debt; (4) required leased personal property to be included in the formula for calculating the business allocation percentage; (5) eliminated the deduction for franchise, income or similar taxes paid to other states and localities; and (6) repealed the interest add-back rule which required that 90 percent of the interest paid to a shareholder owning more than five percent of issued capital stock be added back to income when computing entire net income.

In June of 1989, the City's tax law was amended again. This time it was to conform to changes which were made to the Article 9-A tax as part of the State's fiscal year 1989-90 tax program. As part of this legislation, which generally became effective in tax year 1989, the City: (1) increased the flat fee minimum tax from $125 to $300; (2) eliminated net operating loss carrybacks; (3) limited tax benefits for merger and acquisition activity; (4) repealed the transportation tax, moving these taxpayers to the general corporation tax; (5) amended the provision which allowed taxpayers to exclude from entire net income 50 percent of dividends from nonsubsidiary corporations by disallowing the deduction when the shares of stock are held for less than 45 days; (6) disallowed the option to use the business allocation percentage or the investment allocation percentage based upon whether the taxpayer was predominantly a business corporation or an investment corporation; and (7) clarified the rules for an issuer's allocation percentage of a corporate issuer of stock.

Effective July 1, 1990, the general corporation tax was amended by local law to conform the filing schedule for estimated payments to the schedule used at the Federal and New York State levels. Estimated payments by calendar year corporations are now due in September and December.

The Federal Omnibus Budget Reconciliation Act of 1993 enacted a host of tax law changes including a number of provisions affecting corporate taxes which flow through to the City tax. Among the major provisions are a mark-to-market inventory valuation rule change for securities dealers, a reduction in the business meals and entertainment deduction and an increase in the capital investment limit allowed for small businesses.

In 1994, New York State enacted legislation which allowed for the formation of a new type of business entity in New York State, a limited liability partnership or company (LLC). LLCs have some of the limited liability aspects of corporations and the tax treatment of partnerships for Federal, State and local tax purposes. LLCs pay a fee to the State, and those conducting business in the City are subject to the City unincorporated business tax. Over time, the number of corporations is expected to decline as new businesses increasingly opt for the LLC business form. The shift of filers from the general corporation tax base to the unincorporated business tax base is forecast to decrease the corporation tax collections by an estimated $150 million in 2005 and $165 million by 2009.

The income–plus–compensation alternative tax computation of the general corporation tax has been modified by phasing out the portion of the tax that applies to compensation paid to corporate officers and by increasing the per-firm statutory deduction. For tax years beginning on or after July 1, 1996, 25 percent of officers' compensation was exempted from the tax. For tax years beginning on or after July 1, 1997, the statutory deduction per firm was raised from $15,000 to $30,000. For tax years beginning on or after July 1, 1998, 50 percent of officers' compensation was exempted from the tax and the statutory deduction per firm was raised from $30,000 to $40,000. For tax years beginning on or after July 1, 1999, a 100 percent exemption for officers' compensation applies. Compensation paid to individual shareholders owning at least five percent of the firm remains fully subject to the alternative tax.

For tax years beginning on or after July 1, 1996, "the place of business" requirement for allocation of taxable income for the general corporation tax has been repealed. Under City tax law, a business operating in the City with a place of business outside the City is allowed to apportion its business income according to a three-factor formula based on the share of its total property, payroll and receipts in New York City. The right to apportion income was previously not available to firms that sold goods or services throughout the country or the world, but only had a City business location. These firms were required to pay tax on all taxable income. All taxpayers conducting business outside the City are now allowed to allocate income with the elimination of the "place of business" requirement.

For tax years beginning on or after July 1, 1996, manufacturing firms are allowed to "double weight" the receipts factor in the allocation formula for the general corporation tax. This enables City-located manufacturers to allocate more of their income outside the City, thus reducing their City business income taxes and aiding their competitiveness.

In an effort to promote greater uniformity between the State and City corporate income tax laws, the following amendments were made to the City's tax in 2001: (1) repeal of City tax provisions enacted in 1990 that penalized certain highly leveraged mergers, consolidations and acquisitions for tax years beginning after 1999, (2) modification to the calculation of the mandatory first estimated tax installment to allow credits to be deducted in determining the amount of the prior year's tax used to calculate the first installment, (3) amendment of various tax provisions governing deficiencies and overpayments attributable to net operating loss carrybacks to include deficiencies in overpayments attributable to carrybacks of capital losses.

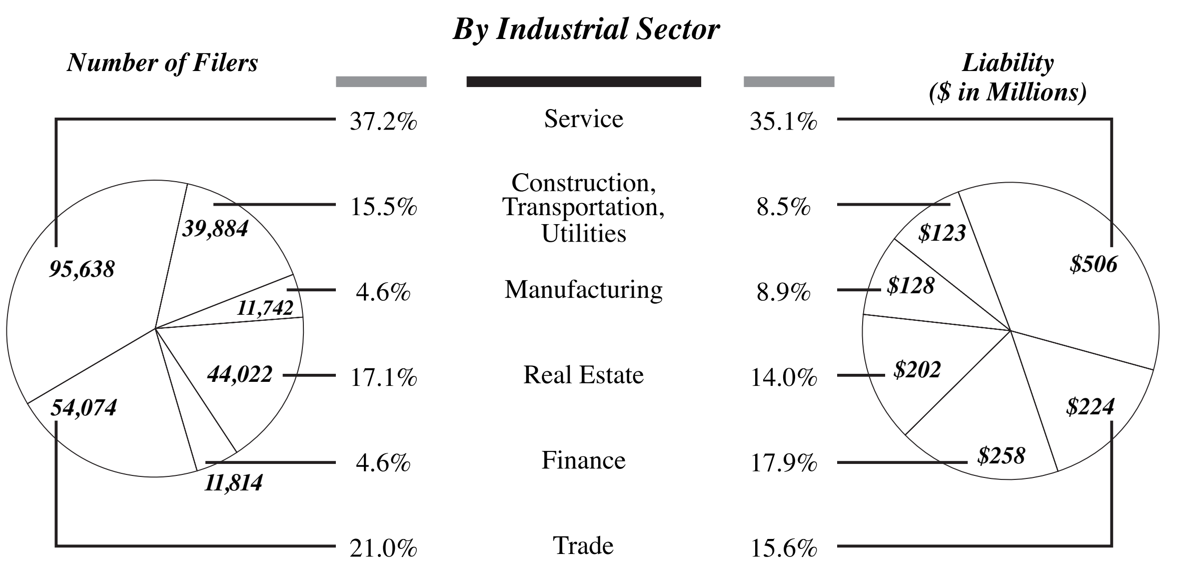
As a result of the September 11, 2001 terrorist attack, the filing deadline for the quarterly estimated tax payment due September 17, 2001 was extended to December 17, 2001.

The Federal Job Creation and Worker Assistance Act of 2002 allows taxpayers an additional 30 percent depreciation deduction in the first year "qualified property" is placed in service. A similar depreciation deduction for "qualified property" in the New York Liberty Zone (NYLZ) and the Resurgence Zone is allowed. The NYLZ generally encompasses the area in the borough of Manhattan below Canal Street and the Resurgence Zone encompasses the area between Canal Street and Houston Street. Additionally, the Act also allows NYLZ leasehold improvements to be depreciated over a five-year period using a straight line method as well as an additional first-year expense deduction of up to $35,000 for "qualified NYLZ property". To avoid a significant loss of revenue, New York City general corporation tax law was amended to limit the depreciation deductions to "qualified property" within the NYLZ and the Resurgence Zone only and to limit the additional first-year expense deduction to "qualified NYLZ property".

Industrial Mix of General Corporation Tax Revenue: The following chart is based on data from a statistical report of corporate returns for tax year 2001 (the latest year for which data is available from the Department of Finance (DOF)) and reflects the distribution of City tax liability and number of filers by industrial sector. In 2001, the service sector (information, professional/technical/managerial and other services) and finance sector accounted for over half of general corporation tax liability. The service and trade sectors accounted for the largest number of taxpayers, 37 percent and 21 percent, respectively.

Since 1990 the total general corporation tax liability has increased 48 percent from $972 million to $1,442 million in 2001. A large portion of the growth in liability is a result of growth in the finance sector, more

GENERAL CORPORATION TAX *(Tax Year 2001)*



Source: NYC Department of Finance, Office of Tax Policy

specifically in securities and commodities firms. Securities and commodities liability has grown 214 percent from $64 million in 1990 to $201 million in 2001. This sector now accounts for 14 percent of general corporation tax liability up from seven percent in 1990.

During the 1990s the securities industry grew rapidly in New York City. Strength in the stock market and robust earnings for investment banking firms increased tax liability. In addition to the finance sector, the real estate sector grew significantly during the 1990s. Real estate liability has more than doubled and the number of firms has steadily increased as well. The total number of firms paying the general corporation tax increased from 203,223 in 1990, to 257,174 in 2001.

However, not all sectors have been growing. Manufacturing firms have been steadily moving out of the City. In 1990, 18,115 manufacturing companies accounted for 19.4 percent of general corporation tax liability. In 2001 there were 11,742 manufacturing companies in the City which accounted for only 8.9 percent of general corporation tax liability.

Comparisons of liability between years are estimated due to changes in the classification of companies and categories. Until 1998, liability was reported in five main categories with 27 sub-categories (classified according to Standard Industrial Classifications (SIC) codes). Starting in 1998 reported liability was broken into eight categories with 40 sub-categories. Now they are grouped according to North American Industrial Classification (NAICs) codes. Definitions for certain categories were also changed in 1998.

Forecast: The 2005 general corporation tax is forecast at $1,844 million, an increase of 19.7 percent from the prior year and an increase of $90 million from the January Plan forecast. For 2006, the general corporation tax is forecast at $1,908 million, growth of 3.5 percent from the prior year, and a $91 million increase from the January Plan forecast. On a common rate and base, general corporation tax revenue is forecast to grow 17.4 percent in 2005 and 3.8 percent in 2006.

Through March, general corporation tax collections have increased 28.5 percent from the prior year period. New York Stock Exchange (NYSE) member firms posted strong profitability in calendar year 2004, continuing the rebound started in calendar year 2003, after two years of significant declines in calendar years 2002 and 2001. In calendar years 2001 and 2002 profits were down 50.4 and 33.5 percent year-over-year, respectively, as the City weathered a national recession and the financial impact of the September 11, 2001 terrorist attack. In calendar year 2003, the City's recovery began with stronger than expected Wall Street profits of $16.8 billion, the highest level since calendar year 2000. Trading gains were significant in calendar year 2003, increasing 69.5 percent over the prior year, while securities firms cut costs nearly 10 percent. While NYSE member-firm profits were not as strong in calendar year 2004 ($13.7 billion in profits) as the prior year, NYSE member firms' profitability was broader-based. NYSE member firms saw double digit growth over calendar year 2003 in M&A and underwriting revenue. However, after three years of cost cutting, NYSE member firms faced increased costs, largely due to interest expenses, which were up 33.8 percent from calendar year 2003.

Finance industry firms are expected to continue to report solid earnings during calendar years 2005 and 2006. Strong earnings have been reported for the first quarter of calendar year 2005 from the large investment banks. This suggests that June collections, which reflect declarations of estimated tax on calendar year 2005, will be strong. Finance liability for corporate taxpayers is estimated to be flat, at a high level in calendar year 2004, following strong growth of 25.7 percent in calendar year 2003 and the declines of 4.1 and 31.9 percent seen in calendar years 2002 and 2001, respectively.

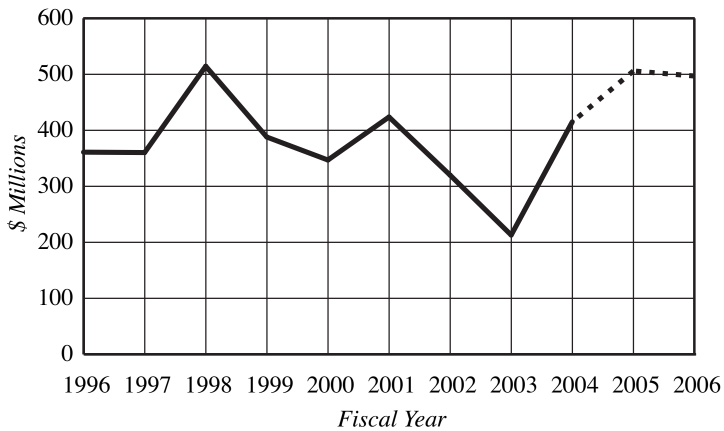
Non-finance sector liability is estimated to grow 5.0 percent in calendar year 2004, after a 2.7 percent increase in calendar year 2003, following two years of declines in calendar years 2002 and 2001. The non-finance sector has rebounded slower than the finance sector. In calendar year 2003, finance taxpayers' estimated liability increased 25.7 percent over the prior year while non-finance taxpayers' estimated liability increased only 2.7 percent. In calendar year 2004, growth in Gross City Product (GCP) and national pre-tax corporate profits, evidenced by job gains in the City, lead to non-finance sector liability growth of 5.0 percent.

Moderate growth in NYSE member-firm profits and a deceleration in the growth of the national and local economies lead to 3.5 percent growth in general corporation tax revenues in 2006. In calendar year 2005, after strong growth in the past two years and a five-year high for real GDP growth in calendar year 2004 (4.4 percent), national economic growth is forecast to decelerate, as the economic recovery matures and the Federal Reserve continues to raise short-term interest rates. Further, NYSE member-firm profits are estimated to be $14.4 billion for calendar year 2005, maintaining a high profitability level but only slightly higher than calendar year 2004, due to continued strength in M&A and underwriting activity, limiting finance sector liability growth. A forecast decline in NYSE member-firm profits in 2007 is followed by a rebound in 2008 and 2009 while steady growth in GCP, national pre-tax corporate profits, and professional services employment yield revenue growth of 4.9 percent on average (common rate and base) from 2007 through 2009.

BANKING CORPORATION TAX

The banking corporation tax is projected to account for 1.7 percent of tax revenue in 2006, or $497 million.

BANKING CORPORATION TAX 1996-2006



Tax Base and Rate: The banking corporation tax is imposed on banking corporations for the privilege of doing business in New York City. Corporations subject to the tax include commercial banks, savings banks, savings and loan associations, bank holding companies and foreign banks. Investment banks, securities brokers and other non-bank financial institutions subject to the general corporation tax are exempt.

Banks make three calculations of tax liability, compare the results to a fixed minimum tax of $125 and pay whichever amount is greatest. The three alternative calculations are: (1) nine percent of entire net income allocated to the City (Federal taxable income with certain New York modifications); (2) three percent of alternative entire net income allocated to the City (entire net income adjusted to eliminate the effect of certain tax benefits allowed in the calculation of entire net income); and (3) one-tenth of a mill of each dollar of taxable assets located in the City. Ailing thrifts are exempt from the last alternative, and foreign banks must calculate this base as 0.26 percent of the face value of issued capital stock allocated to the City.

Legislative History: The banking corporation tax has been imposed since 1966. The current law was enacted in 1985 and closely resembles the New York State bank tax law.

In July 1985, State legislation was enacted which restructured the banking corporation tax, effective January 1, 1985. Recognizing that the line between bank and non-bank financial institutions had become blurred, the amendments were designed to make the tax more analogous to the general corporation tax. The law lowered the nominal tax rate on allocated entire net income from 13.823 percent (12.134 percent for savings banks) to nine percent for all banking corporations. This rate reduction was coupled with a number of base-broadening provisions. In addition, the separate accounting method of allocating entire net income was replaced by formula allocation, based on payroll, receipts and deposits. The factors included in the formula, with the exception of deposits, are similar to those used by non-banking corporations. The adoption of the three-factor allocation formula also provided consistency in the jurisdictional apportionment of income since these same allocation factors are commonly used in other states.

In addition, the 1985 bank tax law established two new alternative bases: alternative entire net income and taxable assets. Alternative entire net income adds back certain deductions allowed in the calculation of entire net income. These deductions are: (1) 17 percent of interest from subsidiary capital; (2) 60 percent of dividend income and gains and losses from subsidiary capital; and (3) 22.5 percent of the interest income earned on holdings of obligations of the United States, New York State and localities within the State. Taxable assets are the average value of assets reflected on a bank's balance sheet.

The 1985 changes maintained the 1978 provisions authorizing an exemption for net income generated by the operation of an international banking facility (IBF). Deposits in an IBF are not subject to reserve requirements or interest rate ceilings and the IBF is not required to pay FDIC premiums. State law exempts income generated by an IBF from both State and City taxation. These exemptions were designed to enhance the ability of banks to conduct international business in New York City.

The major difference between the State and City banking corporation tax laws is the treatment of foreign banks under the alternative tax base on assets. For banks organized under the laws of another country, New York State imposes the alternative tax on assets, while New York City imposes the alternative tax on capital stock.

Effective in tax year 1987, the banking corporation tax was uncoupled from Federal bad debt deduction guidelines. The Federal Tax Reform Act of 1986 required that large commercial banks, those with assets over $500 million, deduct only actual loan losses when determining taxable income, rather than deducting an addition to a loan loss reserve account based on a percentage of loans outstanding. These banks were required to recapture into income portions of their outstanding loan loss reserves over a four-year period beginning in 1987. Uncoupling allowed banks to use the more liberal pre-reform bad debt reserve deductions for State and City tax purposes. For thrifts and mutual savings banks, Federal tax reform retained the percentage-of-taxable-income method of deducting bad debts but reduced the excludable percentage from 40 to eight percent.

Effective in tax year 1990, the banking corporation tax was amended, changing the deadline for estimated payments to conform to Federal and State schedules. Estimated payments are now due in September and December for banks with a January through December fiscal year.

The Federal Omnibus Budget Reconciliation Act of 1993 again altered the definition of corporate net income for Federal income tax purposes, the starting point for calculating the City bank tax. The major provision affecting City banks is a mark-to-market inventory valuation change for securities dealers.

As a result of major revisions in the Federal bad debt deduction guidelines applicable to thrifts passed in tax year 1996, the City and the State decoupled from the Federal bad debt deduction guidelines in order to preserve the status quo and to avoid an increase in the City tax liability of thrifts (effective for tax years beginning on or after January 1, 1996). The existing New York methodologies were maintained.

The receipts factors of the income allocation formula of the City's banking corporation tax were amended, effective for tax years beginning on or after January 1, 2000, to permit receipts from management, administration or distribution services performed for regulated investment companies (mutual funds) to be allocated based on the domicile of the mutual funds' shareholders.

The Federal Job Creation and Worker Assistance Act of 2002 allows taxpayers an additional 30 percent depreciation deduction in the first year "qualified property" is placed in service. A similar depreciation deduction for "qualified property" in the New York Liberty Zone (NYLZ) and the Resurgence Zone is allowed. The NYLZ generally encompasses the area in the borough of Manhattan below Canal Street and the Resurgence Zone encompasses the area between Canal Street and Houston Street. Additionally, the Act also allows NYLZ leasehold improvements to be depreciated over a five-year period using a straight line method as well as an additional first-year expense deduction of up to $35,000 for "qualified NYLZ property". To avoid a significant loss of revenue, New York City banking corporation tax law was amended to limit the depreciation deductions to "qualified property" within the NYLZ and the Resurgence Zone only and to limit the additional first-year expense deduction to "qualified NYLZ property".

Banking Industry Trends: In the 1990s, regulatory reform, technological change and globalization unleashed competitive forces in the banking industry.

For years banks had faced competition from securities firms whose product innovations in debt underwriting, loan syndication and brokerage offerings put pressure on the traditional bank profit centers of commercial lending and retail saving. In response, banks pushed for reform of the Glass-Steagall Act and sought to expand on their ability to underwrite some bonds, underwrite securities and offer investment services. Even before the repeal of Glass-Steagall, banks were expanding into the securities industry in the U.S. and abroad through the acquisition of securities firms as subsidiaries. Passage of the Gramm-Leach-Bliley Act in November 1999 effectively repealed Glass-Steagall, allowing banks, insurers, and securities firms to affiliate under a financial holding company. This reform has altered the playing field for banks and securities firms.

The merger of Citicorp and Salomon Smith Barney under Travelers Group has been consummated, creating one of the largest financial conglomerates in the world. The result is that now banks provide a variety of financial services to the commercial and retail market directly or through subsidiaries, previously available only through securities firms.

At the same time, fueled by technological innovation and the global integration of financial markets, American banks have sought to expand their international presence while foreign banks have increased their presence in the U.S. Deutsche Bank increased its U.S. presence with the purchase of Bankers Trust in 1999. The following year, Credit Suisse, which already owned First Boston, a U.S. investment banking firm, bought Donaldson, Lufkin & Jenrette, to gain market share in high yield bond underwriting. With an increase in investment banking and mergers and acquisitions in European and Asian markets, American banks and brokerage firms have expanded their presence in these regions by acquiring local financial institutions.

Simultaneously, banks have sought to reduce overcapacity, to achieve global economies of scale, and to increase automation in an unrelenting quest for cost reductions. This drive for economies of scale and reduction in overcapacity is seen in many of the recent bank mergers, like the formation of JPMorgan Chase from its predecessors, Chase, JPMorgan, Chemical and Manufacturers Hanover. With such mergers the order of the day, many bank branches have been closed and consolidated across the country. In New York City alone, this has resulted in a decline of almost 40 percent in bank employment since 1990. The introduction of ATMs and on-line computer banking is another visible indication of this drive to cut costs.

As a result of these changes, large New York City banks now have diverse revenue sources and in many ways behave more like investment firms than traditional banking institutions. Some banks actually earn more of their revenues from investment banking services and fees than interest income. For example, banks' share of lead-managed underwriting deals in the U.S. has increased from less than 13 percent in 1994 to over 50 percent in 2000 for corporate bonds, from 33 percent to over 50 percent for asset-backed bonds, and from three percent to 33 percent for equities.

In the second half of the 1990s, banks for the most part were highly profitable. A soaring stock market and a strong national economy, with high levels of consumer borrowing, led to record revenues. This streak of profitability continued into the first half of calendar year 2000, with banks participating in record levels of underwriting and merger and acquisition activity in the U.S. and overseas. In the second half of calendar year 2000, volatility slowed underwriting and pushed some trading desks and venture capital investments quickly from profit to loss. However, operating earnings at most banks for calendar year 2000 were close to or exceeded the prior year's levels, despite the fact that mergers and acquisitions charges resulted in year over year declines in profits at several banks.

Like the securities industry, commercial banks struggled in calendar year 2001. Pre-tax net income fell significantly at most large banks with all business areas experiencing a decline. While banks benefited from lower interest rates as lending activity increased, higher provisions for loan losses resulted in lower net interest revenue. In the fourth quarter, interest revenue was further weakened as banks were forced to make huge provisions for loan losses related to Enron debt, Argentine bonds and other commercial loans that had deteriorated. Revenue from capital markets activity also slowed throughout the year and although some banks profited from the rise in corporate bond underwriting, weakness in trading and other revenues offset these gains.

Non-interest earnings at large banks were also overwhelmed by the write-downs in the value of venture capital investments from the previous two years and the stock market bubble of that period.

In calendar year 2002, pretax profits continued to decline at most commercial banks. Economic conditions weakened throughout the year leading to a decline in commercial lending and an increase in nonperforming commercial loans. This was offset to some degree by record levels of consumer lending, but net interest income fell at most banks. Non-interest revenue fell as a result of lower volumes of underwriting, merger and acquisition advisory activity and trading. Venture capital investing did not result in increased profits for banks involved in this business and the adjustment in the value of these investments also reduced earnings. Money center banks did manage to lower operating costs, however, this was in line with lower revenues. For the most part, banks reported positive pretax net income in this environment.

Calendar year 2003 was a prosperous year for large commercial banks. Savings and Loans and thrifts showed only marginal earnings improvement in the tough interest rate environment. The financial markets performed well during the year compared to the previous two years resulting in significant profit growth from trading and principal transactions among the large commercial banks. Additionally, banks' private equity portfolios increased in value, helping to boost earnings. After several years of losses and weak performance by the equity markets, investors shifted considerable savings from equities to retail bank deposits. This provided an opportunity for retail banks to increase deposits and therefore profitability. As a result, competition for retail banking business increased, as banks added new branches at the fastest rate since 1998. The New York City area gained a net of 72 branches from July 1, 2002 to July 1, 2003.

In calendar year 2004, New York City area commercial banks posted healthy gains in asset management revenues and investment banking fees, but expenses outpaced revenue growth, partly due to significant legal settlements and increasing regulatory compliance costs. Section 404 of the Sarbanes-Oxley Act of 2002 took effect on December 31, 2004, making it mandatory for banks and their auditors to certify the effectiveness of their internal controls, which will likely keep compliance costs high.

Calendar year 2004 was a solid year for mergers and acquisitions with 282 deals valued at $131 billion within the banking industry. In the first half of the year, the industry saw two huge deals, as Bank of America merged with FleetBoston and JPMorgan Chase merged with Bank One, and in the second half of the year, there were a greater number of deals but for a lesser value than in the first half.

Fourth quarter 2004 earnings at the major banks showed that their net interest margins were being negatively impacted by the flattening yield curve, the result of the Federal Reserve raising the fed funds rate without a comparable rise in the 10-year Treasury yield. Many banks had substantial growth in commercial loan volume, which helped stem the effects of the flattening yield curve on their interest margins.

Forecast: The 2005 banking corporation tax is forecast at $506 million, an increase of 21.9 percent from the prior year and an increase of $65 million from the January Plan forecast. The banking corporation tax is forecast at $497 million in 2006, a decline of 1.8 percent from the prior year and an increase of $59 million from the January Plan forecast.

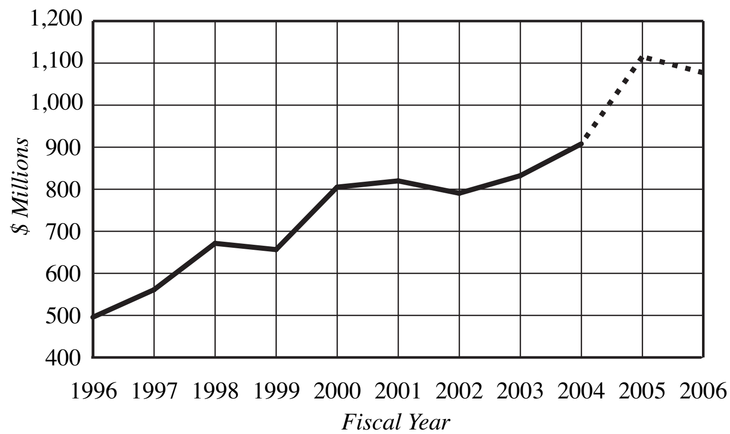
Through March, banking corporation tax collections are up 74.9 percent from the prior year, due to rebounding profitability at New York City banking corporations from both capital markets activity and expanding loan portfolios. For 2005, the forecast refund payout is above the prior year's level but remains 50 percent less than the historically high level paid out in 2003, as banks have liquidated much of their overpayments on account over the past two years.

In 2006, banking corporation tax collections are forecast to decline 1.8 percent but remain at a historically high level. The Federal Reserve is expected to continue to raise short-term interest rates, and banks' earnings growth is expected to slow as the interest rate margin compresses and the pace of national and local economic growth slows. These factors also lead to an average decline of 3.5 percent (common rate and base) in banking corporation tax collections from 2007 through 2009.

UNINCORPORATED BUSINESS TAX

The unincorporated business tax is projected to account for 3.6 percent of tax revenue in 2006, or $1,077 million.

UNINCORPORATED BUSINESS TAX 1996-2006



Tax Base and Rate: The unincorporated business tax is levied on the business income of all proprietorships and partnerships doing business in New York City. The tax is paid in addition to the City's personal income tax. Unincorporated businesses include trades, professions or occupations conducted by individuals or unincorporated entities, such as partnerships, estates, trusts and limited liability companies (LLCs). The unincorporated business tax rate has been 4.0 percent since its imposition in 1966.

Entities engaged in the purchase and sale of property on their own account, except as a dealer holding property primarily for sale to customers in the ordinary course of trade or business, are excluded from the unincorporated business tax base. This exclusion includes the purchase, sale or writing of stock option contracts. The self-trading exemption was expanded for tax years beginning on or after January 1, 1996 to reflect the changing marketplace. Qualifying property now specifically includes not only stocks and securities but also foreign currencies, publicly traded commodities and derivative financial instruments (including options and futures contracts).

Every unincorporated business which operates in New York City must file quarterly declarations of estimated tax if its estimated tax can reasonably be expected to exceed $1,800. Final returns must be filed by every partnership having unincorporated business gross income exceeding $25,000 or having unincorporated business taxable income exceeding $15,000. Unincorporated businesses other than partnerships must file final returns if their unincorporated business gross income exceeds $75,000 or their unincorporated business taxable income exceeds $35,000. The unincorporated business tax base starts with the Federal definition of net profits from business operations plus other business income and is then modified to reflect differences between City and Federal rules. Income is allocated if the business is conducted both inside and outside the City. Income allocation is determined either by a separate accounting method or by a three-factor formula based on payroll, property and gross income.

After income is determined and allocated, a taxpayer is allowed a deduction equal to reasonable compensation for the taxpayer's personal services. This deduction equals the lesser of 20 percent of allocated income or $5,000 per individual or active partner. In addition, taxpayers are allowed to exempt the first $5,000 of income from taxation. The tax rate of four percent is applied to the remaining base. Beginning with tax year 1997, taxpayers whose liabilities are $1,800 or less are entitled to a credit which eliminates their liability. The credit is reduced for taxpayers with liabilities between $1,800 and $3,200, and for liabilities of $3,200 and above no credit is allowed.

Legislative History: New York City has imposed the unincorporated business tax on sole proprietorships and partnerships since 1966. Since its imposition, the tax rate has remained at four percent. Major amendments to the tax became effective in tax years 1971, 1987, 1994, 1996 and 1997.

Prior to 1971, exemptions were made for professions where capital was not an income-producing factor and where more than 80 percent of the gross income was derived from personal service. This primarily affected attorneys, doctors, accountants and other professionals. Beginning in tax year 1971, all such professionals were added to the City's unincorporated business tax base.

Two significant amendments were enacted in 1987. The unincorporated business tax credit was raised from $100 to a maximum of $600 and the taxable income threshold for making estimated payments was raised from $2,500 to $15,000. The higher credit removed approximately 30,000 taxpayers from the tax rolls.

In July of 1994, several reforms were enacted. First, the self-trading exemption was broadened to allow firms, which are generally exempt from the unincorporated business tax under this provision, to retain the exemption on their self-trading income if they have gross receipts of $25,000 or less from business activities (normally subject to the tax). Second, owners and operators of real property with income from business activities were able to retain the exemption on income from their real estate activity if the business income was incidental and carried on solely for the benefit of the tenants as in the case of a garage or health club. Finally, partners which are corporations or unincorporated businesses subject to City tax were granted a credit for the share of taxes paid by the partnership in lieu of the exemption for the distribution which existed prior to the change.

Also in July 1994, New York State passed legislation allowing the formation of limited liability companies (LLCs). These business entities have the limited liability of corporations, but the organizational flexibility and tax treatment of partnerships. At the Federal level, LLCs are not taxed as separate entities, but partners are taxed on their share of the income. For New York State tax purposes, LLCs pay a $50 per partner fee, with a minimum fee of $350 and a maximum of $10,000. In New York City, LLCs pay the unincorporated business tax. It is expected that businesses will increasingly opt to form LLCs rather than corporations. As a result, a shift of taxpayers is expected from the general corporation tax base to the unincorporated business tax base and unincorporated business tax revenues are expected to increase by $77 million in 2005 through 2009.

The City's 1996 tax program made several important changes to unincorporated business tax law. The unincorporated business tax credit was raised from a maximum of $600 to $1,000 over a period of two years. The maximum credit was $800 for tax year 1996, growing to $1,000 for tax years 1997 and thereafter. The level of tax liability at which the credit is phased out was also raised to $1,000 in 1996 and to $2,000 in 1997. To correspond to the new higher credit, the thresholds for making estimated payments and for filing annual returns were also raised.

Changes were also made to the rules governing the allocation of business income. The "regular place of business" requirement was repealed, allowing businesses to allocate income to sales outside the City, even when they have no regular place of business outside the City. Manufacturers are now allowed to "double weight" the receipts factor when allocating income. All businesses with receipts from the sale of tangible goods, as opposed to services, no longer have to allocate income to the City for goods shipped to points outside the City. Finally, broadcasters and publishers are now allowed to allocate income based upon audience location.

Beginning in 1996, certain unincorporated businesses (including LLCs) treated as corporations for Federal and State tax purposes are subject to the City's general corporation tax. This law lists several exceptions for businesses subject to unincorporated business tax in 1995, which may elect irrevocably to continue in that status.

Also in 1996, a number of the tax reform measures passed in July of 1994 were enhanced. The exemptions for other sources of income for "self-trading" entities and for real estate management companies were extended. Provisions were enacted that exempted income from self-trading activities for unincorporated entities that were primarily engaged in trading for their own account or in the ownership, as an investor, of interests in unincorporated entities engaged in unincorporated business activities in the City. This provision is in addition to the self-trading exemption. An unincorporated entity qualifying for the partial exemption is allowed to exclude from its unincorporated business gross income any income and gains from activity qualifying for the self-trading exemption. Prior to the change, any amount of income could "taint" the trading income, causing all of it to be taxed. Further, rules for apportioning investment income subject to tax were conformed to the general corporation tax (issuer's allocation percentage). Additions also were made to the number of financial instruments used by self-traders and a "primarily engaged" test was established, which defines taxpayers as self-trading according to the nature of their assets.

The City's tax program for 1998 revised the unincorporated business tax credit increase granted in the 1996 tax program. For tax years 1997 and after, the maximum credit was lifted to $1,800 with the level of liability at which the credit phases out at $3,200. The new credit eliminates unincorporated business tax for sole proprietors with net income up to $55,000. Partnerships have similar benefits, with the "no tax threshold" varying with the number of partners. In addition, beginning in tax year 1997, unincorporated business owners are able to take a partial credit against their City resident personal income tax liability for their share of the business' unincorporated business tax payments. The credit ranges from a maximum of 65 percent of the unincorporated business tax paid (the distributive share for partners) for personal income taxpayers with taxable income of $42,000 or less, to 15 percent for those with taxable income of $142,000 or more.

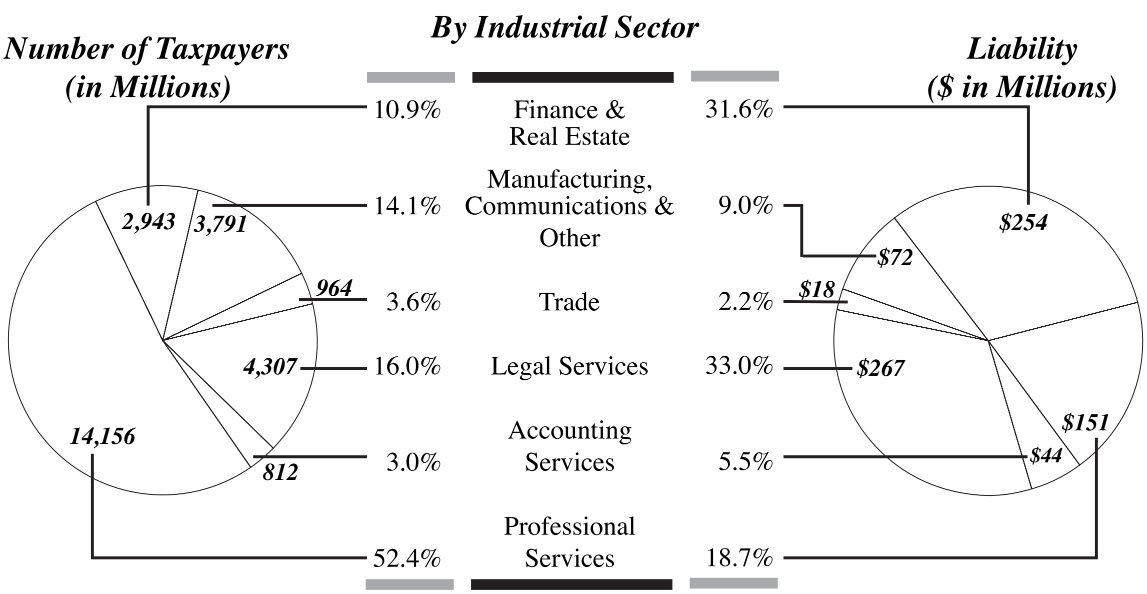
Effective for tax years on or after January 1, 2000, the receipts factor of the income allocation formula of the City's unincorporated business tax was amended to permit receipts from management, administration or distribution services for regulated investment companies (mutual funds) to be allocated based on the domicile of the mutual funds' shareholders.

As a result of the September 11, 2001 terrorist attack, the filing deadline for the quarterly estimated tax payment due September 17, 2001, was extended to December 17, 2001.

The Federal Job Creation and Worker Assistance Act of 2002 allows taxpayers an additional 30 percent depreciation deduction in the first year "qualified property" is placed in service. A similar depreciation deduction for "qualified property" in the New York Liberty Zone (NYLZ) and the Resurgence Zone is allowed. The NYLZ generally encompasses the area in the borough of Manhattan below Canal Street and the Resurgence Zone encompasses the area between Canal Street and Houston Street. Additionally, the Act also allows NYLZ leasehold improvements to be depreciated over a five-year period using a straight line method as well as an additional first-year expense deduction of up to $35,000 for "qualified NYLZ property". To avoid a significant loss of revenue, New York City unincorporated business tax law was amended to limit the depreciation deductions to "qualified property" within the NYLZ and the Resurgence Zone only and to limit the additional first-year expense deduction to "qualified NYLZ property".

Distribution and Industrial Mix of Filers: In 2001, there were 185,202 partnership and sole proprietorship filers of which 26,967 paid tax. Sole proprietorships comprised 71.3 percent of all taxpayers but paid only 16.5 percent of total liability. Partnerships accounted for 28.7 percent of all taxpayers and paid 83.5 percent of total liability. Because of the tax credit and exemptions, 85.4 percent of filers in 2001 were exempt from the tax. Proprietorships with net income less than $25,000 (60.5 percent of all filers) paid no unincorporated business tax. The additional exemption for each partner creates higher thresholds for partnerships (24.9 percent of all filers in 2001 were partnerships with no liability). The service sector, made up of the legal, accounting and professional services, accounted for 57.2 percent of total unincorporated business tax liability. Legal services and finance comprised only 21.9 percent of taxpayers but incurred 61.0 percent of total liability.

UNINCORPORATED BUSINESS TAX *(Tax Year 2001)*

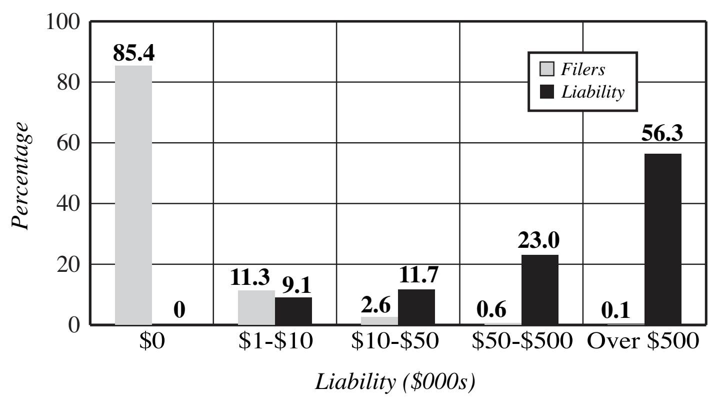


Source: NYC Department of Finance, Office of Tax Policy

Until 1998, liability was reported in five main categories with 27 sub-categories (classified according to Standard Industrial Classifications (SIC) codes). Starting in 1998 reported liability was broken into eight categories with 40 sub-categories. Now they are grouped according to North American Industrial Classification (NAICs) codes. Definitions for certain categories were also changed in 1998.

UNINCORPORATED BUSINESS TAX ***(Tax Year 2001)***

Share of Filers and Share of Liability



Source: NYC Department of Finance, Office of Tax Policy

Forecast: The unincorporated business tax is forecast at $1,115 million in 2005, growth of 22.8 percent from the prior year, and an increase of $156 million from the January Plan forecast. The unincorporated business tax revenue is forecast at $1,077 million in 2006, a decline of 3.4 percent over the prior year, and an increase of $81 million from the January Plan forecast.

Unincorporated business tax revenues in the late 1990's were particularly robust, with average annual growth from 1996 through 2001 reaching 13.7 percent. This growth can partially be accounted for by the unprecedented strength seen in New York Stock Exchange (NYSE) member-firms profits during that period. Non-finance sector collections were also robust during those years due to substantial growth in the service sector employment in 1993 through 2000. In 2000, unincorporated business tax revenues grew 22.6 percent, reflecting the robust growth in NYSE member-firm profits in calendar year 1999 and substantial private sector job growth in calender year 2000. In 2001, however, unincorporated business tax revenues grew at just 1.8 percent over the prior year, reflecting a liquidation of overpayments that had been built up through 2000. By 2002 the impact of the September 11, 2001 terrorist attack, the 50 percent decline in NYSE member-firm profits in calendar year 2001, and the national recession resulted in flat growth in total liability in tax year 2001 and a 3.6 percent decline in 2002 unincorporated business tax revenues. In 2003, unincorporated business tax revenues rebounded moderately, 5.3 percent growth over the prior year, reflecting the national and local economic recoveries. Buoyed by the continued strength in the national and local economies in 2004, the unincorporated business tax revenues picked up momentum from the prior year with growth of 9.1 percent.

Through March 2005, collections have increased 24.6 percent. For the fiscal year, unincorporated business tax revenues are forecast to grow 22.8 percent over the prior year. The robust growth seen in 2005 partially stems from the rebound in finance sector liability that occurred in calendar year 2003 and continued into calendar year 2004. The recovery in payments from the non-finance sector in calendar year 2004 has also buoyed collections this year. Robust NYSE member-firm profits of $16.8 billion and $13.7 billion in calendar year 2003 and 2004, respectively, as well as strong calendar year 2004 private finance wage growth of 15.3 percent over the prior year, led to an estimated 35.8 percent and 4.2 percent increase in finance liability in tax years 2003 and 2004, respectively. Non-finance sector liability grew an estimated 2.1 percent and 5.7 percent in tax year 2003 and 2004, respectively.

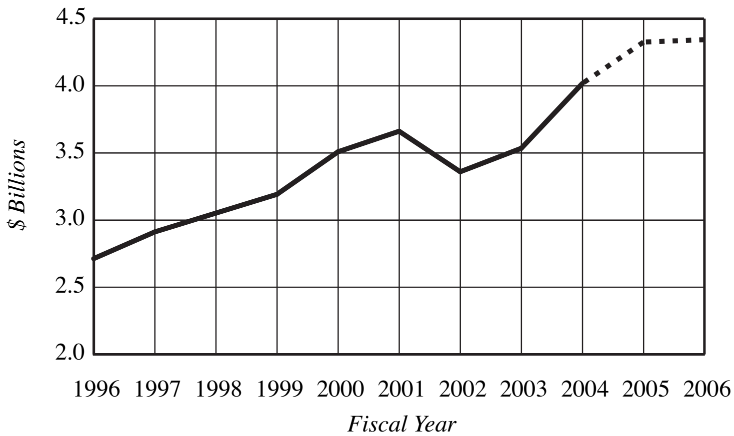
In 2006, the unincorporated business tax revenue is forecast to decline 3.4 percent. NYSE member-firm profits are forecast to remain high but without the robust growth seen in the previous two years, limiting finance sector liability growth. In 2007 through 2009, unincorporated business tax revenue is forecast to average 4.0 percent growth, as the national and local economies sustain moderate growth.

SALES AND USE TAX

The sales and use tax is projected to account for 14.6 percent of total tax revenue in 2006, or $4,345.

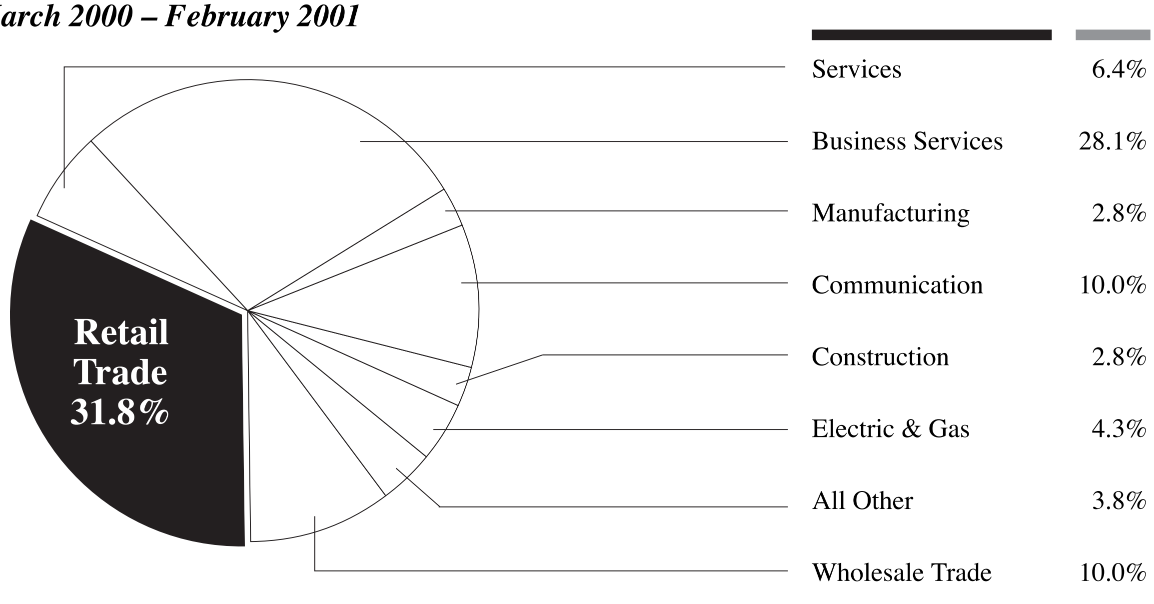
Tax Base and Rate: The sales tax rate is 4.125 percent and applies to: (1) sales and use of tangible personal property and services; (2) sales of gas, electricity, steam, refrigeration, and intrastate telephone and telegraph services; (3) food and beverages sold by restaurants and caterers; (4) hotel and motel occupancies; (5) admission charges to certain places of amusement; and (6) club dues. Exemptions include food (except certain drinks, candies and alcoholic beverages), rent, prescription and non-prescription drugs, newspapers and periodicals, textbooks for college students, and public transportation. These exemptions are designed to reduce the regressivity of the tax. Exemptions are also allowed for purchases of tangible goods and services intended for resale. The tax does not apply at the time of purchase for resale, but rather at the time the items are sold at retail. Other exemptions include fuel sold to airlines, energy used for research and development, transmission and distribution of energy, certain promotional materials, internet access services, interstate and international telecommunications services, and clothing and footwear purchases under $110 through May 31, 2003. The repeal of the clothing and footwear exemption effective, June 1, 2003 through May 31, 2004, has been extended several times and is now set to expire March 31, 2007. With the State sales tax rate of 4.25 percent, and a 0.25 percent sales tax in the Metropolitan Commuter Transportation District, the aggregate sales tax rate in the City is 8.625 percent through May 31, 2005, after which the aggregate rate will revert to 8.25 percent.

SALES TAX 1996-2006



COMPONENTS OF THE SALES TAX BASE

March 2000 – February 2001



1934 New York City imposes a two percent tax on the sales and use of tangible personal property and services.

1959 The tax rate is increased to three percent for most sales and to five percent for restaurant meals and drinks costing one dollar or more.

1963 The basic rate is increased to four percent and the five percent rate on restaurant meals is extended to include catering services.

1965 New York State introduces its own two percent sales tax and begins to collect, administer, and enforce the sales tax for all localities. New York City lowers its own tax rate to three percent. Sales tax on any motor vehicle purchased by an out-of-state resident is repealed (effective date: August 1, 1965).

1969 The State raises its tax rate to three percent.

1970 The City imposes a six percent tax on motor vehicle parking and garaging services (effective date: September 1, 1970).

1971 The State raises its tax rate to four percent.

1974 The City raises its tax rate to four percent (effective date: July 1, 1974).

1975 A four percent Municipal Assistance sales and use tax is levied in lieu of the City's sales tax. The revenue from this tax is pledged to the Municipal Assistance Corporation (MAC) to meet the interest payments on bonds issued by the corporation. However, revenue resulting from future expansions of the City's sales tax base does not belong to MAC but flows directly to the City (effective date: July 1, 1975). On July 1, 2008, the sales tax imposed by the City will again be in effect. Due to the expiration of certain State legislation, the City-imposed sales tax would take effect at the rate of three percent unless the City's authority to impose an additional one percent sales tax is renewed. Protective and detective services and credit reporting and collection services are added to the City's non-MAC tax base (effective date: September 1, 1975).

1976 Barber and beauty shops and health and weight control salons are added to the City's non-MAC tax base (effective date: March 1, 1976).

1977 Sales and use taxes paid on machinery used in the production of tangible personal property, gas, electricity or refrigeration, and steam for sale can be claimed as a credit against the City's general corporation, unincorporated business or utility taxes (effective date: July 1, 1977). For sales after December 1, 1989, the credit is replaced with an exemption from the sales tax, reducing the City's MAC tax base.

1980 An eight percent tax surcharge on motor vehicle parking and garaging services is imposed in the borough of Manhattan and is added to the City's non-MAC tax base (effective date: September 1, 1980), bringing the total City, State and MTA sales tax on parking in Manhattan to 18.25 percent.

Total Manhattan Parking Tax

NYS	4.00%
NYC	6.00%
Manhattan Surcharge	8.00%
MTCD	0.25%
Total Parking	**18.25%**

1984 Sales tax on electricity or electric service used in the production of tangible personal property for sale by manufacturing, processing or assembling can be claimed as a credit against the unincorporated business or general corporation taxes (effective date: July 1, 1984).

1985 Manhattan residents are exempted from the eight percent parking and garaging surcharge, reducing the City's non-MAC tax base (effective date: September 1, 1985).

1987 Under the Competitive Business Energy Costs Program (CBECP), sales tax on sales of energy to commercial or industrial users is exempted in annual increments of 25 percent per year, reducing the City's MAC tax base (effective date: July 1, 1988).

1988 Implementation of the CBECP is delayed until July 1, 1990, when it is due to resume on the original schedule (i.e. 75 percent).

1989 Interior decorating, contract cleaning and maintenance services are added to the City's non-MAC tax base (effective date: December 1, 1989).

Service charges on floor covering installations are added to the State's tax base, and consequently, the City's MAC tax base (effective date: June 1, 1989).

The State enhances its revenue enforcement capability to improve revenue collections from interstate mail-order sales, prefabricated building materials purchased from out-of-state manufacturers and used in New York, and catalogues printed out of state and mailed by in-state firms (effective date: September 1, 1989).

Excise taxes on cigarettes (effective date: June 1, 1989) and tobacco products (effective date: July 1,

1989) are included in the calculation of the sales tax, and are added to the State's tax base and, consequently, the City's MAC tax base.

The City's credit for sales tax paid on machinery and equipment used in the production of tangible personal property is changed to an exemption, reducing the City's MAC tax base (effective date: December 1, 1989).

1990 Entertainment services provided or delivered by telephone or telegraph through 500, 700, 800 and 900 telephone numbers, as well as such services delivered by private telephone line, cable or channel are added to the State's tax base and, consequently, the City's MAC tax base (effective date: September 1, 1990).

Protective and detective services, and interior decorating, contract cleaning and maintenance services, previously taxed exclusively by the City, are added to the State's tax base (effective date: June 1, 1990).

The State and City sales taxes due on automobile and boat leases of duration greater than one year are due in total at the inception of the lease and are no longer spread over the life of the lease (effective date: June 1, 1990).

The implementation of the CBECP is delayed indefinitely.

1991 Shipping, transportation, postage and similar delivery charges, telephone answering services, and sales of prewritten software are added to the State's tax base and, consequently, the City's MAC tax base (effective date: September 1, 1991).

1992 The additional cost of a new alternative fuel vehicle (AFV) above the sales price of a comparable gasoline or diesel powered vehicle and parts and labor charges related to converting a gasoline or diesel powered vehicle to an AFV, are exempted from the State's tax base and, consequently, the City's MAC tax base. This exemption, set to expire five years after the effective date of September 1, 1992, was subsequently extended through February 29, 2004 and again through Febraury 28, 2005. The exemption amount is fixed at $3,000 effective March 1, 2004.

1995 Interior decorating and design services are exempted from the City tax, reducing the City's non-MAC tax base (effective date: December 1, 1995).

The State requires cigarette stamping agents to prepay State and local sales taxes (at a seven percent blended rate) on sales of cigarettes distributed to licensed wholesalers, chain stores and retailers (effective date: September 1, 1995).

1996 The retail sale of shopping papers to the publishers and related printing services are exempted from State and City's MAC sales tax base (effective date: September 1, 1996).

The State and City repealed their taxes on clothing and footwear purchases under $500 during the week of January 18-24, 1997, reducing the State's tax base and, consequently, the City's MAC tax base.

Printed promotional materials delivered through the mail and associated shipping services are exempted from State and City taxes, reducing the State's tax base and, consequently, the City's MAC tax base (effective date: March 1, 1997).

Vehicles leased by Manhattan residents are exempted from the eight percent parking and garaging surcharge, reducing the City's non-MAC tax base (effective date: December 1, 1996).

Parking charges paid to municipally-owned and operated parking facilities are exempted from State and City sales taxes, other than the eight percent Manhattan parking surcharge (effective date: December 1, 1996).

Certain parts, tools, supplies and services used or consumed in production processes, including film production, are exempted from the City tax, reducing the City's MAC tax base, and bringing City tax law into conformity with the State (effective date: September 1, 1996). This law was amended October 1, 1997 to include live theatrical performances.

The services of installing, repairing, maintaining and servicing tangible personal property used to produce a product for sale by manufacturing, processing and assembling are exempt from the City tax, reducing the City's MAC tax base, and bringing City tax law into conformity with the State (effective date: September 1, 1996).

1997 The State and City repealed their taxes on clothing purchases under $100, excluding footwear, during the week of September 1-7, 1997, and repealed their taxes on clothing and footwear purchases under $500 during the weeks of September 1-7 and January 17-23, 1998, reducing the State's tax base, and consequently, the City's MAC tax base.

The State permanently repealed its 4 percent sales tax on clothing and footwear purchases under $110, and gave local governments the option to match the repeal. If a locality within the MCTD opts for repeal, clothing will also be exempt from the 0.25 percent MCTD sales tax. The locality will reimburse the MCTD for one half of the tax forgone and the State will reimburse the MCTD for the other half (effective date: December 1, 1999).

Emissions inspection equipment purchased by an official inspection station are exempt from the State's tax base and, consequently, the City's MAC tax base (effective date: September 1, 1997).

Bus purchases and repairs, coin-operated car washes, coin-operated bulk vending machines and photocopying machines at fifty cents or less, temporary transportation devices sold through coin-operated equipment, food or drink (except hot drinks or sandwiches) sold through coin-operated vending machines, wine or wine product furnished by the official agent of a farm, winery, wholesaler, or importer at a wine tasting, and receipts from admissions to all circuses are exempt from the State's tax base and, consequently, the City's MAC tax base (effective date: December 1, 1997).

Internet access services, defined as the service of providing connection to the internet and including the provision of communication or navigation software, an E-mail address, E-mail software, news, headlines, space for a website and website services are exempt from the State's taxable base and, consequently, the City's MAC tax base (effective date: February 1, 1997).

Exempt from the State tax base and, consequently, the City's MAC tax base, are receipts from the sale of the service of installing alternative fuel refueling property (property used for storing and/or dispensing fuel) and receipts from the retail sale of alternative fuel refueling property (effective date: March 1, 1998 through February 29, 2004).

1998 The State and City repealed their taxes on clothing and footwear purchases under $500 during the week of January 17-24, 1999, reducing the State's tax base and, consequently, the City's MAC tax base.

Textbooks purchased by full or part-time college students for their courses at accredited institutions are exempt from the State's tax base and, consequently, the City's MAC tax base (effective date: June 1, 1998).

Computer system hardware used or consumed directly and predominately in designing and developing computer software for sale is exempt from the State's tax base and, consequently, the City's MAC tax base (effective date: June 1, 1998).

Coin phone calls costing 25 cents or less are exempt from the State's tax base, and consequently, the City's MAC tax base (effective date: September 1, 1998).

The exemption for telephone central office equipment or station apparatus is expanded to include equipment used directly and predominately in receiving, amplifying, processing, and transmitting telephone or telegraph signals, reducing the State's tax base and, consequently, the City's MAC tax base (effective date: September 1, 1998).

Parking charges paid to homeowners' associations (including co-op and condominium housing) by its members, for parking space in a facility owned or operated by the association, are exempted from the 6 percent City sales tax and the 8 percent Manhattan parking tax (effective date: September 14, 1998). Additionally, the 1997 law that exempts parking charges from the State sales tax when the parking facility is operated by a homeowners' association has been amended to include facilities owned by such an association even though operated by a third party.

1999 The State and City repealed their taxes on clothing and footwear purchases under $500 during the weeks of September 1-7, 1999 and January 15-21, 2000, reducing the State's tax base and, consequently, the City's MAC tax base. The State, and consequently all participating localities, delayed the permanent exemption of clothing and footwear purchases under $110 scheduled to become effective December 1, 1999 until March 1, 2000.

The exemption for hot drinks and certain food items sold from vending machines is extended to include vending machines which accept credit or debit cards (effective date: December 1, 1999).

The exemption for computer system hardware used in designing and developing computer software is extended to include computer system hardware used in designing and developing internet websites (effective date: March 1, 2001).

Machinery, equipment or apparatus used or consumed directly and predominately to upgrade cable television systems to allow for the receiving, amplifying, processing, transmitting, re-transmitting, switching or monitoring of telecommunication services for sale and communications equipment used in the transmission of internet access services are exempt from the State's tax base and, consequently, the City's MAC tax base (effective date: March 1, 2001).

Tangible personal property sold to a contractor, subcontractor or repair person for use directly and predominately in the production phase of farming is exempt from the State's tax base and, consequently, the City's MAC tax base (effective date: March 1, 2001).

The base for computing the use tax on self-produced items which a manufacturer used in its business operations is modified from a use tax based on the manufacturer's normal selling price to a use tax based on the manufacturer's cost of materials (effective date: March 1, 2001).

The sales tax special recordkeeping and on-site inspection requirements for Manhattan parking garages is extended until November 30, 2004. These special requirements were originally enacted in 1992 to improve sales tax compliance.

2000 Purchases of gas and electricity from out-of-state suppliers are subject to State and local compensating use taxes (effective date: June 1, 2000).

A sales tax exemption will be phased in, over a four-year period, on purchases of the service of transporting, transmitting or distributing gas or electricity, when such services are bought from a company other than the vendor of the gas or electricity (effective date: September 1, 2000). For the one-year period, beginning September 1, 2000, the tax on such services will be reduced by 25 percent (additional 25 percent reductions will occur in the following three years) and such services will be fully exempt beginning September 1, 2003.

A sales tax exemption will apply to purchases of gas or electricity used in operating a gas pipeline or gas distribution line or an electric transmission or distribution line. These exemptions will reduce the State's tax base and, consequently, City's MAC tax base (effective date: June 1, 2000).

Fuel, gas, electricity, refrigeration or steam used in the production of tangible personal property for sale, previously claimed as a credit against general corporation tax and unincorporated business tax, are exempted from City tax, reducing the City's MAC tax base and bringing City tax law into conformity with the State (effective date: November 1, 2000).

Machinery, equipment, and certain other specified tangible personal property used by an operator of an internet data center that sells internet web site services, as well as, services to the exempt property, and certain other services used in the internet data center, are exempt from the State's tax base and, consequently, the City's MAC tax base (effective date: September 1, 2000).

The existing narrow exemptions for telecommunications equipment is expanded to include tangible personal property used in providing telecommunications services for sale or internet access services for sale. Additionally, machinery, equipment, parts, tools, supplies and certain related services used in upgrading cable television systems to enable them to offer digital cable TV service for sale or internet access service for sale are exempt from the State's tax base and, consequently, the City's MAC tax base (effective date: September 1, 2000; cable TV exemption expires: September 1, 2003).

Machinery, equipment, or other tangible personal property used by a broadcaster in the production of live or recorded programs for broadcast or in the transmission, as well as services to the exempt property are exempt from the State's tax base and, consequently, the City's MAC tax base (effective date: September 1, 2000).

The 1998 exemption for promotional materials is extended to prospectuses, paper, ink, mechanicals, layouts, artwork, photographs, color separations and similar property furnished to a printer for use in producing promotional materials that are then sold to the furnisher of those items (effective date: retroactive to March 1, 1997).

Exempted from the State's tax base and the City's MAC tax base are food and non-alcoholic beverages sold at dining facilities located in senior citizen residences, where use of the dining room is limited to residents and their guests, and where the food and drinks are served only in the dining room or a resident's room (effective date: December 1, 2000).

Purchases of tangible personal property and services used or consumed by qualified enterprises located in Empire Zones are exempt from the State's tax base for the next 10 years. Localities have the option to include this exemption (effective date: March 1, 2001).

Manufacturing and industrial pollution control, prevention, and abatement equipment and machinery are exempt from the State's tax base and, consequently, the City's MAC tax base (effective date: March 1, 2001).

Sales taxes are repealed for candy, soda and certain fruit drinks sold for 75 cents or less through vending machines, reducing the State's tax base and the City's MAC tax base (effective date: September 1, 2000).

The 1965 sales tax exemption on motor vehicle purchases by out-of-state residents is extended to purchases of vessels and trailers sold for use with the vessel, reducing State's tax base and, consequently, the City's MAC tax base. Rules that apply to motor vehicles purchased in one New York sales tax jurisdiction by residents of another New York sales tax jurisdiction, and which subject the purchase to the rules and rates of the resident's tax jurisdiction, are amended to cover purchases of vessels and their trailers (effective date: March 1, 2001).

Tangible personal property and building materials used in farm production, as well as utility services, and services provided to farm real property are exempt from the State's tax base and, consequently, the City's MAC tax base. Additionally, commercial horse boarding operations receive the same exemptions as farms (effective date: September 1, 2000).

2001 As a result of the September 11, 2001 terrorist attack, the filing deadlines for the monthly and quarterly sales tax returns due after September 11, 2001 through December 10, 2001 were extended to December 10, 2001.

2002 A temporary exemption was allowed for tangible personal property, excluding motor vehicles, motor fuel, diesel motor fuel, cigarettes, tobacco products, alcoholic beverages and building materials, under $500 in the Liberty and Resurgence zones of lower Manhattan for three weekends: June 9-11, July 9-11 and August 20-22, 2002. The Liberty Zone is defined as on or south of Canal Street, East Broadway (east of its intersection with Canal Street), or Grand Street (east of its intersection with East Broadway) in the borough of Manhattan. The Resurgence Zone is defined as the area between Canal Street and Houston Street.

2003 The City raised its tax rate to 4.125 percent during the period from June 4, 2003 through May 31, 2005. The higher rate was effective as of September 1, 2003 for the special City sales taxes on credit rating and reporting services, cleaning and maintenance services, protective and detective services and personal services such as beauty, barbering, manicuring and health salon services sold by weight control and gymnasium facilities. The rate will revert to 4.0 percent on June 1, 2005. (The State rate also increased from 4.0 percent to 4.25 percent effective June 1, 2003 through May 31, 2005. The total general sales and use tax rate in the City, including the 0.25 percent MTA rate is 8.625 percent through May 31, 2005).

The State and City sales tax exemption for clothing and footwear purchases under $110 was suspended from June 1, 2003 through May 31, 2004. During this period the State and City have repealed their taxes on clothing and footwear purchases under $110 during the weeks from August 26 through September 1, 2003 and from January 26 through February 1, 2004. The permanent exemption was to be restored June 1, 2004.

The City excise tax on cigarettes was added to the sales price of cigarettes on which the State and City sales and use taxes are calculated (effective date: September 1, 2003). (The NYS cigarette tax has been included in the sales and use tax base since 1989).

An existing sales tax exemption for coin-operated motor vehicle vacuuming equipment located in car washes has been expanded to cover such equipment located at facilities other than car washes.

2004 The repeal of the clothing and footwear exemption was extended several times: through June 30th; July 31st; and September 30, 2004; and through May 31, 2005. During these periods the State and City have repealed their taxes on clothing and footwear purchases under $110 during the weeks from August 31 through September 6, 2004 and from January 31 through February 6, 2005.

Aircraft charges for storing aircraft while it's being serviced, and tangible personal property purchased and used by the service provider in performing service, where such property becomes a physical component of the property that is being serviced is exempt from state and local sales tax (effective date: December 1, 2004).

A refund is allowed for sales taxes paid by operators of vessels with a seating capacity greater than 20 that are used to transport passengers for hire by water. A refund is allowed for purchases of the vessels, and of parts, equipment, lubricants, diesel fuel, maintenance, servicing or repair services related to operation of the vessels. To qualify for the refund, the vessels must be used to provide local transit service in the State pursuant to a certificate of public convenience and necessity or a franchise agreement with New York City (effective date: December 1, 2004).

An amusement park, whose admission charge entitles patrons to ride at least 75 percent of its rides at no extra cost is exempt from state and local sales tax on 75 percent of the admission charge (effective date: July 28, 2004 through March 30, 2005).

The existing sales tax exemption for the incremental cost of purchasing a hybrid or alternative fuel vehicle has been extended until February 28, 2005 and the exemption amount is fixed at $3,000 (see 1992).

2005 Legislation signed into law April 13, 2005, extended the clothing and footwear exemption for purchases under $110 through March 31, 2007 including two tax-free weeks each year.

Retail trade, which includes sales of building materials, general merchandise, restaurant meals and drinks, cars, apparel and furniture, health and personal care, gasoline and related merchandise, and motor vehicles and parts, comprises 31.8 percent of the sales tax base, making it the largest expenditure category. Business services, the second largest sector, accounts for 28.1 percent of the sales tax base. Since 1981, the proportion of business services in the taxable base has increased from 3.5 percent to 9.3 percent to currently 28.1 percent, as a result of the re-classification of SIC codes to North American Industrial Classification (NAICs) codes, making it the fastest growing component of the base. Various business and utility expenditures make up the remainder of the tax base.

Administration: New York State and local sales tax laws provide that the State Department of Taxation and Finance will administer the sales taxes imposed by both the State and the localities. A general sales tax is collected from approximately 593,518 vendors in New York State. The State charges an administrative fee for this service, which is allocated to each locality based on the locality's share of statewide collections. For 2004, the administrative charge paid by the City was $21 million.

Vendors are responsible for collecting the sales tax from the purchaser at the time of sale. These vendors must file tax returns periodically. The frequency and timing of filing is determined mainly by their level of receipts. Large vendors submit estimated payments to the State without filing a return using the State's electronic funds transfer (EFT) program (PROMP Tax Program) for the first two months of each reporting quarter. In the third month they submit a quarterly return for part-quarterly filers and remit any tax due for complete quarterly collections as part of their next PROMP tax payment. Small vendors submit returns quarterly or annually. The State distributes estimated monthly payments to the City based on prior year payment patterns. At the end of a reporting quarter remittances are conveyed to the City based on vendor returns received by the end of the third month. In subsequent months, the State reviews returns for accuracy and processes late returns. This may lead to substantial reconciliations of the distributions made in prior periods giving rise to what are known as prior period adjustments (PPAs).

Forecast: The sales tax revenue is forecast at $4,326 million in 2005, 7.7 percent growth over the prior year and a $121 million increase over the January Plan forecast. The 2006 sales tax revenue is forecast at $4,345 million, flat growth from 2005, and a $299 million increase over the January Plan forecast. Adjusting for tax law changes, the sales tax is forecast to grow 8.1 percent in 2005 and 3.5 percent in 2006.

Sales tax revenue growth has been strong through 2001, averaging 8.2 percent from 1997 through 2001 (common rate and base). Historic employment gains and strong growth in the tourism industry spurred sales tax revenue growth over this period. Increased discretionary income in the City, as robust Wall Street profits were translated into strong bonus payouts, and a wealth effect resulting from the steep appreciation of equities held by households also buoyed consumption. However, this era of robust City-wide consumption came to an end in 2002 due to the September 11, 2001 terrorist attack and the national recession. Hotel occupancy and room rates plummeted as visitor spending fell, reducing sales tax revenue. Sales activity in lower Manhattan was severely hampered in the months following the attack, as the area was nearly inaccessible. Sales tax revenue declined 7.4 percent (common rate and base) in 2002. This decline exceeded those seen in the severe local recession of the early 1990s and all other downturns back to the 13.5 percent decline seen in 1966 when the City enacted a rate cut of 25 percent. However, sales tax revenue grew 4.3 percent (common rate and base) and 5.5 percent (common rate and base) in 2003 and 2004, respectively, as recovery in consumption from the severely suppressed levels of 2002 began.

In 2005, sales tax revenue is forecast to increase $308 million from the prior year level of $4,018 million, growth of 7.7 percent (8.1 percent on a common rate and base). Robust revenue growth results from forecast wage earnings growth of 6.0 percent in 2005, supported by stronger than expected calendar year 2004 Wall Street profits, securities sector employment gains as well as consumption strength resulting from the wealth effect created by the booming real estate market. In addition, strong hotel and tourism related consumption, buoyed by a significant increase in international travelers, has contributed to this year's strong growth.

Collections in 2005 also reflect the extension of the repeal of the clothing and footwear exemption. At the end of 2003, legislation was passed which repealed the clothing exemption through May 31, 2004. This repeal was extended again last year through May 31, 2005. On April 13, 2005, legislation signed into law extended the repeal through March 31, 2007 including two tax-free weeks each year. This will increase sales tax revenues by an additional $23 million in 2005.

Sales tax collections through March have increased 9.5 percent over the prior year. This strong growth can be attributed to a better than expected holiday sales season. Also, the heavily publicized art exhibition known as "The Gates" which was displayed in Central Park for two weeks in February 2005 provided a one time boost to the city's hotel and non-hotel visitor spending.

In 2006, sales tax revenue is forecast at $4,345 million, flat growth from the prior year level and an increase of 3.5 percent on a common rate and base. The expiration of the 1/8 percent rate increase (from 4.125 percent to 4.0 percent) after May 31, 2005, the drop in wage earnings growth to 5.2 percent, increased oil prices, coupled with rising short-term interest rates, which are forecast to cool the real estate market, lead to a slowdown in consumption, suppressing collections growth. However, this decline is offset by the extension of the repeal of the clothing and footwear exemption which will increase revenue an additional $230 million and $166 million in 2006 and 2007, respectively.

Sales tax revenue, on a common rate and base, is forecast to grow 3.5 percent in 2006 and on average 4.2 percent in 2007 through 2009, reflecting a return to sustainable levels of growth. The out-year forecast growth parallels growth in wage earnings and is reflective of the cooling of the overheated real estate market which further dampens growth.

The deregulation of the energy industry and consequent legislative actions have had a large impact on the sales tax revenue forecast. Beginning in 1997 the Public Service Commission (PSC) and Con Ed, and subsequently other utilities, entered into agreements that set a schedule for competitive retail access and the deregulation of the electric industry in New York State. The natural gas industry has been deregulated since 1991. The deregulation of electricity created a large loophole in the sales tax when the commodity portion of the electric bill was unbundled from the transmission and distribution (T & D) service. Transportation services have typically been exempt from the sales tax. This loophole was closed administratively by the State on April 1, 2000. Subsequently, the State enacted utility reform legislation that phases out the State and local sales and use tax on the T & D portion of the electric and natural gas charge. Effective September 1, 2000, the State and local sales tax rates on T & D were reduced by 25 percent. The phase-out of the sales tax on T & D was completed by September 1, 2003. Additionally, the State imposed a use tax on the commodity component of energy purchased from out-of-state vendors at the sales tax rate (currently 4.125 percent).

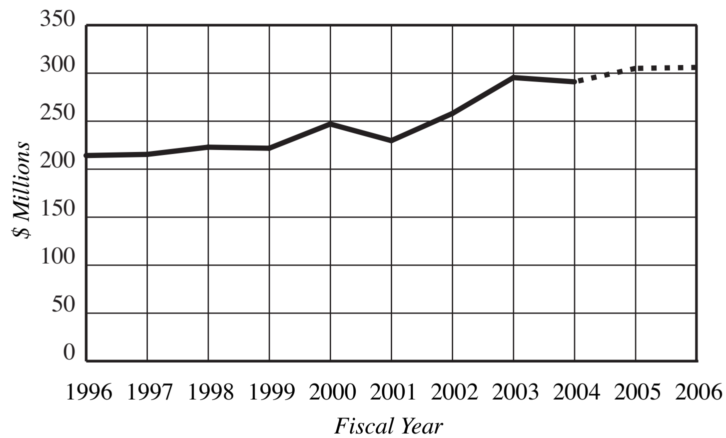
The impact of deregulation on the City sales tax revenue depends also upon the participation of businesses and individual consumers in competitive gas and electric retail access. Prior to November 1, 2000, the portion of the Con Ed electric load available for competitive retail access was set by PSC agreement. On November 1, 2000, 100 percent of the Con Ed electric load was made available to competition. Estimates of the participation in competitive retail access continue to be revised, and in recent modifications these estimates have been trending downward, thereby reducing estimated losses. Estimates of participation in competitive electric and gas retail access remain unchanged from the January Plan forecast. The impact of energy deregulation and State utility reform legislation is estimated to reduce sales tax revenue by approximately $29 million in 2005, and with increasing public participation in the deregulated market, will reduce revenues by almost $57 million in 2009.

UTILITY TAX

The utility tax is projected to account for 1.0 percent of tax revenue in 2006, or $306 million.

Tax Base and Rate: The City imposes a tax on all utilities and vendors of utility services, including operators of omnibuses. The tax is levied at a rate of 2.35 percent on the gross income of taxpayers. Currently this tax applies to electric and natural gas utilities as well as telecommunications firms whose services include wireless, fiber optic and other types of transmission.

UTILITY TAX 1996-2006



Legislative History: In 1933 legislation allowed New York City to levy a gross income tax on utilities and vendors of utility services. The current rate of 2.35 percent was imposed on January 1, 1966. Since 1985, utility tax collections have been reduced by the Energy Cost Savings Program (ECSP) which granted a 30 percent rebate on electricity charges and a 20 percent rebate on natural gas charges to eligible nonresidential users operating in Brooklyn, the Bronx, Queens, Staten Island and Manhattan north of 96th Street. Non-retailers outside the City which relocate to the designated areas (after May 3, 1985) are also eligible. Effective November 1, 2000, legislation changed the ECSP rebate on electricity and gas from a discount on all utility charges to a discount solely on utility delivery charges. The legislation raised the rebate percentage to 45 percent of eligible electricity charges and 35 percent of eligible natural gas charges in an effort to maintain roughly the same benefit levels, in dollar terms, as previously. Subsequent complaints arose from program participants that following the enactment of the new rebate percentages, commodity prices had increased, while utility delivery charges remained relatively low. Thus, the benefits program participants received with the revised rebate percentages were less than if original percentages were applied. Effective June 1, 2001, the Department of Business Services promulgated rules that divided the ECSP participants into three categories with various schedules of rebate percentages in order to allow participants to receive the same program benefits as those received under the original rebate percentages off the bundled bill. Currently, there are 900 companies participating in the rebate program. A similar program, the Lower Manhattan Energy Program, was incorporated into the Commercial Revitalization Program (effective 1995) and focused on stimulating economic development in lower Manhattan. The program offers a 12-year (13 years for buildings designated as landmarks) rebate on the electric bills of building owners who have improved their buildings by at least 20 percent of assessed value. The program reduced utility tax revenue by $16 million in 2004 and is expected to reduce revenue by $16 million per year in 2005 and in 2006.

The deregulation of the energy industry and subsequent legislative actions have, and are forecast to continue to have, a large impact on the utility tax revenue forecast. Beginning in 1997, the Public Service Commission (PSC) and Con Ed, and subsequently other utilities entered into agreements that set a schedule for competitive retail access and the deregulation of the electric industry in New York State. The natural gas industry has been deregulated since 1991.

On March 13, 1997, Con Ed and the PSC entered into a settlement agreement with respect to the PSC's Competitive Opportunities proceeding, with PSC approval occurring on August 29, 1997. The settlement agreement features a five-year rate plan to facilitate the transition to competition, effective January 1, 1998.

The five-year rate plan called for an immediate 25 percent electric rate reduction for Con Ed's largest industrial customers, a 10 percent rate reduction for other large industrial and commercial customers (which include office buildings, hospitals, colleges and universities) and a 3.3 percent rate reduction for residential and small commercial customers. The five-year rate plan superceded the prior 1995 rate agreement as of March 31, 1997, and the revenue requirement increase for the third rate year of the 1995 agreement was reversed. In calendar year 2000, Con Ed agreed to further reduce retail electric rates and extend the electric restructuring agreement by three years, to 2005. Effective October 1, 2000, the total reduction in retail distribution rates was 16.8 percent. Also an additional 200 megawatts of capacity became eligible for business rate incentives. The settlement agreement reduced utility tax revenue by $10 million in 2004, and is expected to reduce revenue by $10 million in 2005 and in 2006.

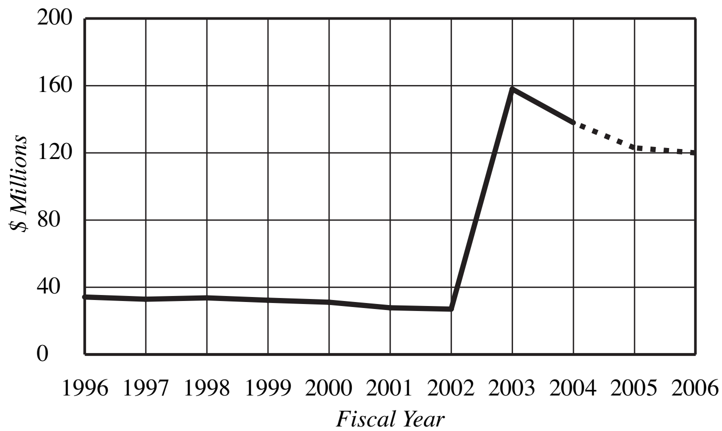
As a result of the 1996 PSC Competitive Opportunities proceeding, the PSC ordered a complete restructuring of the State's energy utilities to encourage competitive markets. This agreement originally set the pace of deregulation in the State with the expectation of full retail access by 2006. The original PSC agreements provided a transition to a competitive retail market through the development of retail access plans, a reasonable recovery of strandable costs and the divestiture to unaffiliated third parties of approximately 50 percent of electric generating capacity in the City. The PSC agreements were revised in 2000, allowing for full retail access for all customers as of November 1, 2000. Additionally, Con Ed has completed the process of divesting itself of all its generating capacity. The impact of energy deregulation and State utility reform legislation is estimated to reduce utility tax revenue by approximately $4 million in 2005, $7 million in 2006 and with increasing public participation in the deregulated market, is expected to reduce revenue by approximately $9 million in 2009.

Forecast: The 2005 utility tax revenue is forecast at $305 million, an increase of 4.8 percent growth over the prior year, and a decrease of $4 million from the January Plan forecast. In 2006, the utility tax revenue is forecast at $306 million, flat growth over the prior year, and a decrease of $5 million from the January Plan forecast.

The 2005 forecast reflects the mild heating season this past winter coupled with the expectation of average temperatures this spring. A mild fall and winter has dampened the continued trend in rising energy prices. The months of December 2004 and January 2005 were milder than their prior year counterparts, which are on record for being notably colder than the average of the last ten years. Electricity and natural gas prices continued to increase this year, up 5.8 percent and 7.3 percent on top of growth of 8.2 percent and 5.0 percent, respectively, in 2004. The 2006 utility tax revenue forecast reflects flat growth in energy prices and a continuation of average seasonal temperatures. The Energy Cost Savings Program (ECSP) is expected to reduce collections by $35 million in both 2005 and 2006. In 2007 through 2009, growth in utility tax revenue is forecast to be flat.

CIGARETTE TAX

CIGARETTE TAX 1996-2006



The cigarette tax is projected to account for 0.4 percent of tax revenue in 2006, or $120 million.

Tax Base and Rate: Under Title 11, Chapter 13, of the New York City Administrative Code, the City imposes a tax of $1.50 on the sale or use of every pack of 20 cigarettes in the City. Taxes are paid in advance by agents, distributors, or dealers, by means of stamps. Authorized agents purchase the stamps to be affixed to packages and cancelled. In lieu of adhesive stamps, agents may be authorized to use metering machines. Cigarettes held in stock within New York City by an agent or wholesale dealer for sale outside New York City or for sale and shipment in interstate commerce are exempt. In addition sales to federal agencies, New York State agencies, if not for resale, and voluntary organizations of the U.S. Armed Forces are exempt. The use of two cartons (400 cigarettes) or less brought into New York City for personal use by any person is exempt.

Legislative History: The City has been imposing a tax on the sale of cigarettes in the City since 1952. Effective July 2, 2002, the City raised the cigarette tax from $0.08 to $1.50 per pack of 20 cigarettes. This tax is imposed in addition to a State cigarette tax which is currently $1.50 per pack (after the increase of $0.39 effective April 1, 2002). As part of an agreement with New York State, the City agreed to hold the New York State budget harmless for the projected decline in State cigarette and sales tax revenues on cigarette purchases in the City resulting from the City tax rate increase. This was accomplished by allowing the State to retain 46.5 percent of additional City cigarette tax revenues from July 2, 2002 through March 2003 and 46 percent thereafter. Other tobacco products are not subject to the tax.

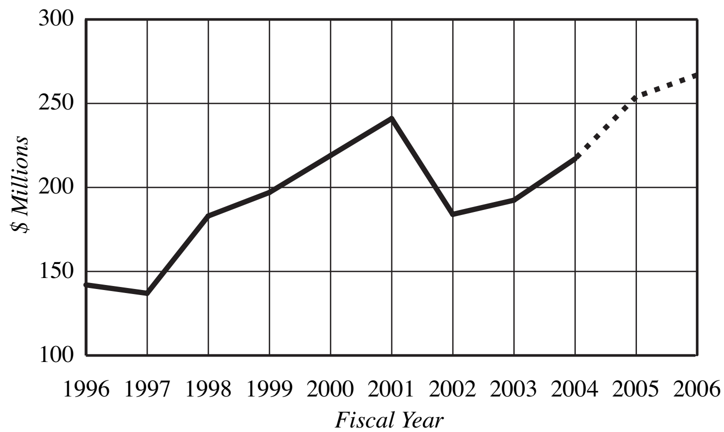
Forecast: The cigarette tax for 2005 is forecast at $123 million, a 10.9 percent decline from the prior year and a decrease of $3 million from the January Plan level. Cigarette tax revenue for 2006 is forecast at $120 million, a decrease of $1 million from the January Plan forecast and a decline of 2.4 percent from 2005.

The increase in cigarette tax to $1.50 per pack, effective July 2, 2002, marked the beginning of a decline in the number of packs sold within the City. Beginning almost immediately, the levels of either smoking cessation or diverted purchases to vendors outside of the City's jurisdiction increased significantly. In 2002, 342 million packs of cigarettes were sold in New York City, while only 182 million packs were sold in 2003. At the same time, revenue grew from $27 million in 2002 to $159 million in 2003, despite the retention by the State of New York of 46 percent of City revenue from the tax increase.

The forecast for 2005 calls for a continued decline in packs sold, down 7.3 percent from 2004, to 152 million packs. Revenue is likewise expected to decline to $123 million from $138 million in 2004. This, greater than forecast decline in packs sold in 2005, is based upon an analysis of packs sold through March and undoubtedly reflects a greater than forecast cessation/avoidance by smokers. The recent decision by major credit card and payment companies, such as Visa and PayPal, to stop processing online transactions of cigarette sales, effective March 2005, may bolster cigarette sales within the City in coming months. To date no increase in packs sold has been apparent. From 2007 through 2009 cigarette tax collections are projected to continue falling, 2.3 percent on average, based upon the long-term decline in the number of packs sold.

HOTEL TAX

HOTEL TAX 1996-2006



The hotel tax is projected to account for 0.9 percent of tax revenue in 2006, or $267 million.

The City has imposed a hotel room occupancy tax since 1970. This tax is levied in addition to the combined City and State sales tax. Until 1986, the tax was imposed as a flat fee based on the daily rental value of the hotel room occupied. The fee ranges from a minimum of $0.50 up to $2.00 per day for rooms priced at $40 or more. An additional five percent tax on the rent or charge was imposed in July 1986. Subsequently, tax collections increased from $26 million in 1986 to $79 million in 1987. The State introduced a special hotel occupancy tax of five percent (effective June 1, 1990) on rooms costing $100 or more per day. The City rate was increased to six percent on September 1, 1990. The total tax rate payable on rooms priced over $100 in the City was 19.25 percent, including State and local sales taxes, in addition to the $2.00 flat fee. One-quarter of the revenue collected from the additional City one percent tax rate increase was earmarked for the development of tourism. Of this dedicated revenue, seven-eighths of the one-quarter percent funded the New York Convention and Visitors Bureau. The remaining one-eighth percent was not dedicated to a specific organization but had to be expended on tourism-related activities. In 1994, the tourism portion totaled $4 million.

In 1994, both the State and City acted to reduce the hotel occupancy tax burden. Effective September 1, the State eliminated its five percent tax. Effective December 1, the City repealed its one percent tax increase, including the dedication of the one-quarter percent to tourism, returning the rate to five percent. This lowered the total tax rate payable on hotel rooms priced at $100 to 13.25 percent, including State and local taxes, in addition to the $2.00 flat fee. Recent legislation enacted imposed a $1.50 unit fee on hotel occupancy within New York City, effective April 1, 2005.

Forecast: In 2005, the hotel tax revenue is forecast at $254 million, growth of 17.3 percent from the prior year and an increase of $3 million from the January Plan forecast. The hotel tax revenue is forecast at $267 million in 2006, growth of 5.1 percent over the prior year and an increase of $3 million from the January Plan forecast.

Hotel occupancy rates in New York City continued to increase from prior year levels during 2005, with occupancy rates averaging 83.4 percent from September through February. These occupancy rates are comparable to the pre-9/11 levels of 84.6 percent in the fall of calendar year 2000. Air traffic to the NYC major airports increased five percent in 2004, led by a large jump in domestic travel, as well as an increase in international arrivals. The increase in the number of domestic and international arrivals to the City has contributed to higher occupancy rates, which has returned pricing power to hoteliers who have consistently raised room rates through the first eight months of the fiscal year, averaging 13.1 percent growth over the prior year. Also, the art exhibition known as “The Gates”, which was displayed in Central Park from February 12, 2005 through February 27, 2005, put additional upward pressure on occupancy and room rates. It may be that there is still room for growth in the hotel room rates, as the number of higher-spending international and business travelers to the City has yet to return to pre-9/11 levels, despite support from a relatively weak US dollar.

In 2005, hotel occupancy rates are forecast to increase 4.6 percent to an annual rate of 84.0 percent, while the average daily room rate is forecast to increase 10.9 percent to $218, close to the average daily room rate for 2000. The number of hotel rooms in New York City continues to increase, although at a much slower pace due to conversions of old hotels to condominiums. This moderate increase in the number of rooms constrains growth in the average daily room rate. In 2006, average occupancy rates and average daily room rates are forecast to increase moderately on a year-over-year basis, a result of higher business travel demand in the peak convention months, as well as some pick-up in leisure travel. In 2007 through 2009, hotel tax collections are forecast to grow an average of 4.6 percent, signaling the return to pre-9/11 levels in average daily occupancy rates and average daily room rates.

OTHER TAXES

All other taxes are projected to account for 1.4 percent of total City tax revenue in 2006, or $419.7 million.

2005-2006 Other Taxes Forecast
Excluding Tax Audit Revenue
($ Thousands)

Tax	2005 Forecast	2006 Executive Budget	Increase/(Decrease) From 2005 to 2006 Amount	Percent Growth
Auto Related Taxes				
Auto Use	$33,200	$34,950	$1,750	5.3%
Commercial Motor Vehicle	46,500	46,300	(200)	(0.4)
Taxi Medallion Transfer	4,500	4,500	—	—
Excise Taxes				
Beer and Liquor	21,500	21,500	—	—
Liquor License Surcharge	3,800	3,800	—	—
Horse Race Admissions	35	35	—	—
Off-Track Betting (OTB)	—	—	—	—
Off-Track Betting Surtax	19,780	19,970	190	1.0
Miscellaneous				
Other Refunds	(20,200)	(20,200)	—	—
Payments in Lieu of Taxes (PILOTs)	192,046	177,072	(14,974)	(7.8)
Waiver	81,900	79,100	(2,800)	(3.4)
Penalty & Interest Real Estate (Current Year)	19,000	17,000	(2,000)	(10.5)
Penalty & Interest Real Estate (Prior Year)	57,000	46,000	(11,000)	(19.3)
Penalty & Interest - Other Refunds	(13,600)	(10,330)	3,270	(24.0)
Total	**$445,461**	**$419,697**	**$(25,764)**	**(5.8)%**

AUTO RELATED TAXES

Auto Use Tax: This tax is imposed by the City on privately-owned vehicles at the annual rate of $15 per vehicle. The tax was first imposed on October 1, 1974, and the amount has since remained unchanged. The tax is administered by the State Department of Motor Vehicles, with an administrative charge levied on the City for this service. In 1990, taxpayers were required to change from annual to biennial payments to conform to a change in the State registration procedures. This new procedure resulted in roughly half of all registrants in 1990 paying for two years, while the other half continued to pay only the annual fee. Revenue from the tax is projected to be $33.2 million in 2005 and $35.0 million in 2006.

Commercial Motor Vehicle Tax: This tax was first levied in 1960 on vehicles used for the transportation of passengers (medallion taxicabs, omnibuses and other for-hire passenger vehicles) and on all other commercial trucks and vehicles. The tax is charged at different rates, based on the purpose for which vehicles are used. Significant legislative changes in 1990 resulted in a revision of the rate schedules for many commercial motor vehicles. The rate for medallion taxicabs was raised to $1,000 per year, from $100 the previous year. Other for-hire passenger vehicles (livery cabs and omnibuses) pay $400 per year, a $300 increase over the 1989 rate. The rate schedule for other commercial vehicles weighing less than 10,000 pounds was left unchanged at $40 per year, while the rate for heavier vehicles was increased, with trucks weighing over 15,000 pounds paying the highest rate of $300 per year. Medallion taxicabs pay twice a year, in December and June, while owners of other types of commercial vehicles pay annually in June. In 2001, following a Department of Finance initiative, the City transferred the collection and administration of the commercial motor vehicle tax for livery taxicabs and light trucks to the State, thereby improving the rate of compliance. Until 2001, all registrants for taxi and livery vehicles ran from March 1 through the end of February. Beginning in 2002, the State Department of Motor Vehicles staggered the registration period for these vehicles so that the renewals were spread throughout the year resulting in a one-time cash flow loss of $3.5 million in fiscal year 2002. Revenue from the tax is projected to be $46.5 million in 2005 and $46.3 million in 2006.

Taxi Medallion Transfer Tax: This tax is imposed at a rate of five percent of the consideration paid for transfers of taxicab licenses (medallions). The tax is expected to generate $4.5 million in 2005 and 2006.

EXCISE TAXES

Beer and Liquor Excise Tax: Since 1980, the City has imposed a tax on licensed distributors and non-commercial importers on the sale of beer and liquor within New York City. The current tax rate is 12 cents per gallon of beer and 26.4 cents per liter of liquor with alcohol content greater than 24 percent. The City does not impose a tax on wine. The tax is administered by New York State. The tax is expected to generate $21.5 million in 2005 and 2006.

Liquor License Surcharge: This tax is imposed on distributors and non-commercial importers of beer and liquor at a rate of 25 percent of the license fees payable under the New York State Alcoholic Beverage Control Law. This tax is projected to generate $3.8 million in 2005 and 2006.

Horse Race Admissions Tax: A three percent tax was imposed in 1952 on the price of all paid admissions to horse races held either partly or wholly within the City of New York. Revenue from this tax is forecasted to be $0.04 million in 2005 and 2006.

Off-Track Betting (Dividend), and Off-Track Betting Surtax: A surcharge is exacted on most bets placed at New York City Off-Track Betting offices, and on most bets placed statewide on races held within New York City. Revenue is forecast at $19.8 million from the Off-Track Betting surtax in 2005, and $20.0 million in 2006.

MISCELLANEOUS

Other Refunds: These refunds are primarily paid out on the commercial rent tax and waiver and are projected to be $20.2 million in 2005 and 2006.

PILOTs: Payments in lieu of taxes (PILOTs) are contractual agreements between public agencies and private property holders which result in real property tax relief in order to: (1) induce businesses to remain in New York City; (2) attract new business; (3) provide subsidies for low income housing; and (4) promote economic growth. PILOT payments are either fixed sums based on real property taxes paid on the underlying property in the year preceding the agreement, formulas calculated on the income derived from business operations at the PILOT facility, or a combination of both. Payments are remitted quarterly, semi-annually or annually.

There are three primary sponsor agencies which serve as intermediaries between the City and the PILOT facility owner: New York City Housing Authority, Industrial Development Agency and Battery Park City Authority (BPCA) These agencies administer projects that comprise approximately 95 percent of PILOT payments received. Two smaller sponsors are the Economic Development Corporation and the Port Authority of New York and New Jersey. PILOT revenue is expected to be $192.0 million in 2005 and $177.1 million in 2006. These amounts reflect BPCA PILOT payments of $101.0 million in 2005 and $81.7 million in 2006.

Stock Transfer Tax: The State phased out collection of the City's stock transfer tax between 1979 and 1981. The state actually still collects the revenue and automatically rebates it to taxpayers. After the phase-out of collecting the tax, the State provided for annual appropriations of not more than $120 million as compensation. Until 1988, the State appropriated to the City approximately $118 million annually. Following a slowdown in State revenue growth, the appropriation was reduced to $83 million in 1990 and to $56 million in 1991. In 1992, the appropriation was restored to $114 million. In 2001, the appropriation was eliminated by the State.

Waiver (Personal Income Tax Nonresident City Employees): Under section 1127 of the New York City Charter, the City may collect payments from nonresident employees of the City or any of its agencies in an amount which equalizes their personal income tax liability to what it would be if they were residents. Revenue is projected to be $81.9 million in 2005 and $79.1 million in 2006.

Prior Year and Current Year Penalty and Interest - Real Estate: Taxpayers who do not pay their real property tax on time are liable for interest charges on outstanding balances. Interest is charged at a rate of nine percent for taxpayers whose annual liability is under $2,750 and 18 percent for all other taxpayers. Penalties and interest received against current year delinquencies are expected to be $19 million in 2005 and $17 million in 2006, while penalty and interest collections from prior year delinquencies are expected to be $57 million in 2005 and $46 million in 2006.

Penalty and Interest - Other Refunds: The City currently pays out interest on refunds claimed on overpayments against the business income taxes, on audits of the general corporation and unincorporated business taxes already collected by the Department of Finance but overturned by Federal or State rulings, and on payments made under protest by taxpayers who subsequently substantiate their claims. As a result of legislation, interest on overpayments claimed on amended returns is currently no longer paid for tax years beginning with 1989 as long as the refund is paid within a 90-day period. The cost of all these payments is projected at $13.6 million in 2005 and $10.3 million in 2006.

TAX ENFORCEMENT REVENUE

The Department of Finance targets delinquent taxpayers through agency audit activities, selected use of collection agencies and computer matches. Audits are forecast at $525.1 million in 2005 and $511.7 million in 2006.

MISCELLANEOUS RECEIPTS

Forecast of Miscellaneous Receipts

The non-tax revenue portion of City Funds is referred to as miscellaneous revenues. The 2006 Executive Budget includes eleven classes of miscellaneous revenues which are discussed below.

Miscellaneous Revenues
($ in Millions)

	2005 Forecast	2006 Executive Budget	Forecast to Executive Budget Increase (Decrease)
Licenses	$45	$47	2
Permits	114	112	(2)
Franchises and Privileges	217	220	3
Interest Income	131	142	11
Tuition and Charges for Services	580	530	(50)
Water and Sewer Revenues	931	998	67
Rental Income	939	176	(763)
Fines and Forfeitures	732	692	(40)
Miscellaneous	1,189	599	(590)
Total Miscellaneous Revenues	$4,878	$3,516	$(1,362)

Miscellaneous revenues are estimated at $3,516 million in 2006, a decrease of $1,362 million from 2005, exclusive of private grants and intra-city revenues. The revenue classes listed above are regrouped and described in the following three areas: Cost-based Charges (Licenses, Permits and Charges for Services); Water and Sewer revenues; and Other Income (Interest Income, Franchises, Rental Income, Fines, and Miscellaneous).

Cost-based Charges

Cost-based Charges are revenues collected as a result of the City providing a service (copies of official records, or inspections and reviews) and may be related to the government's police or regulatory functions (pistol permits, restaurant licenses, building plan examination fees). In the absence of specific State legislative authorization for the City to impose a tax or a specific fee, the City may, where otherwise allowed by law, impose a user fee to recover the cost of providing services.

Licenses

The City issues approximately 440,000 licenses. About 66,000 are non-recurring, 116,000 are renewed annually, 218,000 biennially, and 40,000 triennially. The major sources of license revenue are taxi and limousine licenses, pistol licenses, marriage licenses, and various business licenses under the jurisdiction of the Department of Consumer Affairs.

The 2006 forecast for license revenue is $47 million, $2 million more than 2005. The increase is due to the biennial and triennial renewal period for certain licenses.

Permits

Permits are issued to 840,000 individuals or entities for the use of facilities, premises or equipment. Approximately 320,000 permits are renewable on an annual, biennial or triennial basis. Seasonal or single occurrence permits, such as tennis and building permits, account for 520,000 additional permits, all of which are issued and regulated by twelve City agencies.

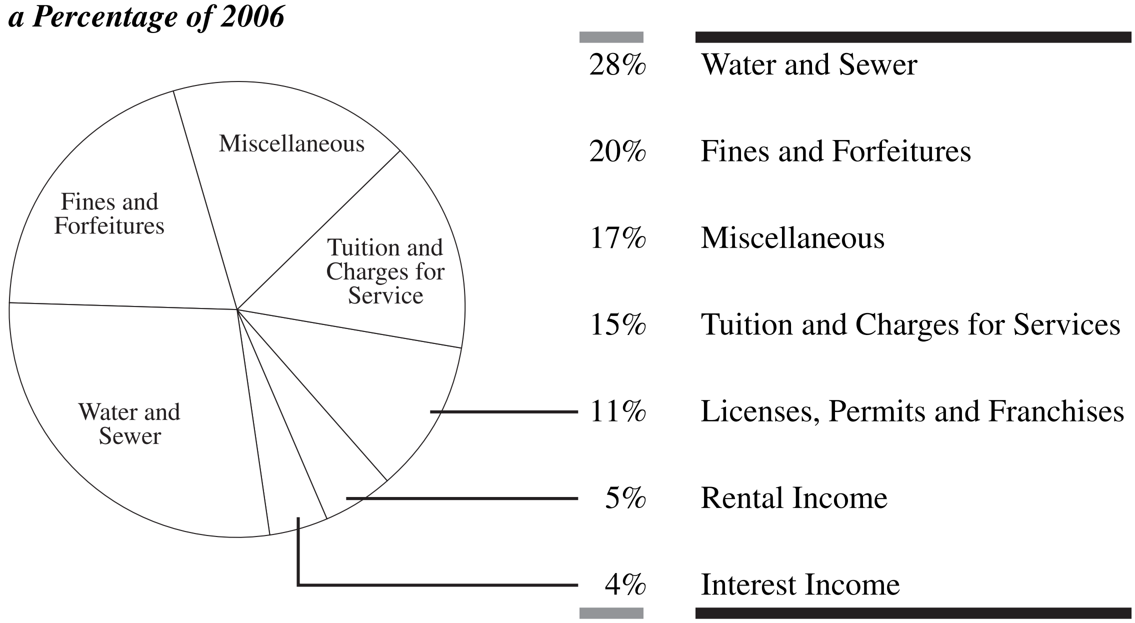
The major sources of revenue are permits for building construction and alterations, street openings, restaurants, hazardous materials, and air pollution control. The 2006 forecast for permit revenue is $112 million, $2 million less than 2005. The decrease is due to a decline in receipts for construction-related permits issued by the Department of Transportation.

Tuition and Charges for Services

The City collects tuition from students enrolled at community colleges. In addition, the City collects money from charges to the public and other governmental agencies for services rendered. There are over 100 different service fees in this category, including fees for parking, towing, Sheriff poundage, provision of school lunches, copies of reports, processing applications, searches, and performing fire and building inspections. The 2006 forecast for tuition and charges for services is $530 million, $50 million less than 2005. A large portion of this decrease is the result of non-recurring revenue collected by the City Register's Office at the Department of Finance, the processing of 421-a tax exemption applications, and the Department of Corrections' plan to issue a concession for commissary operations.

COMPONENTS OF MISCELLANEOUS REVENUES

As a Percentage of 2006



Water and Sewer Revenues

Water and Sewer charges are collected by the New York City Water Board. From these charges the Board has paid revenue to the City in two components: reimbursement for operation and maintenance (O&M) of the water delivery, and waste water disposal systems and rent. The O&M reimbursement is equal to the amount spent by the City to supply water and treat and dispose of waste water on behalf of the Board. The City is reimbursed only for its expenditures. The rental payment from the Water Board is intended to pay for the use of the City's water supply, distribution, collection and treatment plant, and is equal to the greater of debt service payments for outstanding water and sewer-related general obligation debt or 15 percent of Water Authority debt service.

The Water Board has proposed a 3 percent rate increase for 2006. The forecast for Water Board revenue is $1.98 billion, including a City payment of $40 million for municipal water and sewer charges and $65 million for interest on funds held by the New York City Municipal Water Finance Authority. The Water Board will pay $751 million for Water Board and Authority expenses and debt service. The City will receive $871 million for services rendered in the delivery of water and the collection, treatment, and disposal of waste water, and $127 million for the rental of the water supply and sewer system plant, in accordance with the lease agreement between the Water Board and the City.

Other Income

Other income includes fines, concession and franchise payments, rental income, interest earned on the City's cash balances, and income from other areas in which productivity may have a positive effect on the amount of revenue collected. Each of the sources included in this area has its own unique basis for management and improvement, some of which are directly affected by the City's policy toward such varied items as housing, economic development, transportation, and quality of life issues.

Interest Income

The City earns interest income by investing funds from four sources: overnight cash balances, debt service accounts, sales tax, and cash bail balances. Overnight cash balances are invested and earn interest at approximately the federal funds rate. Property tax receipts are held by the State Comptroller to satisfy City debt service payments, and earnings are forwarded to the City monthly based on bond payment schedules. The determinants of the value of this revenue source are the value of cash balances, tax receipts, and the interest rate.

The 2006 forecast for interest earnings is $142 million, an increase of $11 million from 2005. Higher interest rates and an expected return to historical cash balances account for this change.

Franchises and Privileges

This revenue consists of franchise fees for the public use of City property and privilege and concession fees for the private use of City property. These uses include conduits that run under City streets, concessions in public parks and buildings, waste disposal at City disposal facilities, and payments from utility companies for transformers on City property.

The 2006 forecast for franchise revenue is $220 million, an increase of $3 million from 2005. The increase is attributable to adverse weather conditions in 2005 which affected revenues from outdoor concessions.

Rental Income

Rental income is derived from both long and short-term agreements for the occupancy of City-owned property, including condemnation sites and *in rem* buildings. Approximately 2,730 properties are rented from the City. Approximately 1,330 are *in rem* or condemnation sites, 100 are covered by long term agreements, and over 1,300 are schools that are rented on a per event basis after school hours.

The 2006 forecast for rental income is $176 million, $763 million less than in 2005. The decrease is due to the City's recovery of non-recurring rental payments in 2005 from the renegotiations of leases for Kennedy and LaGuardia airports, an audit of Yankee Stadium rents, and additional revenue from percentage-based agreements collected by the Department of Citywide Administrative Services.

Fines and Forfeitures

The City collects fine revenue through courts and administrative tribunals for violations issued under the Administrative Code, Vehicle and Traffic Law, and other laws. Forfeiture revenue is obtained from the surrender and conversion of bail and cash bonds, and contractors' performance bonds. The 2006 forecast for forfeitures is $5.3 million, $1.2 million less than 2005. One-time bail bond forfeitures account for this change. The revenue expected from fines in 2005 and 2006 is listed below:

Fine Revenue

SOURCE ($ in 000's)	2005 FORECAST	2006 EXECUTIVE BUDGET
Parking Violations	$582,471	$559,078
Environmental Control Board	55,000	54,382
Traffic Violations	25,000	20,567
Department of Health	22,000	21,902
Taxi and Limousine Commission	6,500	6,500
State Court Fines	7,700	7,085
Department of Buildings	11,000	6,250
Department of Consumer Affairs	6,780	4,762
Other sources	10,297	7,313
Total	$726,748	$687,839

The Parking Violation division of the Department of Finance is forecasted to collect $559 million in parking fines in 2006, $23 million less than 2005. The City Sheriff and City Marshall currently tow vehicles registered to persons who owe more than $230 in uncollected parking summonses in judgment. In 2006, the City anticipates increasing the dollar threshold required to make a vehicle eligible for towing.

The Red Light Camera program is designed to promote safe, responsible driving by photographing and fining vehicles "running" red lights. Given the success of this program in reducing red light violations at busy intersections, DOT has proposed to expand the Red Light Camera program from 50 to 100 cameras. The expansion of the Red Light Program requires the approval of the State Legislature.

The Environmental Control Board (ECB) adjudicates approximately 550,000 notices of violations issued by over a dozen City agencies for infractions of the City's Administrative Code related to street cleanliness, waste disposal, street peddling, fire prevention, air, water and noise pollution, building safety and construction, and other quality of life issues. ECB will collect $54.4 million in 2006.

The Department of Health issues summonses for violations of City and State health code regulations, as well as certain portions of the City Administrative Code. The majority of fines imposed are for food establishment, window guard and pest control violations.

The City also collects revenue from the adjudication of traffic violations issued in the City of New York, certain fines adjudicated through the State-operated Criminal and Supreme Court system, and fines collected by the City for administrative code violations, building code violations, and violations issued under the authority of the Consumer Protection Law, the State Agriculture & Market Laws, and the Licensing Law.

Miscellaneous

Miscellaneous revenue is composed of a variety of revenues not otherwise classified in the City's Chart of Accounts. The primary items are the sale of City property, mortgages, cash recoveries from litigation and audits, E-911 telephone surcharges, revenue from Police Department Property Clerk auctions, refunds of prior year expenditures, the sale of the City Record and other publications, and subpoena fees. This source of revenue has, at times, contributed significantly to the miscellaneous receipts.

The 2006 forecast for miscellaneous revenue is $599 million, $590 million less than in 2005. The difference is attributable to non-recurring revenue from the State takeover of MAC debt and other non-recurring receipts from asset sales in 2005. This decrease is partially offset by proceeds from escrow restructuring and the release of the trapping account associated with tobacco settlement revenues in 2006.

Private Grants

The Executive Budget includes $923 million in private grants in 2006, $67 million more than 2005. Additional private grant funding will be modified into the budget during the course of the year, as additional funding sources are identified and grants are defined.

Interfund Revenues

Interfund Revenues (IFA's) are reimbursements from the Capital Fund to the General Fund for authorized first-line architectural, engineering, and design costs incurred by the City's own engineering and support staff. These costs also include employee costs for expenses incurred in connection with eligible capital projects for the development of computer software, networks and systems. All IFA costs are assigned to particular capital projects and are valid capital charges under generally accepted accounting principles. In 2006, expected reimbursements will be $364 million.

CAPITAL BUDGET

The Executive Capital Budget and Four-Year Plan, 2006-2009

The 2006 Executive Capital Budget includes new appropriations of $9.2 billion, of which $6.7 billion are to be funded from City sources. These appropriations, together with available balances from prior years, authorize total commitments for 2006 of $11.3 billion, of which $8.6 billion will be City-funded. City funds include proceeds from City general obligation bonds as well as bonds issued by the City Municipal Water Finance Authority. As indicated in the following table, the targeted level for City-funded commitments is $8.0 billion in 2006. The aggregate agency-by-agency authorized commitments of $8.6 billion exceed the 2006 financial plan by $597.0 million. Excess authorizations in this proportion have proven necessary to achieve commitment spending targets by accommodating such factors as project scope changes and delays.

Four-Year Plan Highlights

The 2006-2009 Capital Plan totals $34.5 billion for the construction and rehabilitation of the City's infrastructure. This will provide funding targeted to building and improving schools as well as colleges within the City University of New York, maintaining the drinking water system, improving transportation, modernizing emergency response communications, improving major hospitals, and developing economic growth initiatives.

Over $10.5 billion is provided in the Capital Plan for new school construction and expansion, and modernization, rehabilitation and improvements to existing school buildings. The City will invest $2.4 billion for the continued reconstruction and rehabilitation of the four East River Bridges and the complete reconstruction and rehabilitation of 57 other bridge structures. In order to enhance the City's drinking water system, $1.3 billion is provided for the construction of the Croton Water Filtration Plant and related projects. An investment of $1.2 billion will be provided for the development of a 911 Emergency Response Communication System, including upgrades to telecommunications infrastructure.

To improve the delivery of health care services to New Yorkers, the City will invest $477.1 million to modernize Harlem and Gouverneur Hospitals in Manhattan, Kings County Hospital in Brooklyn and Jacobi Medical Center in the Bronx. In order to maintain the City's competitive edge in the travel and tourism industry, $138.7 million will be invested to redevelop the Manhattan and Brooklyn Passenger Ship Terminals for cruise lines. The City will provide over $67.9 million for the Brooklyn Navy Yard to improve the infrastructure supporting our local industrial base. The City will match all State funding to improve higher education infrastructure by adding $130.7 million for new construction, enhancements, improvements and rehabilitation of the facilities at City University of New York's community colleges.

FY 2005 – 2009 Commitment Plan
($ in millions)

	2005		2006		2007		2008		2009	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Environmental Protection										
• Equipment	$137	$212	$170	$259	$79	$82	$61	$64	$62	$65
• Sewers	230	231	178	178	185	185	173	173	123	123
• Water Mains	791	793	498	498	1,887	1,887	383	383	231	231
• Water Pollution Control	793	859	1,070	1,095	227	252	665	690	708	733
• Water Supply	752	752	184	184	15	15	50	50	150	150
Subtotal	**$2,703**	**$2,846**	**$2,100**	**$2,214**	**$2,393**	**$2,421**	**$1,331**	**$1,359**	**$1,273**	**$1,301**
Transportation										
• Mass Transit	$185	$185	$86	$250	$70	$92	$66	$66	$66	$66
• Bridges	123	272	601	624	615	814	291	478	317	501
• Highways	306	343	330	407	356	415	297	297	298	298
Subtotal	**$615**	**$800**	**$1,016**	**$1,282**	**$1,041**	**$1,322**	**$654**	**$841**	**$681**	**$865**
Education										
• Education	$2,739	$2,739	$814	$2,630	$910	$2,625	$1,010	$2,625	$1,210	$2,625
• Higher Education	104	114	154	154	33	37	42	46	46	50
Subtotal	**$2,843**	**$2,852**	**$968**	**$2,784**	**$942**	**$2,662**	**$1,052**	**$2,671**	**$1,256**	**$2,676**
Housing & Economic Development										
• Economic Development	$462	$629	$399	$425	$604	$604	$137	$137	$63	$63
• Housing	420	583	393	553	319	417	266	413	238	300
Subtotal	**$881**	**$1,213**	**$792**	**$979**	**$923**	**$1,020**	**$403**	**$550**	**$301**	**$363**
Administration of Justice										
• Correction	$72	$72	$215	$215	$118	$118	$170	$170	$239	$243
• Courts	710	713	156	157	113	113	115	115	66	66
• Police	118	118	160	160	94	94	56	56	58	58
Subtotal	**$899**	**$902**	**$531**	**$532**	**$325**	**$325**	**$341**	**$341**	**$363**	**$367**
City Operations & Facilities										
• Cultural Institutions	$317	$319	$209	$218	$70	$70	$39	$39	$4	$4
• Fire	164	165	134	148	58	58	48	48	46	46
• Health & Hospitals	628	628	382	382	290	290	223	223	116	116
• Parks	490	559	326	376	197	199	112	112	69	69
• Public Buildings	188	188	197	201	77	77	61	61	73	73
• Sanitation	139	139	660	660	212	212	252	252	108	108
• Technology & Equipment	476	480	909	984	945	945	457	457	166	166
• Other	288	456	385	528	189	226	118	139	107	130
Subtotal	**$2,689**	**$2,934**	**$3,202**	**$3,496**	**$2,038**	**$2,078**	**$1,309**	**$1,330**	**$688**	**$711**
Total Commitments	**$10,630**	**$11,547**	**$8,610**	**$11,288**	**$7,662**	**$9,828**	**$5,090**	**$7,093**	**$4,563**	**$6,284**
Reserve For Unattained Commitments	**(3,717)**	**(3,717)**	**(597)**	**(597)**	**123**	**123**	**943**	**943**	**514**	**514**
Commitment Plan	**$6,913**	**$7,830**	**$8,013**	**$10,691**	**$7,785**	**$9,951**	**$6,033**	**$8,036**	**$5,077**	**$6,798**
Total Expenditures	**$5,323**	**$5,901**	**$6,018**	**$7,004**	**$6,546**	**$7,896**	**$6,755**	**$8,545**	**$6,369**	**$8,301**

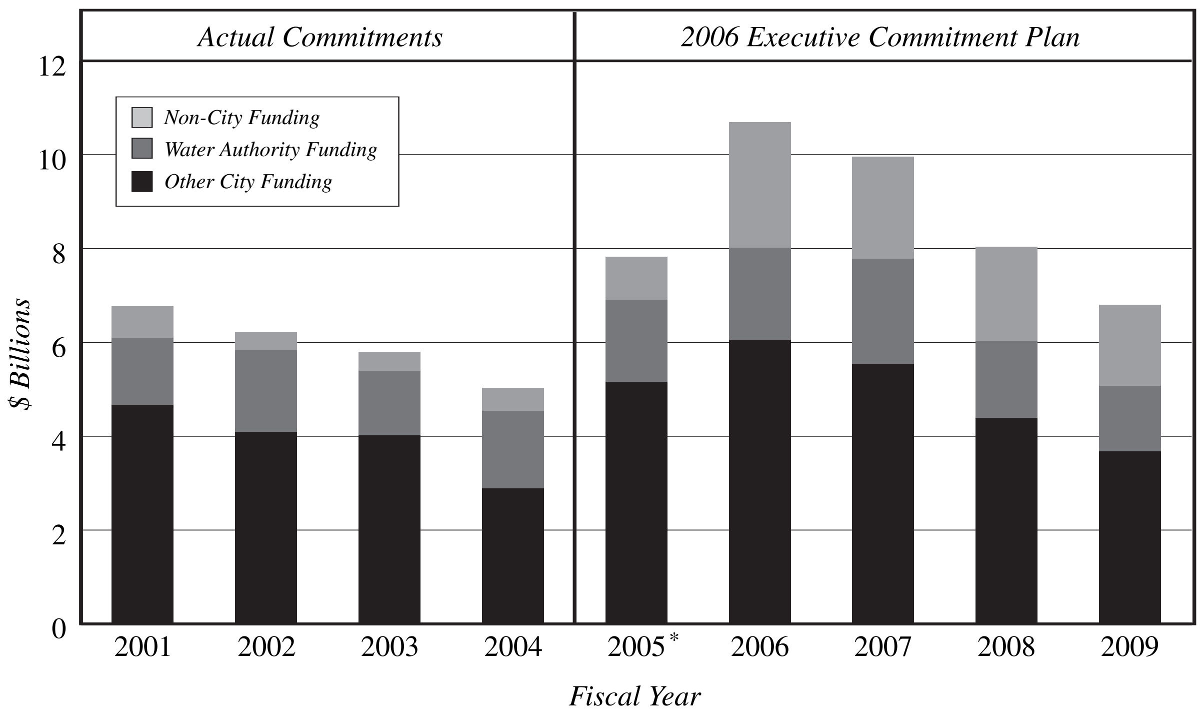
**Note: Individual items may not add to totals due to rounding*

Non-City Funding Sources

Non-City capital funding sources include $2.7 billion in the 2006 plan and $8.6 billion over the 2006-2009 four-year plan period. The majority of non-City funding supports Education, Transportation, Housing, Environmental Protection and Transit programs.

Education programs anticipate receiving $6.6 billion in State funding over the 2006-2009 period. Transportation programs are projected to receive non-City funding of $919.4 million over the 2006-2009 period, with $762.8 million from the Federal government and $151.7 million from the State, and private funds of $4.9 million. Housing programs anticipate non-City funding of $467.1 million in the 2006-2009 period, consisting of $447.1 million in Federal funding and $20.0 million in private funds. Environmental Protection programs anticipate receiving $198.3 million in non-City funding over the 2006-2009 period, consisting of $186.3 million in State funding and $12.0 million in Federal funds. Transit programs anticipate non-City funding of $186.0 million in the 2006-2009 period, consisting of $161.4 million in Federal funding and $24.6 million in State funds.

FY 2001-2009 CAPITAL COMMITMENTS BY FUNDING SOURCE



* Projected

The Capital Program since 2001

The table below illustrates the changes in the size of the City's capital program over the 2001-2004 period.

FY 2001 – 2004 Commitments
($ in millions)

	2001		2002		2003		2004	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Environmental Protection								
• Equipment	$60	$68	$115	$239	$91	$91	$43	$43
• Sewers	90	90	199	199	201	202	216	216
• Water Mains	178	178	492	492	337	337	480	481
• Water Pollution Control	970	970	806	806	681	687	877	935
• Water Supply	130	130	135	135	63	63	39	39
Subtotal	**$1,428**	**$1,436**	**$1,747**	**$1,871**	**$1,373**	**$1,380**	**$1,654**	**$1,713**
Transportation								
• Mass Transit	$91	$91	$6	$6	$521	$521	$80	$80
• Highways	214	223	211	217	171	166	202	227
• Highway Bridges	147	198	63	101	191	232	149	210
• Waterway Bridges	127	269	46	35	181	236	215	360
Subtotal	**$579**	**$781**	**$327**	**$359**	**$1,064**	**$1,155**	**$646**	**$878**
Education & Hospitals								
• Education	$2,178	$2,429	$1,337	$1,340	$890	$963	$571	$593
• Higher Education	7	8	9	10	17	21	18	19
• Hospitals	65	65	77	77	50	50	58	58
Subtotal	**$2,250**	**$2,502**	**$1,422**	**$1,427**	**$956**	**$1,033**	**$647**	**$670**
Housing & Economic Development								
• Housing	$261	$390	$321	$438	$203	$313	$216	$283
• Economic Development	202	213	190	193	237	255	206	221
Subtotal	**$463**	**$603**	**$510**	**$632**	**$440**	**$568**	**$422**	**$504**
City Operations & Facilities								
• Correction	$107	$108	$31	$32	$110	$110	$30	$30
• Fire	120	120	149	149	81	99	66	69
• Police	43	43	119	119	81	81	65	65
• Public Buildings	79	81	167	167	98	102	175	176
• Sanitation	150	150	216	216	159	159	140	140
• Parks	205	207	166	169	222	226	116	143
• Other (1)	671	743	976	1,073	804	886	577	646
Subtotal	**$1,374**	**$1,452**	**$1,825**	**$1,926**	**$1,555**	**$1,662**	**$1,169**	**$1,269**
Total Commitments	**$6,094**	**$6,775**	**$5,832**	**$6,214**	**$5,389**	**$5,799**	**$4,539**	**$5,034**
Total Expenditures	**$4,389**	**$5,310**	**$5,436**	**$6,320**	**$5,376**	**$5,734**	**$5,133**	**$5,755**

(1) Includes unplanned actuals.
** Note: Actuals are adjusted to reflect DASNY Courts and DDC managed Education contract registrations.*
Individual items may not add to totals due to rounding.

Comprehensive Planning Process

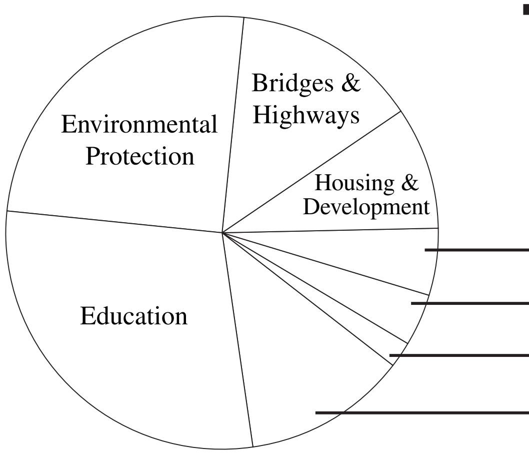
Developing a long-term capital investment strategy to improve, expand and sustain the City's physical plant requires comprehensive planning. The Ten-Year Capital Strategy, updated by OMB and the Department of City Planning every two years through consultation with City agencies, establishes overall programmatic goals. The Four-Year Plan, revised annually, is consistent with the basic priorities established in the Ten-Year Capital Strategy. As annual budgets are prepared, goals are adjusted to reflect newly-identified needs and changes in mandated programs within the context of the City's Ten-Year Capital Strategy and Four-Year Plan.

Ten-Year Capital Strategy 2006-2015
($ in thousands)

	City Funds	Non-City Funds	Total Funds
Environmental Protection			
• Sewers	$1,540,351	$24	$1,540,375
• Water Mains	4,118,432	0	4,118,432
• Water Pollution Control	6,009,761	150,000	6,159,761
• Water Supply	3,218,728	0	3,218,728
• DEP Equipment	707,610	98,273	805,883
Subtotal Environmental Protection	$15,594,882	$248,297	$15,843,179
Education			
• Education	$11,007,551	$6,563,396	$17,570,947
• CUNY	311,938	40,117	352,055
Subtotal Education	$11,319,489	$6,603,513	$17,923,002
Transportation			
• Mass Transit	$743,468	$186,017	$929,485
• Highways & Transit Operations	3,609,459	430,406	4,039,865
• Bridges	3,679,277	1,183,373	4,862,650
Subtotal Transportation	$8,032,204	$1,799,796	$9,832,000
Housing & Economic Development			
• Housing	$3,463,794	$467,086	$3,930,880
• Housing Authority	142,396	0	142,396
• Economic Development	1,441,059	26,740	1,467,799
Subtotal Housing & Economic Development	$5,047,249	$493,826	$5,541,075
Administration of Justice			
• Correction	$1,616,846	$3,750	$1,620,596
• Police	725,022	0	725,022
• Courts	581,408	640	582,048
• Juvenile Justice	20,793	0	20,793
Subtotal Administration of Justice	$2,944,069	$4,390	$2,948,459
Health & Social Services			
• Health	$241,491	$0	$241,491
• Hospitals	951,264	0	951,264
• Homeless Services	273,413	0	273,413
• Human Resources	124,078	58,942	183,020
• Children's Services	139,368	14,154	153,522
• Aging	34,944	—	34,944
Subtotal Health & Social Services	$1,764,558	$73,096	$1,837,654
Other City Services			
• Sanitation	$2,521,233	$0	$2,521,233
• Public Buildings	1,134,022	3,831	1,137,853
• Fire	545,465	13,885	559,350
• Parks & Recreation	1,032,244	51,359	1,083,603
• Cultural Institutions & Libraries	613,182	13,244	626,426
• Technology & Equipment	2,481,215	75,000	2,556,215
Subtotal Other City Services	$8,327,361	$157,319	$8,484,680
Total	$53,029,812	$9,380,237	$62,410,049

TEN-YEAR CAPITAL STRATEGY FOR 2006-2015

($ in Millions - All Funds)



% of Plan	Program	FY 2006 to 2015
29%	Education	$17,923
25%	Environmental Protection	15,843
14%	Bridges & Highways	8,903
9%	Housing & Development	5,541
5%	Administration of Justice	2,948
4%	Sanitation	2,521
2%	Mass Transit	929
12%	Other City Services	7,802
	Total	**$62,410**

2006 Ten–Year Capital Strategy Highlights

Technology

- Emergency Communications: development of an integrated Emergency Communications System that will enhance the City's emergency and response capabilities, including an integrated dispatch system and upgrades to telecommunications infrastructure ($1,187.8 million).

- Citywide Wireless Technologies: includes development of a citywide broadband wireless data network that will provide interoperability across agencies and jurisdictions for high-speed public safety communications; automatic vehicle location (AVL) data; public safety and other radio communication infrastructure and networks; and vehicular traffic control data ($290.0 million).

- NYCAPS: development of the New York City Automated Personnel System ($116.0 million).

- CityTime: development of an enterprise-wide workforce management and automated timekeeping system ($105.0 million).

- NYCServ: upgrade of the City's comprehensive consolidated services system to improve the City's licensing, collections, payment and adjudications processes ($40.0 million).

Environmental Protection and Sanitation

- Sewers: reconstruction and extension of the City's sewer system ($1.5 billion).

- Water Mains: construction of the Croton Water Filtration Plant and related projects ($1.3 billion); upstate dams, bridges, and road reconstruction ($525.9 million); design and construction of the Catskill/Delaware U/V facility ($517.0 million); in-city water main reconstruction ($1.2 billion).

- Wastewater Treatment: continued reconstruction of the Newtown Creek Wastewater Treatment Plant (WWTP) ($811.6 million); reconstruction and stabilization of the four WWTPs located in the Upper East River to reduce nitrogen discharges ($2.2 billion); reconstruction and stabilization of all other WWTPs ($869.3 million); combined sewer overflow projects ($716.8 million).

- Water Supply: continued construction of the Third Water Tunnel, Stage Two ($244.1 million); study and construction of alternative water supply sources for the City ($1.1 billion); begin construction of the Kensico-NYC Tunnel ($1.7 billion).

- Equipment: water conservation programs including the installation of water meters ($107.7 million) and the plumbing retrofit program ($24.0 million); remediation of the Brookfield Landfill located in Staten Island ($111.5 million); reconstruction of DEP facilities ($148.8 million).

- Sanitation: purchase of vehicles and other equipment ($985.6 million); construction and reconstruction of sanitation garages and other facilities, citywide ($935.7 million); construction of solid waste management facilities ($569.9 million); and reconstruction of waste disposal facilities ($30.0 million).

Transportation

- Bridges: the continued reconstruction/rehabilitation of the four East River Bridges ($543.6 million), including the reconstruction of Brooklyn Bridge approaches, main span and painting ($259.6 million); the reconstruction of two bridge structures rated “poor” ($94.5 million) and 69 bridge structures rated “fair” ($2.2 billion). The total Bridge Program for 2006-2015 is $4.9 billion.

- Highways: the reconstruction and/or resurfacing of 2,647.4 linear miles (8,672.6 lane miles) of streets ($2.5 billion); the reconstruction of sidewalks and installation of pedestrian ramps ($457.8 million). The total Highway Program for 2006-2015 is $3.1 billion.

- Traffic: the modernization and expanded computerization of the City’s traffic signal network to improve traffic flow ($242.6 million); the upgrade of the street lighting system ($215.8 million). The total Traffic Program for 2006-2015 is $684.0 million.

- Ferries and Buses: the reconstruction and improvement of various ferry vessels ($120.9 million), and facilities ($53.8 million); the purchase of a bus simulator ($1.0 million), equipment ($2.9 million) and the rehabilitation of bus facilities ($9.4 million) for the City’s subsidized transit program. The total Ferries and Buses Program for 2006-2015 is $188.0 million.

- Other Transit: contribution to the MTA’s capital program, including subway and bus fleet enhancements, infrastructure improvements, in-house track rehabilitation and reconstruction of bus and subway lines and facilities ($723.3 million). In addition $206.2 million is provided for bus purchases for the newly created MTA Bus Company. The total Transit program for 2006-2015 is $929.5 million.

Education, Health and Social Services

- Education: a total program of $17.6 billion provides funding to make capital improvements that enhance educational programs ($5.2 billion); rehabilitate, replace and upgrade building components ($5.1 billion); construct new schools ($3.7 billion); modernize school buildings ($9.6 million); cover emergency projects, research and development, and prior plan completion costs ($1.6 billion); expand facilities through leases, building additions, modular classrooms and new athletic fields and playgrounds ($1.4 billion); and address the need for security systems, emergency lighting and code compliance ($527.2 million).

- Higher Education: a total program of $352.0 million which matches the $240.2 million in State appropriations and includes the design and construction of Fiterman Hall at Borough of Manhattan Community College

($63.0 million), Academic Building I at Medgar Evers College ($62.1 million), and the North Instructional Building at Bronx Community College ($29.7 million); community college wide Health and Safety projects ($11.9 million); renovations and rehabilitation of Center III at LaGuardia Community College ($24.2 million); and purchase of computer, laboratory and other equipment ($20.0 million).

- Health: Office of Chief Medical Examiner equipment replacement, upgrade and initial outfitting ($22.0 million); Public Health Laboratory upgrade ($43.4 million); various DOHMH clinics reconstruction, rehabilitation and emergency work ($107.6 million); to implement digital radiography, electronic health records, as well as other automation initiatives throughout DOHMH ($24.6 million); Gouverneur Healthcare Services modernization ($100.0 million); Harlem Hospital Center consolidation and modernization ($203.5 million); Kings County Hospital Center behavioral health services consolidation ($126.0 million); Jacobi Medical Center's new ambulatory care facility ($54.0 million); HHC's ongoing maintenance, code compliance, and facility and equipment expansion and upgrades ($190.5 million).

- Aging: rehabilitate senior centers, with a primary focus on improvements to fire suppression systems, heat and hot water systems, and handicapped accessibility ($19.0 million); develop computerized network to assist applicants in accessing services and entitlement programs, purchase computers for senior centers ($13.6 million).

- Administration for Children's Services: renovation and code compliance at various child care centers ($39.7 million); continued development and expansion of the agency's automated systems, including planned computer replacements, upgrading of telecommunications networks, and maintenance of systems that are critical for meeting mandated program management reporting requirements ($47.5 million); renovation of the agency's central office at 150 William Street ($7.9 million).

- Homeless Services: building renovations, building envelope stabilization and restorations, code compliance, fire safety and security upgrades to adult facilities ($144.3 million) and family facilities ($74.4 million); construction of a new Emergency Assistance Unit ($27.8 million); upgrade and development of the Department's computer network, including an integrated client tracking system with enhanced client and shelter information reporting and inter-agency data match capability ($16.3 million).

- Human Resources: conversion of Job Centers to Model Offices to provide the setting for integrated case management services ($12.8 million); imaging projects to eliminate paper records and streamline the Department's operations ($4.2 million); continued development of Local and Wide Area Network systems in order to provide greater connectivity among Department's personnel, contract service providers and clients ($23.8 million).

Housing and Development

- Housing: disposition and rehabilitation of approximately 4,658 *in rem* dwelling units through various privatization initiatives ($600.1 million); development starts of over 25,434 new homeownership and rental dwelling units through the Nehemiah, Neighborhood Initiative, Mixed Income, Cornerstone and other new construction programs ($1.1 billion); provision of low-interest loans to finance the rehabilitation and preservation of approximately 38,410 low and moderate income units in privately owned buildings under Article 7A, Article 8A, Participation Loan, Small Buildings, and other housing preservation programs ($1.5 billion); and production of 4,669 units for low income and homeless individuals, including those with special needs, through the Supportive Housing Loan Program ($472.7 million).

- Housing Authority: modernization and systems upgrade throughout the six City-aided developments, consisting of 7,980 public housing units ($116.0 million).

- Economic Development: construction of new facilities within the BAM Cultural District ($30.1 million); development of new industrial space within the Brooklyn Navy Yard ($21.1 million); infrastructure improvements at Queens West ($14.1 million); implementation of the Hunts Point Vision Plan ($25.7 million); rehabilitation and expansion of the Cruise Ship Terminals in Manhattan and Brooklyn ($138.6 million); improvements to and expansion of the Staten Island Railroad ($23.1 million); and redevelopment of the Staten Island Homeport site ($52.4 million).

Administration of Justice and Public Safety

- Correction: replacement of deteriorating housing facilities with new facilities ($911.0 million); improvements to building systems, infrastructure and support space ($565.4 million); life cycle replacement of vehicles, telecommunications, and other equipment ($144.2 million).

- Courts: construction of a new courthouse in Staten Island to house Supreme Court-Criminal Term, Supreme Court-Civil Term, and Surrogate's Court ($113.9 million); renovation of Supreme Court building at 360 Adams Street and Criminal Court building at 120 Schermerhorn Street in Brooklyn ($41.5 million); renovation of Family Court building at 60 Lafayette Street and Civil Court building at 111 Centre Street in Manhattan ($58.5 million); renovation and systems upgrade work in the Bronx Supreme Court building at 851 Grand Concourse ($60.0 million); and renovation work in the courthouse at 18 Richmond Terrace in Staten Island to house the Criminal and Family Courts ($20.0 million).

- Police: lifecycle replacement of communication equipment, computer equipment, vehicles and miscellaneous equipment ($397.2 million); construction of five new police precincts, 40th Precinct ($25.0 million), 66th Precinct ($25.0 million), 70th Precinct ($25.0 million), 110th Precinct ($25.0 million) and the construction of a new Staten Island precinct ($25.0 million), rehabilitation or maintenance of facilities citywide ($202.7 million).

- Fire: replacement of front-line fire-fighting apparatus, support vehicles and equipment ($310.6 million); renovation of firehouse components such as boilers, electrical upgrades, kitchens, roofs, bathrooms, waterproofing, apparatus doors, floors and windows ($119.9 million); complete restoration of three firehouses ($16.6 million); construction of a new firehouse for Rescue Squad Three in the Bronx and Engine Company 201 in Brooklyn ($21.3 million); construction of a new EMS station at Queens Hospital Center ($7.0 million); design and acquisition of a new fleet maintenance facility in Maspeth, Queens ($9.8 million); purchase and upgrade of computer equipment to support agency operations ($18.5 million); professional services for the integration and upgrade of the emergency response and dispatch system ($22.1 million).

Recreation and Culturals

- Parks: construction of Fresh Kills Park ($100.0 million); reconstruction and replacement of safety surfaces, play equipment and paths in neighborhood parks and playgrounds ($51.9 million); development of the Greenpoint and Williamsburg waterfront ($100.0 million); construction of Brooklyn Bridge Park ($45.3 million); planting of street trees ($76.9 million); rehabilitation of Shea and Yankee stadia ($47.4 million); reconstruction and rehabilitation of park buildings ($57.5 million); reconstruction of bridges within Central Park, Prospect Park, and other parks ($59.2 million); construction of Hudson River Park ($36.1 million).

- Public Libraries: renovation of the Schomburg Center for Research in Black Culture in Manhattan ($4.4 million); system-wide infrastructure improvements for the New York Public Library ($8.2 million); acquisition and renovation of the Kingsbridge Branch Library in the Bronx ($7.7 million); renovation and expansion of the Stapleton Branch Library in Staten Island ($4.7 million); renovation and ADA compliance work at the St. Agnes Branch Library in Manhattan ($3.2 million); extensive renovations at the Brooklyn Central Library, which includes a new auditorium, a new front plaza and major systems upgrades ($14.6 million); system-wide HVAC work for the Brooklyn Public Library ($8.4 million); construction of a new Children's Library Discovery Center and a new fire alarm system at the Queens Central Library ($13.3 million); and expansion of the Elmhurst Branch Library in Queens ($4.2 million).

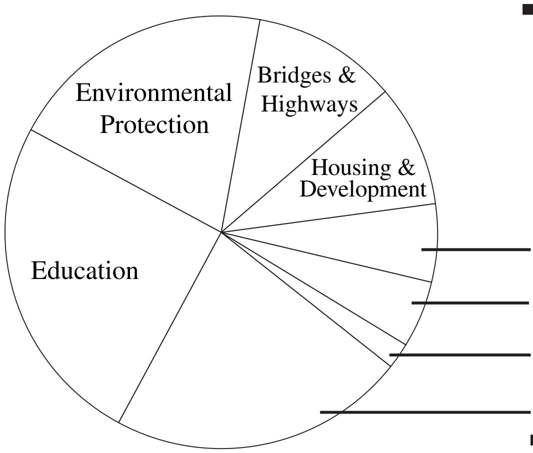
- Department of Cultural Affairs: funding for redevelopment projects at Lincoln Center for the Performing Arts ($205.8 million); renovation of the shark exhibit, construction of a beluga whale facility, and other various projects at the New York Aquarium ($27.8 million); expansion of the Queens Museum of Art ($24.9 million); facility modernization, infrastructure upgrades, and upgrades of the Genomic and Ornithology Departments at the American Museum of Natural History ($24.5 million); expansion and modernization of the Museum of the City of New York ($14.8 million); funding for climate control projects at the Brooklyn Museum of Art ($13.6 million); improvements to parking areas and roads, construction of a new museum building, and other various improvements at the New York Botanical Garden ($9.2 million); construction and reconstruction of facilities for the New York Shakespeare Festival ($7.4 million); spalling renovation and other improvements at the New York Hall of Science ($7.1 million); various improvements at the Snug Harbor Cultural Center ($6.7 million); various improvements to the Metropolitan Museum of Art and the Cloisters, including HVAC and lighting work ($6.4 million); funding for the Masterplan project at the Brooklyn Children's Museum ($6.0 million); funding for the Visitor Center at the Cherry Esplanade in the Brooklyn Botanic Garden ($4.8 million); construction of the Welcome Garden Entrance at the Queens Botanical Garden ($4.5 million); improvements to buildings A and B at the Staten Island Institute of Arts and Sciences ($5.1 million); exterior improvements at P.S. 1 ($4.9 million); and ADA compliance work at Wave Hill ($3.3 million).

Department of Citywide Administrative Services

- Public Buildings: the reconstruction of public buildings and City-owned facilities ($903.5 million), including the rehabilitation and renovation of the Manhattan Municipal Building and St. Andrew's Plaza ($23.0 million); compliance with legal mandates ($80.2 million), including the upgrade and replacement of petroleum underground storage tanks ($14.0 million); the renovation of leased space ($36.9 million), including the relocation of the Department of Buildings' Bronx office ($3.4 million); the purchase of equipment ($14.1 million); Board of Elections modernization ($7.1 million) for the consolidation of the warehouse and office in Manhattan; and the reconstruction of waterfront and non-waterfront properties ($52.7 million) .

2006 AUTHORIZED CAPITAL COMMITMENTS, BY PROGRAM

($ in Millions - All Funds)



% of Plan	*Program*	*2006 Plan*
25%	Education	$2,785
20%	Environmental Protection	2,214
11%	Bridges & Highways	1,297
9%	Housing & Development	979
6%	Sanitation	660
5%	Administration of Justice	540
2%	Mass Transit	250
22%	Other City Services	2,563
	Total	**$11,288**

2006 Agency Highlights

Technology

- Emergency Communications: development of an integrated Emergency Communications System that will enhance the City's emergency and response capabilities, including an integrated dispatch system and upgrades to telecommunications infrastructure ($426.6 million).

- Citywide Wireless Network: development of a citywide broadband wireless data network that will provide interoperability across agencies and jurisdictions for high-speed public safety communications, automatic vehicle location (AVL) data, and vehicular traffic control data ($100.0 million).

- 311: development of the Citizen Service Management System (CSMS) ($30.0 million).

- 211 at 311: development of the 211 phone number for social services hosted at 311, the Citizen Service Management System (CSMS) ($13.0 million).

Environmental Protection and Sanitation

- Sewers: reconstruction and extension of the City's sewer system ($177.6 million).

- Water Mains: upstate dam reconstruction projects ($63.0 million); watershed land acquisition ($22.5 million); in-city water main reconstruction ($163.6 million).

- Wastewater Treatment: continued reconstruction of the Newtown Creek Wastewater Treatment Plant (WWTP) ($259.8 million); reconstruction and stabilization of the four WWTPs located in the Upper East River to reduce nitrogen discharges ($176.0 million); combined sewer overflow projects ($237.2 million).

- Water Supply: continued construction of the Third Water Tunnel, Stage Two ($74.1 million); Hillview Reservoir improvements ($81.0 million).

- Equipment: water conservation programs including the installation of water meters ($18.3 million) and the plumbing retrofit program ($6.0 million); remediation of the Brookfield Landfill in Staten Island ($111.5 million); reconstruction of DEP facilities ($73.9 million).

- Sanitation: purchase of vehicles and other equipment ($80.5 million); construction and reconstruction of sanitation garages and other facilities, citywide ($91.4 million); construction of solid waste management facilities ($477.9 million); and reconstruction of waste disposal facilities ($10.5 million).

Transportation

- Bridges: the continued reconstruction/rehabilitation of the four East River Bridges ($64.3 million); the reconstruction of two bridge structures rated "poor" ($94.0 million) and 8 bridge structures rated "fair" ($278.4 million). The total Bridge Program for 2006 is $624.3 million.

- Highways: the reconstruction and/or resurfacing of 307.7 linear miles (1,109.9 lane miles) of streets ($310.0 million); the reconstruction of sidewalks and the installation of pedestrian ramps ($66.6 million). The total Highway Program for 2006 is $407.1 million.

- Traffic: the modernization and expanded computerization of the City's traffic signal network to improve traffic flow ($82.5 million) and the upgrade of the street lighting system ($43.9 million). The total Traffic Program for 2006 is $170.9 million.

- Ferries and Buses: the reconstruction and improvement of various ferry vessels ($26.7 million), and facilities ($16.5 million); the purchase of a bus simulator ($1.0 million), equipment ($2.9 million) and the rehabilitation of bus facilities ($9.4 million) for the City's subsidized transit program. The total Ferries and Buses Program for 2006 is $56.5 million.

- Other Transit: contribution to the MTA's capital program, including subway and bus fleet enhancements, infrastructure improvements, in-house track rehabilitation and reconstruction of bus and subway lines and facilities ($68.2 million). In addition $182.0 million is provided for bus purchases for the newly created MTA Bus Company. The total Transit program for 2006 is $250.2 million.

Education, Health and Social Services

- Education: a total program of $2.6 billion provides funding to make capital improvements that enhance educational programs ($833.8 million); rehabilitate, replace and upgrade building components ($576.9 million); construct new schools ($663.5 million); modernize school buildings ($9.6 million); cover emergency projects, research and development, and prior plan completion costs ($262.8 million); expand facilities through leases, building additions, modular classrooms and new athletic fields and playgrounds ($172.6 million); and address the need for security systems, emergency lighting and code compliance ($110.9 million).

- Higher Education: a total program of $154.3 million which matches State appropriations and includes the design and construction of Fiterman Hall at Borough of Manhattan Community College ($63.0 million) and the Academic Building I at Medgar Evers College ($62.1 million); community college wide Health and Safety projects ($4.0 million); renovations and rehabilitation of Center III at LaGuardia Community College ($4.5 million); and purchase of computer, laboratory and other equipment ($6.4 million).

- Health: Digital radiography for Tuberculosis, Oral Health and Correctional Health Services ($6.5 million); Electronic Health Record for Correctional Health Services ($5.6 million); legally mandated correctional facility discharge planning initiatives ($3.8 million); Gouverneur Healthcare Services modernization ($7.0 million); Harlem Hospital Center consolidation and modernization ($53.0 million); Kings County Hospital

Center behavioral health services consolidation ($14.0 million); Jacobi Medical Center's new ambulatory care facility ($34.0 million); HHC's ongoing maintenance, code compliance, and facility and equipment expansion and upgrades ($65.5 million).

- Aging: rehabilitate senior centers ($5.4 million).

- Administration for Children's Services: construction of the Washington Heights Day Care Center ($2.0 million); renovation and code compliance at various child care centers ($3.6 million); continued development and expansion of the agency's automated systems, including planned computer replacements, upgrading of telecommunications networks, and maintenance of systems that are critical for meeting mandated program management reporting requirements ($6.4 million); renovation and purchases for the agency's central office at 150 William Street and field offices ($8.2 million).

- Homeless Services: computer network upgrade, including an integrated client tracking system with enhanced client and shelter information reporting, and computerization of the Rehousing Unit, which tracks and locates permanent housing for homeless families ($3.75 million); renovation, development, and upgrade of adult shelters ($7.95 million); upgrade and renovation of family shelters ($10.8 million); construction of a new Emergency Assistance Unit ($15.8 million).

- Human Resources: upgrade computer equipment and purchase software licenses in order to improve the Department's information technology infrastructure ($5.4 million).

Housing and Development

- Housing: disposition and rehabilitation of approximately 1,481 *in rem* dwelling units through various privatization initiatives ($234.0 million); development starts of over 3,288 new homeownership and rental dwelling units through the Nehemiah, Neighborhood Initiative, Mixed Income, Cornerstone and other new construction programs ($64.7 million); provision of low-interest loans to finance the rehabilitation and preservation of approximately 2,664 low and moderate income units in privately owned buildings under Article 7A, Article 8A, Participation Loan, Small Buildings, and other housing preservation programs ($128.1 million); and production of 564 units for low income and homeless individuals, including those with special needs, through the Supportive Housing Loan Program ($50.8 million).

- Housing Authority: rehabilitation and modernization work including the replacement of elevator doors and windows and an electrical upgrade at Saint Mary's Park, the Bronx, consisting of 1,007 units ($8.6 million); reconstruction of underground steam mains and the brick façade at Bayview Houses, Brooklyn, consisting of 1,610 units ($5.7 million).

- Economic Development: development of a cruise ship terminal in Brooklyn ($16.0 million); infrastructure improvements and new development at the Brooklyn Navy Yard ($24.9 million); intermodal and area improvements at Jamaica Center in Queens ($9.7 million); implementation of the Hunts Point Vision Plan in the Bronx ($8.6 million); commercial development along the 125th Street corridor in Manhattan ($18.3 million); rehabilitation of the Battery Maritime Building in Manhattan ($7.9 million); reactivation and extension of the Staten Island Railroad ($23.1 million); and infrastructure improvements at Staten Island Homeport ($16.0 million).

Administration of Justice and Public Safety

- Correction: construction of facility additions for permanent capacity replacement projects ($114.9 million); technology upgrades ($21.1 million); replacement of perimeter fencing and upgrades of security ($8.2 million); replacement of vehicles to transport inmates ($3.2 million).

- Courts: facilities interior renovation work ($29.3 million); exterior renovation work ($15.0 million); elevator upgrade and modernization work ($12.3 million); electrical upgrade work ($11.4 million); design and construction management commitment related to new Supreme Court courthouse in Staten Island

($7.8 million); ADA compliance work ($5.4 million); new chiller plants and boiler replacement work ($6.9 million); roof reconstruction work ($1.5 million); and fire safety work ($1.7 million).

- Police: maintenance and rehabilitation of facilities citywide ($76.5 million); lifecycle replacement of vehicles ($18.7 million); upgrade and lifecycle replacement of the Department's radio communication system ($13.6 million); implementation of the Real Time Crime Center ($6.1 million); site acquisition and design for a new Staten Island precinct ($5.4 million).

- Fire: the renovation of firehouse components such as boilers, electrical upgrades, kitchens, roofs, bathrooms, waterproofing, apparatus doors, floors, and windows ($36.5 million); the complete rehabilitation of three firehouses ($16.6 million); the construction of a new firehouse for Rescue Squad Three in the Bronx and Engine Company 201 in Brooklyn ($21.3 million); construction of a new EMS station at Queens Hospital Center ($7.0 million); the replacement of front-line fire-fighting apparatus and support vehicles and equipment ($16.1 million); the procurement of a new fireboat funded through the U.S. Department of Homeland Security grant program ($13.9 million); professional services for the integration and upgrade of the emergency response and dispatch system ($22.1 million).

Recreation and Culturals

- Parks: construction and reconstruction of neighborhood parks and playgrounds ($67.0 million); construction of Hudson River Park ($30.6 million); rehabilitation of Shea and Yankee stadia ($13.5 million); street tree planting ($11.5 million); reconstruction of the Prospect Park Ice Rink in Brooklyn ($10.9 million); reconstruction of Staten Island Botanical Garden ($3.6 million); construction of the new Elmhurst Keyspan Park in Queens ($6.0 million); restoration of Marine Park White Island in Brooklyn ($6.6 million); construction of athletic fields on Randall's Island ($5.0 million).

- Public Libraries: restoration and renovation of the Humanities and Social Sciences Library in Manhattan ($4.8 million); second floor renovation work at the Woodstock Branch Library in the Bronx ($4.7 million); a new branch library at Mariners Harbor in Staten Island ($4.0 million); replace and upgrade the DYNIX systems at the New York Public Library ($3.5 million); design and construction of a new Visual and Performing Arts Library in Brooklyn ($6.0 million); rehabilitation and expansion of the Kings Highway Branch Library in Brooklyn ($4.4 million); construction of a new Children's Library Discovery Center and a new fire alarm system at the Queens Central Library ($10.0 million); and a replacement facility for the Glen Oaks Branch Library in Queens ($5.7 million).

- Department of Cultural Affairs: upgrade of the co-generation facility and transportation facilities at the Bronx Zoo ($8.1 million); reconstruction of the reptile wing at the Staten Island Zoo ($6.2 million); restoration of the historic Hunterfly Houses and other construction at the Society for the Preservation of Weeksville ($10.1 million); construction of a visitors center at the Brooklyn Botanic Garden ($4.8 million); façade restoration and building reconstruction at the 122 Community Center ($4.4 million); construction of a new entranceway at the Queens Botanical Garden ($4.5 million); construction of a new TKTS booth at Father Duffy Square ($4.1 million); ADA compliance work at Wave Hill ($3.3 million); construction of a new facility for the Alvin Ailey Dance Foundation ($3.1 million); and site acquisition and construction of the Museum of African Art ($3.0 million).

Department of Citywide Administrative Services

- Public Buildings: the reconstruction of public buildings and City-owned facilities ($99.1 million), including the rehabilitation and renovation of the Manhattan Municipal Building and St. Andrew's Plaza ($23.0 million); compliance with legal mandates ($26.9 million), including the upgrade and replacement of petroleum underground storage tanks ($6.0 million); the renovation of leased space ($21.3 million), including the relocation of the Department of Buildings' Bronx office ($3.4 million); the purchase of equipment ($6.6 million); Board of Elections modernization ($7.1 million) for the consolidation of the warehouse and office in Manhattan; and the reconstruction of waterfront and non-waterfront properties ($4.1 million).

Borough Presidents' Allocations

The Charter requires an amount equal to five percent of the proposed new capital appropriations for the ensuing four years to be allocated to the Borough Presidents. This allocation is to be distributed to each borough based upon a formula that equally weighs population and land area. The tables below indicate the amounts added by the Borough Presidents for each programmatic area.

FY 2006-2009 Borough Presidents' Allocations*
(City Funded Appropriations $ in thousands)

	2006	2007	2008	2009
Bronx Program				
Aging	$1,900	—	—	—
Children's Services	375	1,125	—	—
Cultural Affairs	969	1,241	300	—
Economic Development	1,000	—	—	—
EDP Equipment	250	—	—	—
Health	250	—	—	—
Higher Education	33	1,000	—	—
Highways	50	—	—	—
Housing	5,041	1,129	—	—
Human Resources	3	—	—	—
New York Public Library	1,653	—	—	—
Parks	1,556	1,500	—	—
Police	67	—	—	—
Public Buildings	159	—	—	—
Real Property	1	270	—	—
GRAND TOTAL: BRONX	$13,307	$6,265	$300	$—
Brooklyn Program				
Brooklyn Public Library	$585	—	—	—
Cultural Affairs	6,486	—	—	—
Economic Development	6,844	8,500	—	—
EDP Equipment	2	—	—	—
Health	1,000	—	—	—
Higher Education	570	—	—	—
Housing	2,000	—	—	—
Parks	9,031	2,722	3,290	—
Public Buildings	1,396	—	—	—
GRAND TOTAL: BROOKLYN	$27,914	$11,222	$3,290	$—

** Appropriations include reallocation of prior amounts recommended by the borough presidents.*

***Note: Individual items may not add to totals due to rounding.*

FY 2006-2009 Borough Presidents' Allocations*
(City Funded Appropriations $ in thousands)

	2006	2007	2008	2009
Manhattan Program				
Cultural Affairs	$2,050	—	—	—
Economic Development	500	—	—	—
Housing	2,000	—	—	—
Traffic	90	—	—	—
GRAND TOTAL: MANHATTAN	$4,640	$—	$—	$—
Queens Program				
Aging	$100	—	—	—
Cultural Affairs	8,024	11,365	5,489	—
Economic Development	200	—	—	—
Higher Education	4,593	21	—	—
Parks	6,497	—	—	—
Public Buildings	5,090	250	—	—
Queens Borough Public Library	7,574	6,300	—	—
Traffic	380	—	—	—
GRAND TOTAL: QUEENS	$32,458	$17,936	$5,489	$—
Staten Island Program				
Courts	$200	—	—	—
Cultural Affairs	1,069	—	512	—
Economic Development	1,500	—	—	—
EDP Equipment	490	—	—	—
Education	770	—	—	—
Fire	725	—	—	—
Health	100	—	—	—
Higher Education	135	—	—	—
Highways	50	—	—	—
New York Public Library	20	—	—	—
Parks	1,100	—	—	—
Public Buildings	190	—	—	—
Sanitation	57	—	—	—
GRAND TOTAL: STATEN ISLAND	$6,406	$—	$512	$—

** Appropriations include reallocation of prior amounts recommended by the borough presidents.*

***Note: Individual items may not add to totals due to rounding.*

Management Initiatives

Management initiatives continue to be developed and implemented to enhance the administration and advancement of the capital program. These include:

- continued improvements to capital program management.
- updating the charter-mandated capital asset condition assessment.
- application of value engineering to reduce capital and operating costs.

Capital Program Management

The Department of Design and Construction was created in October 1995 by Local Law 77, which authorized it to assume responsibility for construction projects performed by the Departments of Transportation, Environmental Protection and General Services. The Department delivers the City's construction projects in an expeditious, cost-effective manner, while maintaining the highest degree of architectural, engineering and construction quality. The Department performs design and construction functions related to streets and highways; sewers; water mains; correctional and court facilities; cultural buildings; libraries; and other public buildings, facilities and structures.

The consolidation of design and construction into a single agency allows for the elimination of duplicative program units within agencies; the standardization of construction procedures and practices; the implementation of reforms of current practices relating to procurement for construction projects; and the expansion of the use of construction-related technology, such as Computer-Aided Drafting and Design (CADD); and a project management information system. The Department also enables the city to coordinate a wide variety of construction projects with utilities, community representatives, and private industry, thus minimizing the disruption to individual neighborhoods caused by water-main projects, sewer construction, and road work, as well as reducing the costs associated with such projects. The Department of Design and Construction serves more than 20 client agencies.

Capital Asset Inventory and Maintenance Program

The charter requires an annual assessment of the city's major assets including buildings, piers, bulkheads, marinas, bridges, streets and highways, and the preparation of maintenance schedules for these assets. This assessment report (AIMS), based on field surveys by technical professionals, details state-of-good-repair needs and is used by agencies for capital planning purposes. A separate volume, published as a reconciliation, reports on the amounts recommended in the annual condition surveys with amounts funded in budget. To incorporate current technology and standards into the Maintenance Program, the City conducts ongoing reviews of the methodologies used in surveying and estimating the cost of maintaining its fixed assets in a state of good repair.

Value Engineering

Value Engineering (VE) is a systematic analytical methodology directed toward analyzing the functions of projects for the purpose of achieving the best value and most effective operation at the lowest life-cycle project cost. From its inception in 1982 OMB's VE program has utilized innovations in value management methodologies to evaluate an ever-expanding group of projects, widening the scope and depth of project reviews to include Value Analysis (VA) reviews of the City's operational processes and functions to assist agencies in streamlining their procedures.

Value Engineering is a collaborative effort between all concerned city agencies with budgetary and operational jurisdiction over a project, and outside consultants with expertise on critical project components. The City has utilized VE effectively in the last twenty years on mainly large-scale capital projects with a view to controlling costs. However, the VE process does not only result in cost reductions, but also frequently generates project improvements, and anticipates and solves functional problems by raising relevant issues early in the design process, which could adversely compromise the project's development, cost and schedule. The VE program continues to grow with over 60 projects undergoing value methodology reviews in the last three years, as agencies seek to maximize their return on investment and increase efficiency in their operations. Projects scheduled for upcoming VE reviews include water treatment plants, reconstruction of major hospitals, facilities maintenance, reconstruction of several bridges, sanitation garages, and Value Analysis reviews to enhance revenue at city-owned hospitals.

FINANCING PROGRAM

The City's financing program projects approximately $30.8 billion of long-term borrowing for the period 2005 through 2009 to support the City's current capital program. Unless bonding capacity of the New York City Transitional Finance Authority (TFA) is increased, all but a very small portion of this financing will be implemented through General Obligation (GO) bonds of the City and bonds of the New York City Municipal Water Finance Authority (NYW or the Authority).

Financing Program
($ in Millions)

	2005	2006	2007	2008	2009	Total
City General Obligation Bonds	$3,880	$4,200	$4,660	$4,880	$4,520	$22,140
TFA (1)	—	—	—	—	—	—
TSASC (2)	49	—	—	—	—	49
Water Authority Bonds (3)	1,746	1,687	1,675	1,746	1,713	8,567
Conduit Debt	37	—	—	—	—	37
Total	$5,712	$5,887	$6,335	$6,626	$6,233	$30,793

(1) TFA Bonds would be increased and GO Bonds would be decreased by an amount up to half to the total GO Bond amount shown above if the TFA's statutory bonding cap were increased.

(2) Projected loan drawdown from the US Department of Transportation pursuant to the Transportation Infrastructure Financing and Innovation Act.

(3) Includes commercial paper and revenue bonds issued for the water and sewer system's capital program, and includes reserve amounts. Figures do not include bonds that defease commercial paper or refunding bonds.

The following three tables show projected statistical information on debt issued by the financing entities described above.

Debt Outstanding
($ in Millions at Year End)

	2005	2006	2007	2008	2009
City General Obligation Bonds	$33,745	$36,684	$39,610	$42,673	$45,253
Transitional Finance Authority	12,684	12,343	11,975	11,561	11,129
TSASC	1,284	1,269	1,252	1,235	1,208
Conduit Debt	2,766	2,711	2,589	2,458	2,327
Total Debt Outstanding	$50,479	$53,008	$55,426	$57,926	$59,919
Water Finance Authority	$14,209	$15,707	$17,179	$18,684	$20,126

Annual Debt Service Costs
($ in Millions, Before Prepayments)

	2005	2006	2007	2008	2009
City General Obligation Bonds*	$2,977	$3,057	$3,806	$4,116	$4,482
TFA	909	947	954	983	988
TSASC	91	92	92	99	100
MAC	128	10	10	10	—
Conduit Debt	192	310	354	402	398
Total Debt Service	$4,297	$4,416	$5,217	$5,609	$5,968
Water Finance Authority	$719	$883	$996	$1,139	$1,271

* Includes interest on short-term obligation (RANs) projected to be issued in 2006 through 2009.

Debt Burden

	2005	2006	2007	2008	2009
Total Debt Service (NYC GO, Lease, MAC & TFA) as % of:					
a. Total Revenue*	8.0%	8.7%	10.4%	10.9%	11.2%
b. Total Taxes**	14.3%	14.3%	16.9%	17.4%	17.7%
c. Total NYC Personal Income	1.3%	1.2%	1.4%	1.4%	1.4%
Total Debt Outstanding (NYC GO, Lease, MAC & TFA) as % of:					
a. Total NYC Personal Income	14.8%	14.7%	14.7%	14.8%	14.5%

* Total revenue includes amounts required to pay TFA debt service and operating expenses.

** Total tax includes amounts required to pay TFA debt service and operating expenses.

TFA has reached its statutory bonding capacity of $11.5 billion (excluding refunding bonds and bonds to pay costs related to the September 11th terrorist attacks (Recovery Bonds)). TFA has been a cost-effective source of financing for the City over the past eight years. It has been an important source of diversification as a financing vehicle in the marketplace as well. The City may seek legislative approval to increase TFA's borrowing cap. If the TFA cap is not increased, the City will issue approximately $22.1 billion of GO bonds during the plan period, which will equal 72 percent of the total program. If the TFA cap is lifted, up to half of what otherwise would be issued in the form of GO bonds would be issued by the TFA instead. This would significantly reduce the financing cost for the remaining $11 billion of GO bonds still required. NYW's annual bonding amount, excluding refundings, will average approximately $1.7 billion. The aggregate NYW financing during the plan period will account for approximately 28 percent of the total financing program.

New York City General Obligation Bonds

Since July l, 2004, the City has implemented $2.6 billion refundings and $3.2 billion new money financings, totaling $5.8 billion. The dates, principal amounts, and the true interest costs ("TIC") (with tax-exempt and taxable TICs blended) of these issues are as follows:

NYC GO Issuances
($ in Millions)

Series	New$/ Refunding	Issue Date	Tax Exempt Amount	Taxable Amount	TIC	Total Par Amount
2005AB	R	7/29/2004	$ 551	$ 36	4.070%	$ 587
2005C	N	8/18/2004	650	80	4.968% *	730
2005D	N	11/10/2004	550	100	4.729%	650
2005EF	R	11/10/2004	612	0	4.318%	612
2005G	N	12/21/2004	550	0	4.533%	550
2005HI	R	12/21/2004	598	0	4.136%	598
2005J	N	3/3/2005	600	50	4.475%	650
2005KL	R	3/3/2005	351	242	4.068%	593
2005M	N	4/28/2005	650	0	4.691%	650
2005N	R	4/28/2005	207	0	4.407%	207
Total			$5,319	$ 508		$5,827

* The tax-exempt portion of the Series 2005C transaction consists of floating-rate bonds.

The five refunding transactions the City has completed to date in 2005, totaling $2.6 billion in aggregate principal amount, generated $112 million of debt service savings in 2006 and 2007. The present value savings from the refundings were in excess of $113 million. The Fiscal 2005 Series A, B, K, and L refunding issues included CPI bonds which bear interest indexed to changes in the Consumer Price Index. The City entered into swaps whereby the City pays a fixed rate and receives a floating rate which matches the interest due on the CPI bonds. The net effect results in the City paying a fixed rate. The four refunding transactions utilized federal legislation permitting an additional advance refunding for certain GO bonds, bringing the total amount of GO bonds and NYW bonds which have been advance refunded under this legislation to $3.7 billion. The City used the remaining $800 million of second advance refunding capacity on the Sales Tax Asset Receivable Corporation (STAR) issue in November 2004.

All of the $508 million of taxable financing during the current fiscal year have been issued through competitive bidding. The City's taxable bonds are generally amortized in 12 years or less so that the higher cost taxable debt is paid off sooner than the longer-term lower cost tax exempt debt. During the last nine months, the City's taxable bonds with maturities ranging between two and five years were priced approximately 35 to 63 basis points higher than those of the US Treasury bonds for comparable maturities. For maturities between five and thirteen years, the spreads increased to 68 to 71 basis points.

In addition to the financings described above, the City plans to issue $650 million of GO bonds for capital purposes in the remainder of 2005 and $4.2 billion, $4.66 billion, $4.88 billion and $4.52 billion in 2006, 2007, 2008 and 2009, respectively.

On April 4, 2005, Moody's Investors Service upgraded the City from A2 to A1. In discussing the upgrade, Moody's explained that the "rating upgrade is based upon the City's recovery from one of the most serious fiscal crises in decades resulting [from] having made difficult budgetary and fiscal policy decisions. The City has also benefited [from a] recovering economic and revenue base. The rating also reflects the strength of the City's fiscal management of a volatile underlying City economy subject to business cycles and external shocks." Moody's cited the City's management controls, conservative budgeting, and spending restraint among the City's credit strengths.

Currently the debt service for the City and its related financing entities (TFA, TSASC, MAC and conduit debt, excluding the effect of pre-payments, and excluding debt service supported by rental revenues from NYW) is 8 percent of the City's total budgeted revenues in 2005. That ratio will rise to 11 percent in 2009. As a percentage of tax revenues, the debt service ratio is 14.3 percent in 2005 and is projected to increase to 17.7 percent in 2009.

During 2005, short-term interest costs relating to the floating rate debt (including synthetic floating-rate debt, auction-rate bonds and variable-rate demand bonds) issued by the City have been 1.50 percent on average for tax-exempt and 2.02 percent for taxable GO floating rate debt. This floating rate debt has traded on average at rates that are at least 400 basis points lower than those for the City's fixed-rate debt, resulted in an annual savings of over $208 million.

In 2005, the City did not require a note issuance to satisfy cashflow needs. The Financial Plan reflects the issuance of $1.5 billion of notes in 2006 and $2.4 billion in each year thereafter.

Variable Rate Debt

As discussed above, variable rate demand bonds have been a reliable source of cost savings in the financing of the City's capital program. In considering the proportion of the City's financing program which is in variable rather than fixed rates, it is useful to consider all sources of financing with the exception of NYW, which is typically considered separately for such purposes. Included would be not only City GO, TFA and TSASC bonds but also conduit and MAC debt. The TFA bonds are supported by liquidity facilities while the City general obligation and lease appropriation bonds are supported by bank letters of credit or by bond insurance and liquidity facilities.

Swaps

The City has entered into various interest rate exchange agreements (swaps and swaptions) in the last 30 months, taking on various risks similar to those of variable rate bonds. The total notional amount of swaps outstanding as of March 31, 2005 was $3.0 billion, on which the termination value was negative $44 million. This is the theoretical amount which the City would pay to the swap counterparty if all of the swaps terminated under market conditions as of March 31, 2005. However, most of the swaps entered into by the City have sufficient liquidity such that there should be little or no cost to enter into replacement swaps.

During the last 12 months, the City has entered into five derivative transactions with various counterparties. The City entered into Muni-CPI swaps with Morgan Stanley and Bear Stearns. Under this swap the City pays a fixed rate in exchange for a floating rate which corresponds to the floating rate on the CPI bonds issued by the City. The City also entered into two swaptions, one with Bear Stearns and the other with Lehman Brothers. Under each swaption, the City has sold the counterparty the right to exercise an option to enter into an interest rate exchange agreement with the City on some future dates in exchange for an approximately $10 million upfront payment. If both options are exercised, the City will pay the counterparties floating-rate interest payments based on BMA on the $350 million notional amount in exchange for fixed-rate interest payments on the same amount. In addition to the upfront benefit of $10 million to the City, the swaptions, if exercised, would create additional floating-rate exposure for the City at an all-in cost below that of the City's variable rate bonds. Since the options are not exercisable until August 1, 2007, the bonds associated with the swaptions are not counted as floating-rate debt for purposes of the table below. Finally, the City entered into a basis swap with Bear Stearns, under which the City pays the BMA average on the notional amount of $500 million in exchange for a percentage of the 1-Month LIBOR which steps up as LIBOR increases. On September 15, 2005, the City will receive an upfront premium in connection with that basis swap of $20.585 million.

The following table shows the City's and its related issuers' floating rate exposure. Floating rate exposure is of interest because certain events can cause unexpected increased costs. Those events include rising interest rates, a change in the tax code, and the deterioration of the City's credit. By contrast, the cost of outstanding fixed rate debt does not increase if any of the previously mentioned events takes place. Overall, floating rate exposure benefits the City because it reduces the cost of financing. In short, interest costs on short term debt are lower than long term debt. The City has assumed floating rate exposure using a variety of instruments. Those include tax exempt floating rate debt, taxable floating rate debt, synthetic floating rate debt through total return swaps, and basis swaps, and certain types of synthetic fixed rate debt. The basis swaps and certain synthetic fixed rate debt could result in increased costs to the city based on changes in the relationship between BMA and LIBOR, which could be casued by changes in the tax code. These instruments are largely insensitive to changes in interest rates and changes in the City's credit. Given that these instruments provide only limited floating rate exposure, they are scored at less than the full amount of par or notional amount. The differences in taxable and tax exempt swap curves imply the amount of risk and benefit each component of floating rate exposure contributes to the total. In addition, the differential between the percentage of LIBOR received on a swap and what percentage might be paid by the City given a significant reduction in maximum marginal federal income tax rates or the elimination of the federal personal income tax, discounted by the low probability of such major tax reform occurring, also represents an implied floating rate risk. Taking all those factors into consideration, instruments that provide exposure only to changes in the relationship between BMA and LIBOR are counted at 25 percent of par or notional amount in the table below. Since the TFA cap and GO swaptions are contingent liabilities, they are not counted as floating rate exposure.

NYC Floating-Rate Exposure*
($ in Millions)

	GO	TFA	MAC	Lease	TSASC	Total
Natural VRDB & Auction-Rate Bonds	$4,002	$2,723	$ —	$1,178	$ —	$7,903
Synthetic Fixed	241	—	—	—	—	241
Taxable Basis Swap	163	—	—	—	—	163
Total Return Swap	500	—	—	76	—	576
Enhanced Basis Swap	125	—	—	—	—	152
Total Floating-Rate	$5,031	$2,723	$ —	$1,254	$ —	$9,008
Total Debt Outstanding	$33,745	$12,684	$ —	$2,766	$1,284	$50,479

% of Floating-Rate / Total Debt Outstanding	17.8%
Total Floating-Rate Less $2 Billion Average Balance in General Fund (Floating-Rate Assets)	7,008
% of Net Floating Rate / Total Debt Outstanding	13.9%

* Debt Outstanding as of the Executive Budget

The 17.8 percent floating rate exposure, including the risk from the seven synthetic fixed rate swaps, the two basis swaps, and a "total return" swap, is even more manageable after taking into account the average $2 billion of short-term assets in the City's General Fund which are an offset to these floating rate liabilities. Net of these floating rate assets, the floating rate exposure of the City, excluding NYW, is 13.9 percent of its outstanding debt. Moreover, the City budgets expenses from floating rate instruments conservatively.

New York City Related Issuers

The New York City Municipal Water Finance Authority

The New York City Municipal Water Finance Authority (NYW) was created in 1985 to finance capital improvements to the City's water and sewer system. Since its first bond sale in November 1985, the Authority has sold $26.1 billion in General (First) and Second General Resolution bonds and subordinated special resolution crossover refunding bonds. Refunding bond issuance amounted to $9.9 billion. Of this aggregate bond par amount, $14.4 billion is outstanding, $9.5 billion was refinanced with lower cost debt, $434 million was defeased with revenues prior to maturity, and $1.8 billion was retired with Authority revenues as it matured.

In addition to this long-term debt, NYW uses an $800 million tax-exempt commercial paper program as a source of flexible short-term financing, including $200 million of unenhanced extendable municipal commercial paper (EMCP) notes.

NYW continues to enjoy a strong and stable credit rating by all three rating agencies. In July 2004, Standard and Poor's Rating Services upgraded its rating on NYW's bonds to AA+ from AA, just one rating level below their highest AAA rating. The rating upgrade was the result of "… greater predictability surrounding costs and requirements of large capital projects, moderating rate increases and gradually improving coverage." Additionally, the Standard and Poor's report makes note of the affordable rates and sound management of the system. NYW's ratings from all three rating agencies continue to reflect the credit strengths resulting from the strong legal protections provided to bondholders and structural features of NYW which provide a true gross pledge of revenue to bondholders for debt payments. NYW is rated AA by Fitch and Aa2 by Moody's. Additionally, senior lien bonds issued by the New York State Environmental Facilities Corporation (EFC) for City capital projects eligible for State Revolving Fund (SRF) money are rated in the highest rating category by Moody's (Aaa), Standard & Poor's (AAA) and Fitch (AAA). The bonds which NYW places with EFC are unrated Second Resolution bonds of NYW, and are an element of security for the EFC bonds.

To date in 2005, NYW has closed six bond transactions, the First Resolution Fiscal 2005 Series A, B, C & D bonds consisted of bond sales directly to the public. The Second General Resolution Fiscal 2005 Series 1 and Series 2 bonds were issued to EFC to secure bonds issued by EFC on behalf of NYW. Over $2.85 billion in bonds were issued in 2005, to date, including $1.15 billion in First Resolution advance refunding bonds, which achieved between 5.8 percent and 6.3 percent present value savings. The remaining long term bond issuance included $1.08 billion in First Resolution bonds and $621 million of Second General Resolution bonds issued through the EFC.

The six transactions that have been closed to date are summarized in the following table. New money issuances were used to refinance commercial paper previously issued by NYW and to pay the costs of issuance. First Resolution bond proceeds were also used to fund a debt service reserve fund.

NYW Issuance

Series	(N)ew Money /(R)ef.	Issue Date	Par Amount	True Interest Cost (TIC)	Effective Interest Cost (EIC) (3)	Longest Maturity	Max Yield	Spread to "AAA" MMD
2005 Series A	N	5-Aug-04	$150,000,000	5.11%	NA	2039	5.07%	16 bp
2005 Series 1 (1)	N	11-Aug-04	$230,408,946	4.66%	2.75%	2034	5.02%	5 bp
2005 Series 2 (2)	N	30-Nov-04	$390,624,553	4.53%	2.62%	2034	4.70% (4)	3 bp
2005 Series B	N & R	8-Dec-04	$935,480,000	4.82%	NA	2036	4.88% (4)	20 bp
2005 Series C	R	17-Mar-05	582,915,000	4.74%	NA	2031	4.68%	18 bp
2005 Series D	N & R	26-Apr-05	559,205,000	4.83%	NA	2039	4.59% (4)	18 bp

(1) EFC Series 2004 E

(2) EFC Series 2004 F

(3) Effective cost after interest rate subsidy

(4) Yield to call

NYW is a party to two interest rate exchange agreements (swaps) with a total notional amount of $220 million.

These agreements include a $200 million synthetic variable rate swap (fixed-to-floating rate swap) entered into on December 23, 2003 with NYW receiving a fixed interest rate of 3.567 percent in exchange for a floating rate based on the BMA Municipal Swap Index. NYW also entered into a swap on July 9, 2002, in conjunction with its sale of $20 million of Muni-CPI bonds, which pay the holder a floating rate tied to the consumer price index. Under the swap, NYW receives a payment matching the rate paid on the bonds and pays a fixed interest rate of 4.15 percent, which is 11 basis points lower than conventional fixed rate debt at the time of issuance.

There are no projected financings for the remainder of 2005. NYW may be able to take advantage of other potential refunding opportunities during the remainder of the fiscal year should the interest rate environment be favorable. NYW also expects to defease outstanding First Resolution Bonds with revenues before the end of 2005.

During the period from 2005 to 2015, NYW expects to sell an average of approximately $1.6 billion of new debt per year. Of this amount, NYW plans to issue a minimum of $300 million per year through EFC, taking advantage of the 33 to 50 percent interest rate subsidy available for qualifying projects, and minimizing the overall costs of its financing program. Additionally, NYW may be able to take advantage of refunding opportunities should the interest rate environment be favorable.

Sales Tax Asset Receivable Corporation

In 2003, the State Legislature passed an act requiring the Local Government Assistance Corporation (LGAC) to pay $170 million annually to the City or its assignee. The City assigned the payments from LGAC to STAR, a local development corporation, in order to secure bonds issued by STAR. The bonds issued by STAR defeased the outstanding debt of the Municipal Assistance Corporation for the City of New York (MAC).

In November 2004, STAR sold $1.8 billion of tax exempt fixed rate bonds and $682 million of taxable fixed rate bonds. The tax exempt bonds all carried bond insurance and sold with spreads between 1 and 9 basis points over the MMD AAA scale. The majority of the taxable bonds carried bond insurance and sold with spreads between 35.5 and 79 basis points over US Treasury securities with comparable maturities. The end result is to relieve the City of approximately $500 million of annual MAC debt service expense from 2004 through 2008.

Fiscal 2005 Escrow Securitization Corporation

The City established the Fiscal Year 2005 Securitization Corporation (Corporation), a local development corporation, in order to facilitate a restructuring of an escrow which had defeased City General Obligation bonds. The Corporation issued $682.425 million of taxable bonds on October 2004. The benefit to the City budget of the sale is approximately $48 million to be realized in 2006.

The Hudson Yards Infrastructure Corporation

In July 2004, the Hudson Yards Infrastructure Corporation (HYIC), a not-for-profit local development corporation, was incorporated. The HYIC is expected to issue $3 billion of bonds over the next six years to finance a major development initiative of the City in the Husdon Yards district of Manhattan, an area defined roughly as the south side of 43rd Street on the North, the east side of Eleventh Avenue on the west, the north side of West 27th Street and West 30th Street on the south, and the west side of Seventh and Eighth Avenues on the east. Proceeds from the HYIC bonds will be used for a $2 billion extension of the Number 7 subway line west from Seventh Avenue to Tenth Avenue and then south to West 34th Street at Eleventh Avenue. Bond proceeds will also be used to construct a platform over the Eastern Rail Yards east of Eleventh Avenue between 34th Street and 35th Street, on which several office towers and facilities for a major cultural institution are expected to be constructed, and for the construction of a park and street network north of the rail yards. This will make possible the redevelopment of the Hudson Yards district including 24 million square feet of office space and 13,500 units of residential development over the next 30 years. Principal and most of the interest on the HYIC bonds will be repaid from revenues generated by this new development, notably payments-in-lieu-of-property taxes on the commercial development and various developer payments. On January 19, the same day that it passed the comprehensive rezoning of the Hudson Yards district, the City Council passed a Resolution supporting the $3 billion in HYIC borrowing for the Hudson Yards infrastructure projects and supporting an undertaking by the City to pay interest on the HYIC bonds, to the extent not paid by the revenues of HYIC, subject to appropriation. The Resolution of the City Council also supported the use of the TFA's revenues to credit enhance no more than $750 million of HYIC indebtedness which will make possible the use of low-cost variable rate debt for one-fourth of the $3 billion borrowing program of the HYIC. West of the Hudson Yards redevelopment area a concurrent expansion of the Javits Convention Center and the construction of a New York City Sports and Convention Center facility (NYCSCC) is planned. HYIC bonds will not be used for these two projects. The City's $350 million share of the Javits Convention Center expansion is expected be financed through the City's capital program with General Obligation bonds. The City's $300 million share of the $1.6 billion NYCSCC is expected to be financed by the securitization of certain existing PILOT agreements relating to prior economic development projects negotiated by the City.

The New York City Transitional Finance Authority

The TFA is a corporate governmental agency constituting a public benefit corporation and instrumentality of the State of New York created by Chapter 16 of the Laws of 1997 in March 1997. The TFA was created to issue debt, primarily secured with the City's personal income tax (PIT), to fund a portion of the capital program of the City. The TFA was originally authorized to issue up to $7.5 billion of bonds and notes. In June 2000, the TFA received an additional $4 billion of bonding capacity, increasing its overall authorization to $11.5 billion. In addition, the State legislature in 2000 increased the TFA's variable rate bonding capacity to $2.3 billion or 20 percent of its then authorized bonding amount.

On September 13, 2001, the TFA was given statutory authority to borrow $2.5 billion to finance costs related to the September 11th terrorist attack on the City. Pursuant to that authority, the TFA issued approximately $2 billion of long-term debt in the first half of fiscal year 2003. One billion dollars of Recovery Bond proceeds were used to pay recovery costs consisting of revenue losses associated with the September 11 event and the remaining $1.03 billion of proceeds were used to retire the Recovery Notes issued in October 2001, which were used to fund other costs and revenue losses related to the attack. The TFA Recovery Bonds are subordinated to TFA senior debt and have a shorter maturity (20 years vs. 30 years for senior bonds). As of January 1, 2005, $500 million of bonding capacity remains to pay costs related to the attack.

Since the creation of the TFA in March 1997, the TFA has sold $11.5 billion in senior new money bonds, $4.5 billion of BANs and $2.4 billion of subordinate bonds. Refunding bonds, excluding bonds issued to refund BANs, amounted to $4.0 billion. Of the $13 billion of bonds currently outstanding, 51.4 percent will be retired by the end of 2018, with the annual amortization of about $383 million in 2005, growing gradually to $638 million in 2020 and then decreasing gradually to $363 million in 2029 and $0 in 2035.

On March 14, 2005, Standard and Poor's upgraded the TFA from AA+ to AAA. The upgrade was based "on the absence of any competing intercept following the 2004 refunding of New York City Municipal Assistance Corporation debt coupled with the resilient nature of the sales and income tax revenues supporting the bonds which have quickly recovered from successive shocks to the economy."

On April 1, 2006, the TFA closed a refunding issue consisting of $920 million of tax exempt fixed rate debt. Of that amount, $134 million were sold as subordinate bonds. The transaction generated $7.6 million of debt service savings in 2006 and $22.4 million of debt service savings in 2007. The total present value savings amounted to over $29 million.

Conduit Debt

In March 2005, Jay Street Development Corp. (JSDC) concluded its new money borrowing program with an issuance of approximately $36 million of variable rate debt. Proceeds of the bonds will be used to complete construction of the criminal and family court facility located at 330 Jay Street, Brooklyn. The facility reached substantial completion in December 2004.

TSASC, Inc.

TSASC, Inc., a special purpose corporation, was created by the City in November 1999 to issue bonds secured with the City's share of the Tobacco Settlement Revenues (TSRs) to be paid pursuant to a nationwide Master Settlement Agreement (MSA). TSASC has acquired the City's 3.4 percent share of the national total TSRs payable under the Master Settlement Agreement (MSA). After TSASC retains sufficient TSRs to pay for its debt service and operating expenses, the excess TSRs flow to the City through ownership of a residual certificate.

TSASC has issued two series of program bonds to date, totaling $1.371 billion, including $161 million of draws against a loan from the US Department of Transportation under the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA). In April 2005, TSASC made its last draw against the TIFIA loan. The repayment of the loan is secured with TSASC's revenues, payable over the next 30 years on parity with other TSASC program bonds.

In May 2003, RJ Reynolds, one of the four major tobacco manufacturers, was downgraded below investment grade, triggering a Downgrade Trapping Event for TSASC. The trapping event called for retaining a fraction of the residual TSRs, equal to the ratio of the amount of the previously issued program bonds to $2.76 billion until the aggregate trapped amount equals 25 percent of the outstanding program bonds. Since TSASC has only issued approximately 50 percent of the $2.76 billion program bonds, 50 percent of the residual TSRs, including investment revenues, will be trapped until the trapping requirement is met. As of April 15, 2005, the trapping requirement is expected to be $321 million or 25 percent of the $1.28 billion of the outstanding program bonds, including $161 million of the TIFIA loan. Without restructuring the existing TSASC program bonds, the trapping event would reduce the flow of residual TSRs to the City by approximately $60 million, $67 million, $54 million and $60 million in 2006, 2007, 2008 and 2009 respectively. In addition, no program bonds can be issued without rating confirmation unless the trapping requirement has been met.

TSASC is reviewing alternatives that would enable the trapped TSRs to be released to the City.

In April 2005, TSASC received $214 million from the MSA. Of this and approximately $4 million of interest earnings from the prior year, $89 million was received for debt service and other expenses, $64 million was held in the trapping account and $65 million was transferred to the City.

Analysis of Agency Budgets

The following table reflects the allocation of pension and fringe benefit costs, debt service costs, legal service costs, and costs arising from judgments and claims against the City to each agency to derive the total cost of agency operations.

Full Agency Costs for 2006

Net of Intra-City ($ in Millions)

	Personal Service Costs				Other than Personal Service Costs							
Agency	Salaries & Wages	Fringe Benefits	Pensions	PS Subtotal	Agency OTPS	PA, MA & Other Mandates	Legal Services	Judgments & Claims	Debt Service	OTPS Subtotal	All Funds Total	City Funds Total
Uniform Agencies												
Police Department	$3,072	$1,174	$1,527	$5,773	$215	$—	$28	$108	$56	$407	$6,180	$6,005
Fire Department	1,051	411	678	2,140	108	—	5	22	48	183	2,323	2,168
Department of Correction	675	263	203	1,141	107	—	6	23	144	280	1,421	1,369
Department of Sanitation	622	259	134	1,015	430	—	3	28	156	617	1,632	1,597
Subtotal	$5,420	$2,107	$2,542	$10,069	$860	$—	$42	$181	$404	$1,487	$11,556	$11,139
Health and Welfare												
Administration for Children's Services	$330	$96	$39	$465	$1,796	$—	$3	$4	$—	$1,803	$2,268	$716
Department of Social Services	646	257	94	997	273	6,285	3	5	61	6,627	7,624	5,620
Department of Homeless Services	107	35	13	155	249	318	—	—	—	567	722	330
Department of Health and Mental Hygiene	332	89	40	461	1,136	55	1	3	20	1,215	1,676	715
Health and Hospitals Corporation[1]	—	17	—	17	183	774	33	190	165	1,345	1,362	1,161
Subtotal	$1,415	$494	$186	$2,095	$3,637	$7,432	$40	$202	$246	$11,557	$13,652	$8,542
Education												
Department of Education	$7,938	$2,220	$1,731	$11,889	$3,840	$—	$16	$32	$833	$4,721	$16,610	$8,207
City University	305	56	31	392	174	—	—	1	41	216	608	417
Subtotal	$8,243	$2,276	$1,762	$12,281	$4,014	$—	$16	$33	$874	$4,937	$17,218	$8,624
Other Agencies	$1,703	$583	$230	$2,516	$2,452	$—	$69	$214	$1,338	$4,073	$6,589	$5,248
Elected Officials	$363	$92	$42	$497	$81	$—	$2	$1	$—	$84	$581	$543
Miscellaneous	$402	$—	$—	$402	$—	$1,533[2]	$—	$—	$247	$1,780	$2,182	$2,048
Debt Service Costs (Unallocated)	$—	$—	$—	$—	$—	$—	$—	$—	$269	$269	$269	$257
Total	**$17,546**	**$5,552**	**$4,762**	**$27,860**	**$11,045**	**$8,964**	**$169**	**$631**	**$3,378**	**$24,187**	**$52,047**	**$36,401**
City Funds	**$9,919**	**$4,993**	**$4,583**	**$19,495**	**$5,837**	**$7,243**	**$162**	**$441**	**$3,223**	**$16,906**	**$36,401**	
2005 Prepayments	$—	$—	$—	$—	$324	$208	$—	$—	$1,792	$2,324	$2,324	$2,324
Total After Prepayments	$17,546	$5,552	$4,762	$27,860	$10,721	$8,756	$169	$631	$1,586	$21,863	$49,723	$34,077

(1) Only reflects HHC Subsidy and Medical Assistance appropriated in the City's Budget..

(2) Includes subsidies to the Transit Authority and private bus lines, general reserve, pay-go-capital, indigent defense services and other contractual services.

Note: Totals may not add due to rounding.

DEPARTMENT OF EDUCATION

The New York City Department of Education provides primary and secondary education for over one million school age children. Through a network of elementary, junior high, intermediate, and high schools as well as special education schools, the Department provides basic instructional services and offers students special and bilingual education, and vocational training. Support services include free and subsidized transportation, breakfast and lunch services, and the operation and maintenance of over 1,200 school facilities.

Financial Review

The Department of Education's 2006 operating budget is $14,071.5 million, an increase of $302.6 million over the 2005 forecast of $13,768.9 million. In addition, education-related pension and debt service costs of $2,685.5 million are budgeted in separate agencies. These additional costs include a pension increase of $432.3 million from 2005 and a debt service increase of $258.1 million. City funds including pensions and debt service support $8,386.2 million of the Department of Education's expense budget in 2006, an increase of $803.9 million, or 10.6 percent. State funds support $6,513.8 million, an increase of $335.0 million. The balance of the education budget is supported by $1,812.6 in Federal aid (down $125.5 million from the 2005 forecast), $8.3 million in intra-City funds and $36.0 million in other categorical funds. Including those funds budgeted centrally, total funds budgeted on behalf of the Department of Education increase from $15,764.1 million in the 2005 forecast to $16,756.9 million, in the 2006 Executive Budget.

Total Department of Education Expenses
2001-2006
($ millions)

	2001	2002	2003	2004	Forecast 2005	Executive Budget 2006	Change 2005 to 2006	Change 2001 to 2006
Department Of Education Operating Budget								
City	$4,924	$4,785	$5,103	$5,464	$5,587	$5,701	$114	$777
Other Categorical	52	51	107	88	52	36	(16)	(16)
State	5,401	5,648	5,864	5,809	6,179	6,514	335	1,113
Federal	1,231	1,394	1,697	1,781	1,938	1,813	(125)	582
Intra-City	4	6	9	7	12	8	(4)	4
Total Operating Expenditures	**11,612**	**11,884**	**12,781**	**13,148**	**13,769**	**14,072**	**303**	**2,460**
Other City Funds Supporting Education								
Pensions	384	452	572	848	1,163	1,595	432	1,211
G.O. Bond Debt Service	496	435	385	521	604	833	229	337
State Aid for Debt Service	(3)	(3)	(3)	(3)	(3)	(3)	0	0
TFA Debt Service	155	181	211	215	231	260	29	105
Labor Reserve	0	0	0	0	0	0	0	0
Total Additional City Funds	**1,032**	**1,065**	**1,165**	**1,581**	**1,995**	**2,685**	**690**	**1,653**
TOTAL CITY FUNDS FOR EDUCATION	**5,956**	**5,850**	**6,268**	**7,045**	**7,582**	**8,386**	**804**	**2,430**
TOTAL STATE FUNDS FOR EDUCATION	**5,404**	**5,651**	**5,867**	**5,812**	**6,182**	**6,517**	**335**	**1,113**

The amounts shown for 2001 through 2004 represent actual expenditures including pensions and debt service funds budgeted in other agencies. The 2005 amounts represent the latest forecast as per the 2006 Executive Budget. G.O. Debt Service numbers have been corrected to reflect the impact of pre-payments. The 2003 City and Federal operating budget numbers have been corrected to reflect $29.9 million of FEMA expenditures for lost instructional time which were reimbursed at the Citywide level rather than in the Department of Education's budget.

Expense Budget Highlights

Additional Resources for Children First Reforms

- an additional $49.5 million to assist in the opening of additional new small schools and YABCs (Young Adult Borough Centers), as well as the development and implementation of the Learning to Work initiative which includes funding for almost 2,000 subsidized work internships.

- an additional $15.0 million to continue and expand funding for early grade intervention strategies including the Summer Success Academy Program and the Saturday Prep Academy for students in danger of not being promoted. Additionally, the funds will support interventions for at-risk students in early grades as well as for those students who have been retained.

- a continuation of $10.0 million to ensure that average class size is maintained in grades K-3.

- an additional $10.0 million to expand the early grade interventions program into middle schools focusing on intervention programs for at-risk students including eighth graders in danger of not being promoted to the ninth grade.

- an additional $2.8 million to implement a comprehensive Citywide approach to gifted and talented education in elementary schools, especially in under-served communities, increase outreach to parents, develop and administer a new entry test for kindergarten students, and to maintain support for existing gifted and talented programs. In addition resources will be made available to expand Advanced Placement offerings, especially in under-served schools.

- an additional $4.6 million to provide resources for ELL classroom libraries and interim assessments for ELL students.

- an additional $7.1 million to expand the Teacher Mentoring Program to accommodate an increase in new teachers.

- an additional $2.8 million to expand the new Translation Unit to increase and improve translation and interpretation services for non-English speaking families.

- an additional $3.6 million to support the School Performance and Accountability Project. This initiative will develop school and instructional performance measures including value added assessments and other factors affecting student achievement.

- an additional $95.9 million for mandated special education services as well as for inclusion models, ensuring that schools are adequately funded for these services.

- an additional $13.4 million for an increased number of school safety agents and a mobile random scanning program.

- an additional $1.3 million for the expansion of the conflict resolution programs and violence prevention, and intervention and development services for Impact and other schools.

Providing Core Services

- an additional $126.2 million to cover the cost of new contracts providing transportation to general and special education students.

- an additional $109.2 million for increased fringe benefit costs.

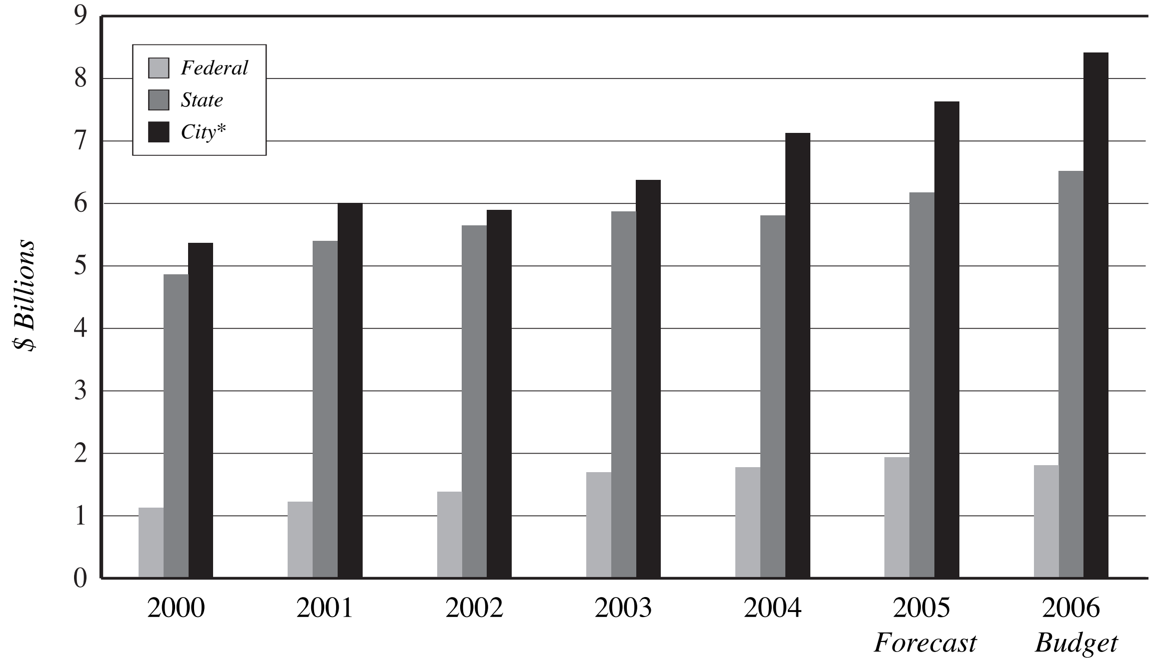
- an additional $24.3 million for the increased cost of leases and energy.
- an additional $13.8 million for the increased cost of instruction and transportation for special education pre-kindergarten students attending private facilities.
- an additional $15.4 million for the increased cost of transportation and instruction of school-age special education students attending private facilities.

The $5,700.7 million City funds budget for 2006 provides the Department of Education with $113.5 million more than is mandated by the maintenance of effort requirement established by the State as part of the governance changes passed in the summer of 2002. This provision of State law requires that the City funding provided in the Adopted Budget (excluding City funding for pensions and debt service) cannot be less than the amount provided for in the current year's budget. In the case of a year-to-year decline in the amount of City funds available for the total Citywide budget, the requirement permits the City to reduce education funding by a proportional amount.

Summary of Agency Financial Data
($000's)

	2004 Actual	2005 Forecast	2006 Preliminary Budget	2006 Executive Budget	Increase/(Decrease) 2005 Forecast	Increase/(Decrease) 2006 Preliminary Budget
Expenditures						
Salary and Wages	$7,544,089	$7,896,758	$7,915,830	$7,944,743	$47,985	$28,913
Fringe Benefits	1,888,701	2,019,519	2,112,987	2,147,131	127,612	34,144
OTPS	3,715,322	3,852,671	3,717,475	3,979,585	126,914	262,110
Total	$13,148,112	$13,768,948	$13,746,292	$14,071,459	$302,511	$325,167
Funding						
City	$5,464,382	$5,587,152	$5,618,046	$5,700,740	$113,588	$82,694
Other Categorical Grants	87,698	52,473	39,765	36,003	(16,470)	(3,762)
IFA	—	—	—	—	—	—
State	5,808,640	6,178,779	6,269,325	6,513,795	335,016	244,470
Federal CD	5,000	10,000	5,000	5,000	(5,000)	—
Federal Other	1,775,807	1,928,144	1,807,615	1,807,615	(120,529)	—
Intra-City Other	6,585	12,400	6,541	8,306	(4,094)	1,765
Total	$13,148,112	$13,768,948	$13,746,292	$14,071,459	$302,511	$325,167
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$53,305	$62,010	$72,048	$72,048	$10,038	$—
Pensions	984,395	1,298,900	1,405,607	1,731,175	432,275	325,568
Other Than Personal Service (OTPS)						
Legal Services	—	15,345	15,163	15,452	107	289
Judgments and Claims	43,202	32,000	32,000	32,000	—	—
Debt Service	393,884	603,861	862,909	832,510	228,649	(30,399)
Intra-City Pensions	(136,100)	(136,005)	(136,005)	(136,005)	—	—
Total Additional Costs	$1,338,686	$1,876,111	$2,251,722	$2,547,180	$671,069	$295,458
Funding						
City	1,159,684	1,727,532	2,072,760	2,370,769	643,237	298,009
Non-City	179,002	148,579	178,962	176,411	27,832	(2,551)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$7,544,089	$7,896,758	$7,915,830	$7,944,743	$47,985	$28,913
Fringe Benefits	1,942,006	2,081,529	2,185,035	2,219,179	137,650	34,144
Pensions	984,395	1,298,900	1,405,607	1,731,175	432,275	325,568
Total PS	$10,470,490	$11,277,187	$11,506,472	$11,895,097	$617,910	$388,625
OTPS	$3,715,322	$3,852,671	$3,717,475	$3,979,585	$126,914	$262,110
Legal Services	—	15,345	15,163	15,452	107	289
Judgments and Claims	43,202	32,000	32,000	32,000	—	—
Debt Service	393,884	603,861	862,909	832,510	228,649	(30,399)
Intra-City Pensions	(136,100)	(136,005)	(136,005)	(136,005)	—	—
Total OTPS	$4,016,308	$4,367,872	$4,491,542	$4,723,542	$355,670	$232,000
Total Agency Costs	$14,486,798	$15,645,059	$15,998,014	$16,618,639	$973,580	$620,625
Less Intra-City	$6,585	$12,400	$6,541	$8,306	($4,094)	$1,765
Net Agency Cost	$14,480,213	$15,632,659	$15,991,473	$16,610,333	$977,674	$618,860
Funding						
City	6,624,066	7,314,684	7,690,806	8,071,509	756,825	380,703
Non-City	7,856,147	8,317,975	8,300,667	8,538,824	220,849	238,157
Personnel (includes FTEs at fiscal year-end)						
City	112,172	112,689	112,612	112,600	(89)	(12)
Non-City	22,153	22,030	22,107	23,652	1,622	1,545
Total	134,325	134,719	134,719	136,252	1,533	1,533

FUNDING SOURCES 2000-2006



** City funds include TFA and GO debt service, pensions, other categorical, and capital IFA, but exclude intra-city.*

New York City Public School Enrollment

School Year 2002-2006

	2002 Actual	2003 Actual	2004 Actual	2005 Projection	2006 Projection
DOE Facilities Enrollment					
General Education	957,265	951,442	945,197	928,809	912,835
Special Education*	79,234	79,310	80,084	82,162	85,043
Pre-Kindergarten**	29,083	30,264	29,333	29,870	29,870
Subtotal	1,065,582	1,061,016	1,054,614	1,040,841	1,027,748
Non-DOE Facilities Enrollment					
Charter Schools	3,267	4,455	5,801	7,633	9,882
Contract Schools	5,064	5,765	6,248	6,203	6,203
Universal Pre-Kindergarten	15,929	17,082	16,384	15,963	15,963
Special Ed Pre-Kindergarten	22,776	23,856	24,742	24,769	25,788
Subtotal	47,036	51,158	53,175	54,568	57,836
TOTAL	1,112,618	1,112,174	1,107,789	1,095,409	1,085,584

* Special Education enrollment includes: Community School Districts (CSD) and High School Full-Time Special Education, Citywide, Home and Hospital Instruction, and Integrated students.

** Pre-Kindergarten at DOE facilities includes Superstart, Superstart Plus, and Universal Pre-K.

Programmatic Review

The Student Population

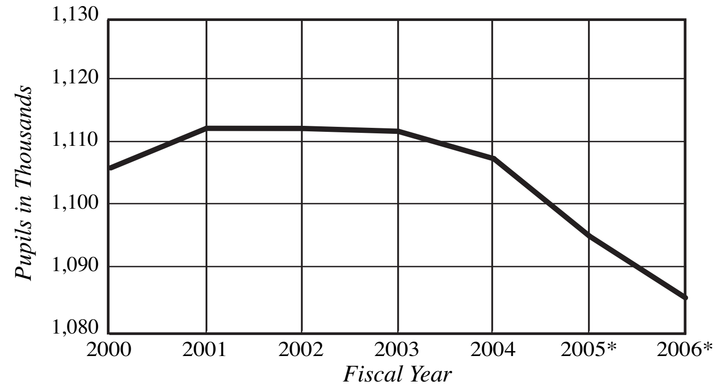
Total public school enrollment, including pre-kindergarten, charter school and contract school students, will decrease 9,825 from 1,095,409 in 2005 to a projected 1,085,584 in 2006. In the coming fiscal year, the City projects that general education public school enrollment for kindergarten through twelfth grade will be 922,717 or 13,725 less than in 2005. Of these students, 912,835 are expected to attend schools run by the Department of Education, and 9,882 are expected to attend charter schools. The Universal Pre-Kindergarten and Superstart/Superstart Pre-Kindergarten combined enrollments are expected to be 45,833. Of these students, 29,870 are expected to attend Department of Education schools, and 15,963 are expected to attend programs run by community based organizations.

In 2006 the City projects that 91,246 school-age students will be enrolled in full-time special education programs. Of these students, 85,043 are expected to attend Department of Education facilities, and 6,203 are expected to attend specialized private facilities ("contract schools") paid for through the Department's budget. The City's total special education population also includes approximately 26,000 pre-kindergarten students and a small group of school-age special education students placed in specialized facilities through steps taken outside the Department's regular referral process.

Staffing Levels

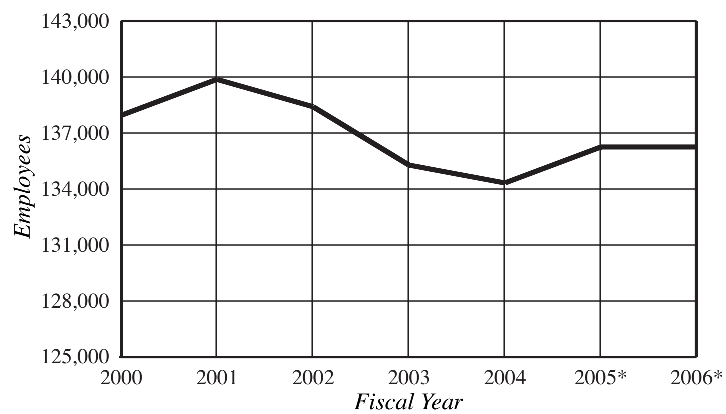
In 2006 the City projects that the Department's staffing level will be 136,252. Of this count, 119,543 are full time and 16,709 are Full Time Equivalents (FTEs). Pedagogical employees (which include teachers, superintendents, principals, assistant principals, guidance counselors, school secretaries, educational paraprofessionals and other school support

NYC PUBLIC SCHOOL ENROLLMENT 2000-2006



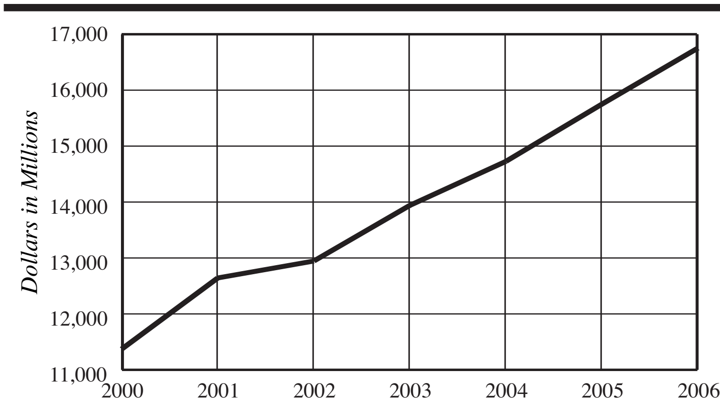
Includes Charter Schools, Special Ed Pre-K, Universal Pre-K, Superstart, Superstart Plus, and Contract schools. Excludes LTA's.
** Projected as of FY06 Executive Budget*

FULL TIME AND FULL TIME EQUIVALENT DEPARTMENT OF EDUCATION EMPLOYEES 2000-2006



** Projected as of FY05 Executive Budget*

TOTAL DEPARTMENT OF EDUCATION EXPENDITURES 2000-2006



** Total DOE expenditures include pensions, TFA and GO debt service, other categorical, and labor reserve amounts and exclude Intra-City funds.*

staff) make up 109,591 of the full time employees and 1,363 of the FTEs. Non-pedagogical employees represent 9,952 of the full time employees and 15,346 of FTEs. Of the full time pedagogical employees approximately 77,000 are teachers, with over 62,000 providing general education services and almost 15,000 providing special education services.

Capital Review

The City's Four-Year Plan for 2006-2009 anticipates spending $10.5 billion on school construction projects, and is consistent with the last four years of the Department of Education's (DOE) $13.3 billion Five-Year Plan for 2005-2009. As justified by the court order in the Campaign for Fiscal Equity's lawsuit against the State of New York, the Plan will also include State funds. Although the State has not complied with the court order, the City fully funded the first year of the Five-Year Plan (2005) by appropriating $2.6 billion in order to prevent delays in City projects. The City's Plan continues to assume that the State will match the City's Five-Year Plan commitment and provide the City with $6.5 billion over the next four years.

The Plan's primary objectives are to provide additional capacity, restructure existing space to maximize education benefits, and arrest deterioration of the physical plant. The School Construction Authority (SCA) is responsible for the implementation of these objectives.

In order to meet the first objective, the City's Four-Year Plan provides significant funding to alleviate overcrowding in the City's schools. The Plan includes $2.2 billion for the construction of new school buildings. An additional $1.1 billion will be spent to further expand the system by adding new leased facilities, building additions, modular classrooms, athletic fields, and playgrounds.

The Plan also provides $3.2 billion for capital projects that will enhance the academic environment. The use of these funds are aimed both at creating more educational tools for City students and to allow an even more efficient use of existing space. The $3.2 billion will be used to create and upgrade computer and science labs, aid charter and innovative schools, and for other technology projects. This portion of the Plan also directs money to the DOE's School Improvement and Restructuring Fund (SIRA). The SIRA program divides large schools--typically high schools--into multiple smaller and more intimate learning environments. These smaller institutions support the creation of cooperative and supportive learning communities where both students and staff experience a greater sense of commitment to education.

The third major objective of the Plan will facilitate the DOE's efforts to maintain over 1,500 facilities. The Plan provides $4.1 billion for this task. In order to meet the City's high standards for school buildings, the bulk of this funding--$2.7 billion--will be used to upgrade, rehabilitate, and replace ailing infrastructure. An additional $35.6 million is set aside for major modernization projects. Other miscellaneous capital improvements make up the balance of funding. These include emergency projects, research and development, and prior plan completion costs ($927.9 million) as well as security systems, emergency lighting and code compliance ($365.6 million).

The table below shows the capital commitments by program area over the 2004-2009 period.

Capital Commitments

($000's)

	2004 Actual		2005 Plan		2006 Plan		2007 Plan		2008 Plan		2009 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
System Expansion New Schools	$155,703	164,703	$580,938	$580,938	$205,419	$663,505	$101,665	$293,462	$264,036	$686,659	$258,242	$560,540
System Expansion Other	72,253	72,253	255,146	255,146	53,544	172,624	200,602	579,050	108,508	282,189	40,192	87,240
School Modernizations	47,601	47,601	213,505	213,505	2,964	9,573	2,780	8,024	3,964	10,310	3,561	7,731
Rehabilitation of School Components	181,014	202,533	547,919	547,919	178,607	576,902	206,407	595,806	219,951	572,010	431,973	937,639
Educational Enhancements	139,631	139,683	530,197	530,197	258,132	833,766	271,184	782,791	315,381	820,189	337,566	732,720
Emergency, Unspecified And Miscellaneous...	188,263	198,020	546,050	546,050	81,370	262,827	84,966	245,260	69,342	180,332	110,315	239,449
Safety and Security	6,141	6,193	64,843	64,843	34,344	110,932	41,906	120,966	28,328	73,670	27,661	60,040
Total	$790,606	$830,985	$2,738,599	$2,738,599	$814,280	$2,630,129	$909,510	$2,625,359	$1,009,510	$2,625,359	$1,209,510	$2,625,359

Table includes all budget lines

Capital Highlights

The City's 2006-2009 Plan features:

- the creation of 51,328 (15,343 seats in Brooklyn, 14,395 in The Bronx, 3,088 in Manhattan, 16,624 in Queens, and 1,878 in Staten Island) new classroom seats through new schools, additions and leased facilities that will alleviate overcrowding. These new facilities will also reduce class size in the critical k-3 years, and eliminate the need for all transportable classroom units.

- the use of $1.9 billion to restructure 400 existing school facilities to maximize their potential as centers for learning by creating intimate learning communities.

- the use of $747.6 million for numerous specialized capital investments, such as new science labs and technology enhancements to ensure that students receive a sound basic education.

- the use of $339.0 million to create 200 small partnership and charter schools.

- the use of $250.7 million to create 150 new multi-purpose exercise rooms, turn 50 parking lots into playgrounds, and to repair existing swimming pools.

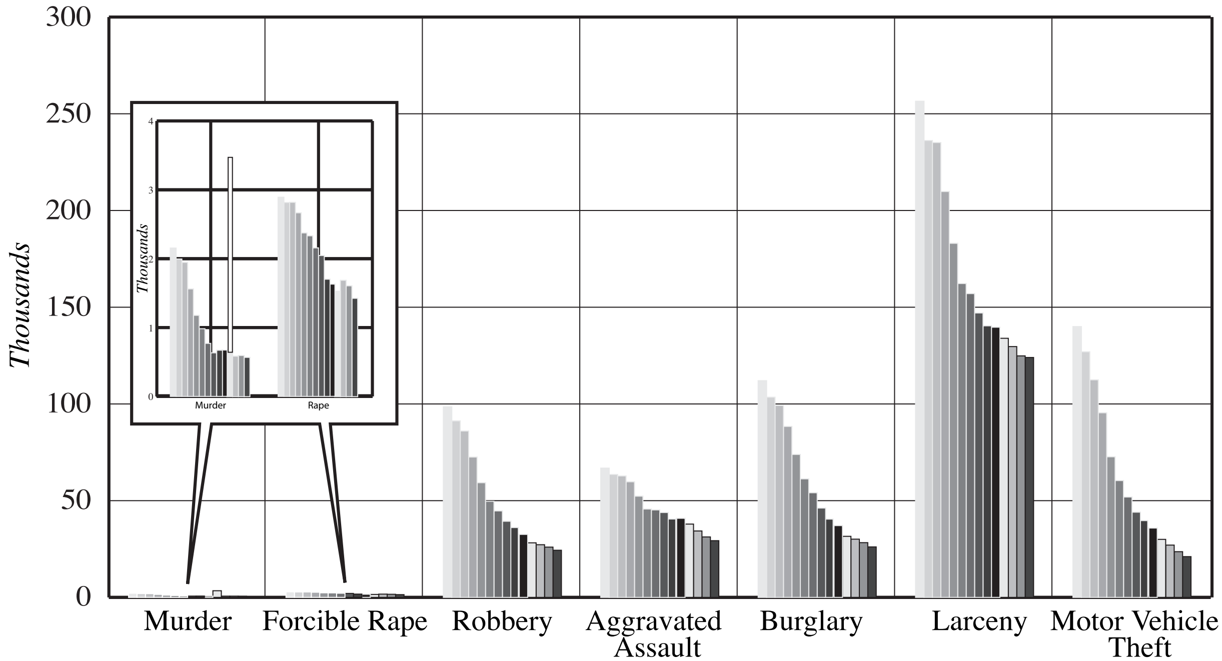
ADMINISTRATION OF JUSTICE

Overview

As demonstrated by both crime measures, NYPD Compstat and the FBI index, crime in New York City continues to decrease to record low levels. In calendar year 2004, overall FBI-measured crimes decreased by four percent compared to 2003. In fact, all seven FBI crime categories decreased in comparison to 2003. Forcible Rape and Motor Vehicle Theft both experienced the largest decrease (11 percent each), followed by Burglary (eight percent), Robbery (six percent), Aggravated Assault (six percent), Murder (five percent), and Larceny (0.7 percent). The NYPD Compstat figures from calendar year 2004 support this trend, showing an overall crime decrease of 4.5 percent.

NEW YORK CITY FBI INDEX CRIMES

*Calendar Years 1991-2004***

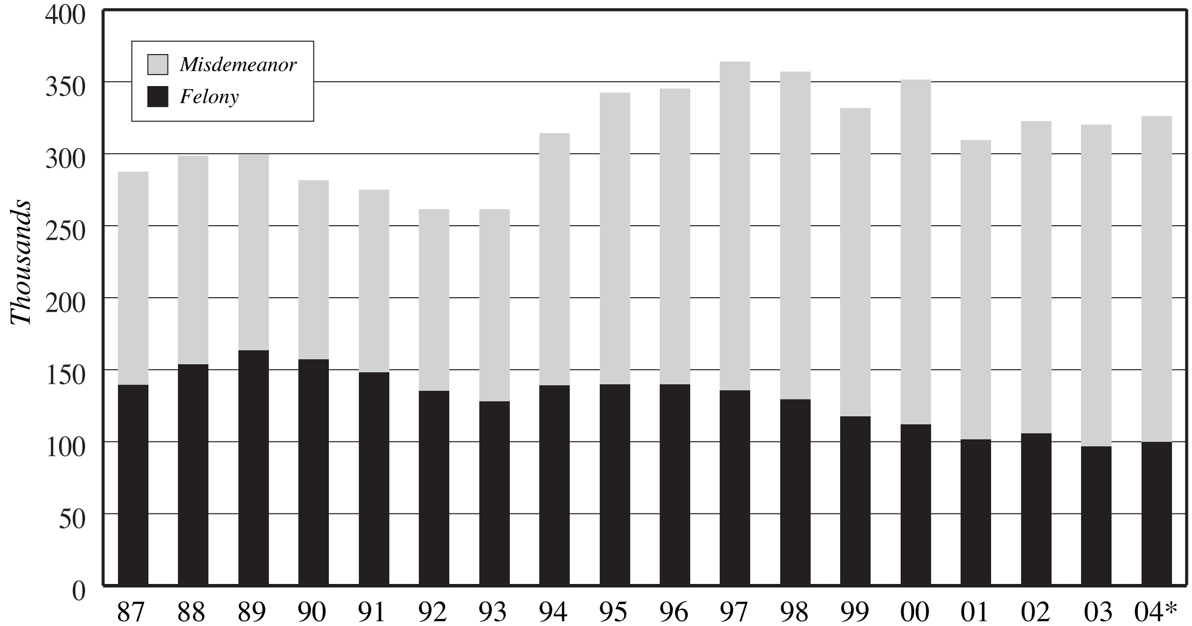


* *In 2001, for Murder and Aggravated Assault, the unshaded portion represents World Trade Center victims.*
** *Preliminary Data for 2004.*

Arrests totaled 348,316 in calendar 2004, two percent more than in 2003. While the increase in overall arrests was not significant, arrests related to violations and infractions increased by 14 percent.

NEW YORK CITY FELONY & MISDEMEANOR ARRESTS

Calendar Years 1987-2004



** Preliminary*
1987 – 2004 as per Official Crime Comparison Reports

For the second year in a row, the overall distribution of felony and misdemeanor arrests has remained fairly constant. Felony arrests have increased slightly, from 28 percent to 29 percent, while misdemeanor arrests have decreased, from 66 percent to 65 percent. While the distribution remains fairly constant, Criminal Court filings have increased by five percent, consistent with an overall increase in total arrests of two percent. This overall increase in Criminal Court filings is primarily driven by a six percent increase in misdemeanor cases. In contrast, while felony arrests are up three percent, Supreme Court filings are down eight percent.

The continued low level of felony arrests had an impact on the jail population as well. In 1992, the average daily inmate population was 21,448 and the average length of stay was 70 days. In contrast, the 2005 average daily population through February 2005 is 13,647 and the average length of stay is 48.4 days. Although total arrests have remained stable, minor level crimes result in a lower incarceration rate and therefore fewer admissions to the Department of Correction.

POLICE DEPARTMENT

In collaboration with the Department of Education, the Police Department conducted a comprehensive needs based assessment of School Safety Agent resources. From that assessment, the Police Department created a quantitative staffing model that is conceptually akin to the tested patrol allocation plan. As a result, beginning in 2006, the Department will begin hiring an additional 327 School Safety Agents for deployment to various schools citywide and in 2007 hire an additional 126.

As part of its crime fighting strategy the Police Department has identified the need for the rapid dissemination of changes in crime patterns and trends and intelligence on global activity on a real time basis. To achieve this goal, the Department has made the upgrading of its technological capabilities a priority. The Department has begun the development of the Real Time Crime Center (RTCC). The mission of the RTCC is to accelerate the

Department's ability to identify and respond to emerging crime patterns and trends by implementing proactive intelligence driven crime prevention methods. The RTCC will provide access to organizational data, information for better decision making, consistent data quality and transform data into useable information.

DEPARTMENT OF CORRECTION

With the average daily population remaining below 15,000 for the fifth year in a row, the Department of Correction has continued its population management strategies of facility closures and bed consolidations.

Through the implementation of an effective capacity management strategy, the Department has saved the City millions of dollars. In 2006, additional savings will be realized by increasing dorm capacity in general population housing areas. The Department will continue to focus on initiatives that increase security measures to eliminate violence in jails and improve Environmental Health and Safety in all jail facilities.

Other Criminal Justice Programs

In order to provide coordinated, essential services to domestic violence victims, New York City received $1.2 million in Federal funding to develop one of 15 Family Justice Centers in the country. The Police Department along with four other City agencies, the District Attorney's domestic violence unit and 25 community-based programs and organizations anticipate serving an estimated 7,000 adults and up to 14,000 children annually.

In April 2003, the City's first mobile Sexual Assault Response Team (SART) was launched in the Bronx. The Bronx SART consists of a group of dedicated health care professionals specially trained to identify, collect, and package forensic evidence, accurately document injuries, and attend to the emotional needs of rape victims. Accompanied by a rape crisis advocate, SART team members respond to every rape victim at all three Bronx public hospitals within one hour of their arrival. The results to date are extremely promising. The Bronx SART has met its one hour target more than 90% of the time. In addition, the percentage of victims willing to cooperate with law enforcement has increased dramatically, along with the percentage of cases in which injury is discovered and documented.

POLICE DEPARTMENT

The principal mission of the Police Department is to maintain public safety and security, to respond to calls for emergency aid, and to conduct investigations of criminal activity.

Financial Review

The New York Police Department's 2006 Executive Budget provides for an operating budget of $3.5 billion, a decrease of $162 million from the $3.68 billion forecast in 2005. This decrease is due primarily to nonrecurring expenses related to the Republican National Convention and Federal, State, and private grants. Capital commitments of $160.2 million are also provided in 2006.

Revenue Forecast

The Police Department collects revenue from fees charged for pistol licenses, rifle permits, fingerprint fees, accident report records, tow fees, and unclaimed cash and property that is abandoned or confiscated as a consequence of the commission of a crime. The City is also collecting E-911 surcharges imposed on all New York City cellular telephones and land line telephones. In 2006, the revenue estimate for the Police Department is approximately $107.3 million.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- in 2006, the Department will reach a peak uniform headcount of 37,038 in July and in January, complemented by a planned civilian headcount of 9,442. These levels include personnel in all operational, patrol, and support functions.

- the Department is enhancing its use of technology in order to advance crime fighting pursuits. One example of this, is the Real Time Crime Center (RTCC). The mission of the RTCC is to accelerate the Department's ability to identify and respond to emerging crime patterns by implementing proactive intelligence-driven crime prevention methods. The 2006 Executive Budget includes $1.6 million for the operating costs of this initiative.

- as the Department upgrades its technology and networks, it is imperative that, at the same time, safeguards are put in place to protect the integrity of the City's investment, the safety of Department personnel, and the confidentiality of the Department's investigations. The 2006 Executive Budget includes $292,000 for the initial cost of hardware and software maintenance supporting the Department's technology upgrades.

- in 2006 the Department will be adding 327 School Safety Agents and an additional 126 in 2007 throughout the five boroughs in a targeted effort to increase safety at public schools. Funding is provided by the Department of Education.

- the Department continues to meet the challenge of protecting New York City from terrorist threats. The Department's resource management strategy requires the constant shifting of staffing levels and assignments based on the latest risk assessment of conditions in the City and throughout the world. While Operation Atlas continues to provide a vital function in executing the Department's counter terrorism strategy, at current deployment level, it costs approximately $50 million annually.

Restructuring and Streamlining

- the Department, in conjunction with the five District Attorneys and Special Narcotics Prosecutor, will play a vital role in improvements to case processing times during the arrest to arraignment process. This collaborative initiative will result in gained efficiencies in arrest to arraignment times citywide and generate Police overtime savings of $1.4 million in 2005 and $13.5 million in 2006.

Summary of Agency Financial Data

The following table compares the 2006 Executive Budget with the 2006 Preliminary Budget, the 2005 forecast and actual expenditures for 2004.

Summary of Agency Financial Data
($000's)

	2004 Actual	2005 Forecast	2006 Preliminary Budget	2006 Executive Budget	Increase/(Decrease) 2005 Forecast	Increase/(Decrease) 2006 Preliminary Budget
Expenditures						
Salary and Wages	$3,266,768	$3,274,335	$3,217,146	$3,224,115	($50,220)	$6,969
Fringe Benefits	69,658	81,085	72,400	73,607	(7,478)	1,207
OTPS	245,759	323,088	209,721	218,452	(104,636)	8,731
Total	$3,582,185	$3,678,508	$3,499,267	$3,516,174	($162,334)	$16,907
Funding						
City	$3,218,169	$3,165,569	$3,201,252	$3,208,136	$42,567	$6,884
Other Categorical Grants	100,198	95,627	70,014	70,014	(25,613)	—
IFA	1,797	1,797	1,797	1,797	—	—
State	17,549	30,551	4,923	4,930	(25,621)	7
Federal CD	—	—	—	—	—	—
Federal Other	97,606	237,372	74,038	74,038	(163,334)	—
Intra-City Other	146,866	147,592	147,243	157,259	9,667	10,016
Total	$3,582,185	$3,678,508	$3,499,267	$3,516,174	($162,334)	$16,907
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$979,434	$1,018,079	$1,113,470	$1,100,144	$82,065	($13,326)
Pensions	837,195	1,084,519	1,266,660	1,527,279	442,760	260,619
Other Than Personal Service (OTPS)						
Legal Services	—	28,970	26,850	28,894	(76)	2,044
Judgments and Claims	120,879	100,691	108,832	108,832	8,141	—
Debt Service	46,188	66,605	58,338	56,278	(10,327)	(2,060)
Total Additional Costs	$1,983,696	$2,298,864	$2,574,150	$2,821,427	$522,563	$247,277
Funding						
City	1,954,032	2,266,152	2,547,004	2,795,833	529,681	248,829
Non-City	29,664	32,712	27,146	25,594	(7,118)	(1,552)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$3,266,768	$3,274,335	$3,217,146	$3,224,115	($50,220)	$6,969
Fringe Benefits	1,049,092	1,099,164	1,185,870	1,173,751	74,587	(12,119)
Pensions	837,195	1,084,519	1,266,660	1,527,279	442,760	260,619
Total PS	$5,153,055	$5,458,018	$5,669,676	$5,925,145	$467,127	$255,469
OTPS	$245,759	$323,088	$209,721	$218,452	($104,636)	$8,731
Legal Services	—	28,970	26,850	28,894	(76)	2,044
Judgments and Claims	120,879	100,691	108,832	108,832	8,141	—
Debt Service	46,188	66,605	58,338	56,278	(10,327)	(2,060)
Total OTPS	$412,826	$519,354	$403,741	$412,456	($106,898)	$8,715
Total Agency Costs	$5,565,881	$5,977,372	$6,073,417	$6,337,601	$360,229	$264,184
Less Intra-City	$146,866	$147,592	$147,243	$157,259	$9,667	$10,016
Net Agency Cost	$5,419,015	$5,829,780	$5,926,174	$6,180,342	$350,562	$254,168
Funding						
City	5,172,201	5,431,721	5,748,256	6,003,969	572,248	255,713
Non-City	246,814	398,059	177,918	176,373	(221,686)	(1,545)
Personnel (includes FTEs at fiscal year-end)						
City	49,831	49,853	49,793	50,198	345	405
Non-City	713	245	212	212	(33)	—
Total	50,544	50,098	50,005	50,410	312	405

Note: Totals may not add due to rounding.

Programmatic Review

The 2006 Executive Budget supports the Department's management skills in identifying changing trends in crime and reacting rapidly. The Department's efforts have been successful in reducing crime to record low levels and meeting the challenge of keeping the City safe from potential terrorist threats.

According to the FBI Uniform Crime Index Report, New York City proved once again to be the safest big city in America. The Department had another successful year by achieving a crime rate for calendar year 2004 which reached new historic lows. Reductions in major felony crime were experienced in all boroughs, decreasing almost five percent from last year, nine percent from two years ago, and 14 percent from three years ago. The murder rate has also continued an unprecedented drop with 570 murders committed last calendar year, the lowest the City has experienced since 1963. Grand Larceny Auto and Burglary are down by over 11.5 percent and 8.6 percent, respectively. Further, crime in the subway system dropped 12.5 percent over the last three years.

The Department's continued success in the reduction of crime is attributable to its effective leadership and crime fighting strategies. Through constant monitoring of changes in crime and the timely dissemination of intelligence on global activity, the Department has maintained the ability to realign resources to meet new challenges. As a result, the Department has continued funding for programs with proven track records, expanded on those models to create safer learning environments in the City's Schools, and continues to create innovative strategies, through collaboration with other City agencies, to address unique challenges.

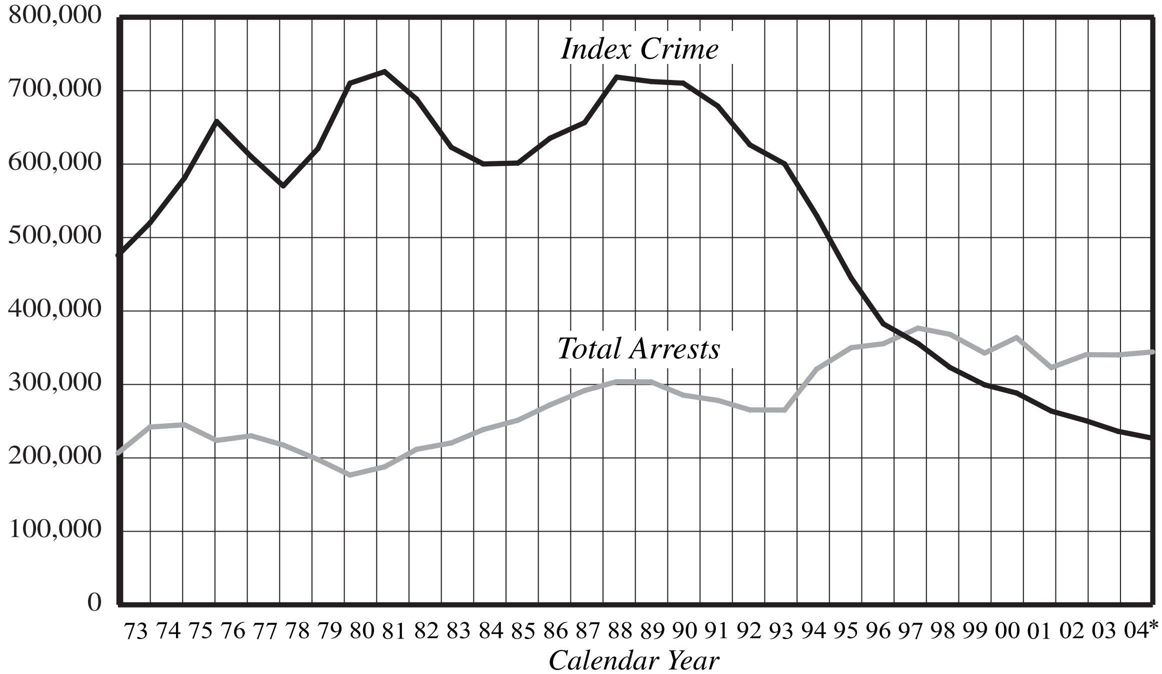
Much of the reduction in crime can be attributed to Operation Impact, which was originally launched in January 2003. This initiative is aimed at reducing and preventing serious and violent crimes by deploying over 1,000 Police Officers each day to strategically targeted locations or impact zones. In calendar year 2004, the Department made more than 20,000 arrests and over 335,000 summonses within the impact zones. Major felony crime within the impact zones decreased 26 percent from the previous calendar year. The number of homicides within impact zones was reduced by over 40 percent compared to the previous year, while the incidence of robberies decreased over 25 percent in the same period.

The Department's School Impact Program, launched in January 2004, has continued to be successful in helping to create safer learning environments in City schools. In January 2005, with the infusion of the COPS in School grant, the initiative's Uniformed Task Force (UFT) was able to increase the School Safety Division by 50 officers. The results have been impressive. Major felony crime in the original 16 schools included in the program decreased nearly 43 percent during the current school year, through the end of January 2005, compared to the same time period the previous year. The program has been so successful that five of the 16 schools originally included were removed from the program due to dramatic reductions in crime and disorder in these schools. At the same time, the Department identified six new schools to add to the list of Impact Schools, which brings the current number of schools in the program to 17.

In June of 2004, Operation Safe Housing, a four-pronged initiative aimed at reducing drug-dealing, sexual assault, and gun violence in New York City public housing, was introduced. The first prong strengthens monitoring of sex offenders by sending specially-trained police officers directly to the homes of sex offenders who claim to live in NYCHA apartments in order to personally verify their addresses every six months. The second prong gets gun offenders, sex offenders, and drug dealers evicted more quickly by creating a Special Hearing Part to give their cases the highest priority. The third prong deprives drug dealers of the turf they need to do business by establishing a new trespass policy. Under the new policy, individuals arrested for drug dealing on public housing grounds receive a notice that they are banned from NYCHA property and will be arrested if they return. Finally, the fourth prong complements the first three by establishing parole offices in public housing developments. The new offices will allow parole officers to have closer and more frequent contact with parolees who live in public housing, making the whole neighborhood safer. At the close of calendar year 2004, crime in public housing was down six percent from the previous year, 9.4 percent over the last two years, and 13.8 percent over the last three years.

In addition to the Department's core mission to fight conventional crime, the Department continues to devote substantial resources to counter terrorism. The Department has devoted close to 1,000 officers daily to counter terrorism efforts. Through Operation Atlas, launched in 2003, the Department continues to protect critical landmarks and infrastructure using regular patrols. Staffing levels and assignments within Operation Atlas are continuously changed, based on the Department's ongoing risk assessment of conditions in the City and throughout the world.

ARRESTS VERSUS CRIME

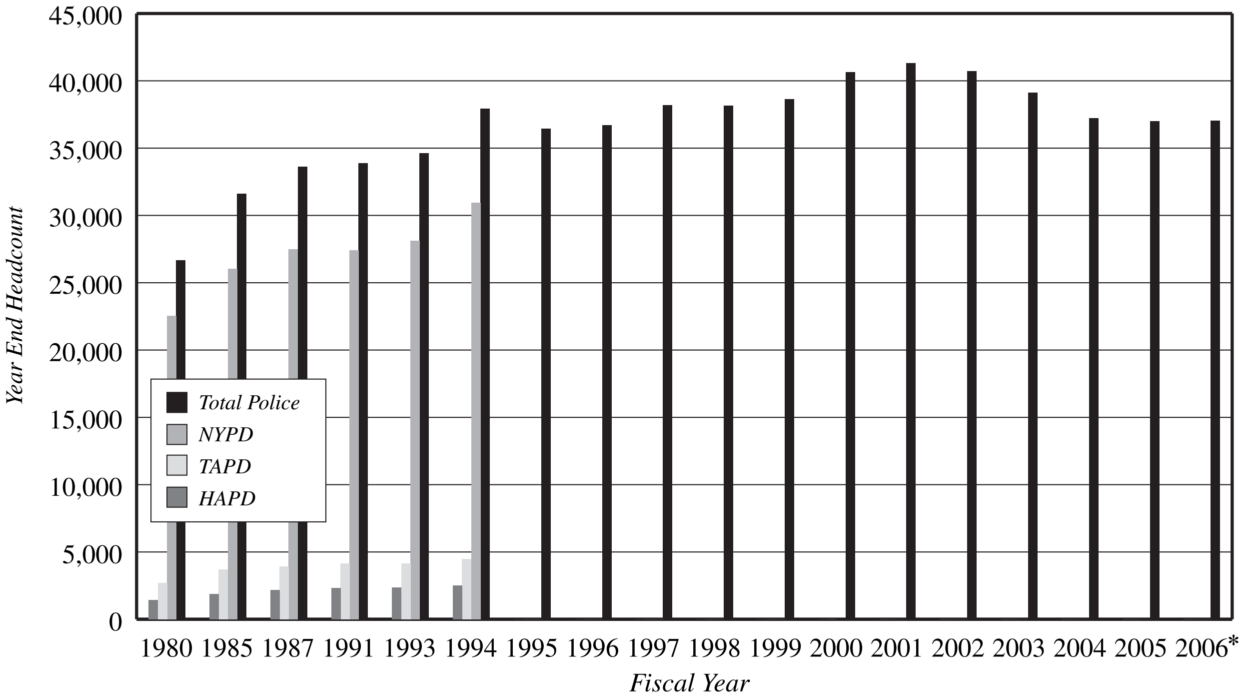


** NYPD Preliminary Data*
Arrests Totals include F.M.V. and Infractions

Uniformed Headcount

The Department hired 1,708 recruits in July 2004 to achieve a peak headcount of 36,988 and 1,757 recruits in January 2005 to achieve a new revised peak of 37,038. The increase in headcount was funded with $6.25 million in Federal COPS in schools program funding. The 2006 Executive Budget assumes two recruit classes, in July 2005 and January 2006, to maintain this authorized headcount and minimize large fluctuations in uniform strength levels.

TOTAL CITY, TRANSIT AND HOUSING POLICE FORCE



Note: Merger of the TAPD and HAPD with NYPD was completed in FY 95. * *Projection*

Capital Review

The 2006 – 2015 Ten-Year Capital Strategy for the Police Department in total provides the Department with $725 million for the replacement, reconstruction and maintenance of facilities citywide; replacement and upgrade of computer and communications equipment; and the replacement of transportation equipment, including Department helicopters and boats. Almost 51 percent, $368.4 million, is allocated in the Four-Year 2006 – 2009 Commitment Plan.

The Four-Year Program includes the following major items:

Police Facilities (total commitment, $167.6 million)

- the construction of a new Staten Island Precinct ($25 million).
- the replacement of major building components for Department facilities ($30.6 million).
- the construction of a new120th Precinct ($36.4 million).
- the rehabilitation of the Central Park Precinct ($21 million).

Communications and Computer Equipment (total commitment, $125.5)

- lifecycle replacement of the Department's radio system ($43 million); portable radios ($28 million) and mobile radios ($7 million).

- implementation of the Department's new Real Time Crime Center ($12 million).

- acquisition of equipment for the Department's arrest processing program ($9 million).

Miscellaneous Equipment (total commitment, $14.7 million)

- purchase and upgrade of miscellaneous equipment such as diesel marine engines, printing equipment, and forensic lab equipment.

Vehicles (total commitment, $60.6)

- replacement of Department helicopters ($20 million).

- purchase of tow trucks for the Department's Parking Enforcement Division ($6.4 million).

- purchase of Emergency Service Unit trucks ($3.5 million).

The table below shows capital plan commitments by program area over the 2006-2009 period.

Capital Commitments

($000's)

	2004 Actual		2005 Plan		2006 Plan		2007 Plan		2008 Plan		2009 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Police Facilities	18,952	19,361	35,676	38,121	76,321	81,981	28,049	44,349	12,600	29,500	11,792	11,792
Computer Equipment	17,234	17,234	36,793	36,793	27,981	27,981	11,268	11,268	1,075	1,075	4,925	4,925
Communications	13,603	13,842	34,520	34,581	24,480	24,480	19,676	19,676	17,543	17,543	18,571	18,571
Equipment	3,074	3,074	7,176	7,176	6,992	6,992	1,659	1,659	2,827	2,827	3,205	3,205
Vehicles	11,132	11,152	862	929	18,066	18,729	16,988	16,988	5,250	5,250	19,636	19,636
Total	63,995	64,663	115,027	117,600	153,840	160,163	77,640	93,940	39,295	56,195	58,129	58,129

The 2006 Capital Commitment Plan for the Police Department is $160.2 million. The Plan includes the following major items:

- enhancement and lifecycle replacements of communications equipment ($24.5 million).

- replacement of operational and support vehicles ($18.7 million).

- replacement and upgrading of computer equipment ($28 million).

- various police facility improvements ($82 million).

- various Department equipment citywide ($7 million).

DEPARTMENT OF CORRECTION

The Department of Correction provides custody, care, and control of detainees awaiting trial or sentence; misdemeanants or felons sentenced to one year or less; State prisoners with court appearances in New York City; newly sentenced felons awaiting transportation to State correctional facilities; and alleged parole violators awaiting revocation hearings.

Financial Review

The Department of Correction's 2006 Executive Budget provides for operating expenses of $800 million, a decrease of $29 million from the amount forecast in 2005. This decrease is due to Department-wide staffing efficiencies and a reduction in overtime. Capital commitments of $215 million are also provided in 2006.

Revenue Forecast

The Department of Correction collects revenue from prison commissary operations, vending machines and surcharges on inmate telephone calls. The Department will generate $12.8 million in 2006, $4.3 million less than the amount in 2005. This decrease is attributable to the Department's plan to issue a concession for commissary operations.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- the Department will continue its efforts to improve correction officer post coverage on straight time through improved scheduling of officers and monitoring of sick leave usage. These initiatives will save the City $1.1 million in 2006.

- in 2006, the Department will designate two contract managers to better monitor Environmental Health and Safety in all jail facilities. These positions will better coordinate timely scheduled maintenance performed by outside vendors. This initiative will ensure the optimal performance of equipment and contribute to improved jail conditions.

Security

- consistent with its proactive strategy to further reduce violence in jails, the Department will increase corridor security to better monitor inmate movement. This security improvement will be furthered by the enhanced use of magnetometers to detect dangerous weapons and contraband.

- the use of X-ray machines has been an important component in the Departments arsenal to eliminate violence in the jails. This equipment is used to detect weapons and contraband on inmates, visitors and in the mail. Because the machines endure heavy use and must be maintained in order to sustain reliability, the Department has established a seven year life-cycle replacement plan.

Streamlining

- collaboration between the State Office of Court Administration, the Criminal Justice Coordinator and the Department of Correction will achieve the streamlining and standardization of the defendant custody function in New York City courts. In 2006, this initiative will save the Department $3.6.

- in 2006, the Department will increase dorm capacity in general population housing areas from 50 beds to 60 beds where the square footage meets the minimum standard requirements. This will allow the Department to consolidate and close other housing areas, a savings of $2 million in FY06.

- in 2006, the Department will issue a concession for its commissary operations to provide integrated commissary and banking systems. Objectives of this initiative include providing a high level of commissary services to inmates, moving the Department towards achieving its long-term goal of a "cashless" cash management system, thereby yielding computerized cash systems with operating efficiencies and security protection.

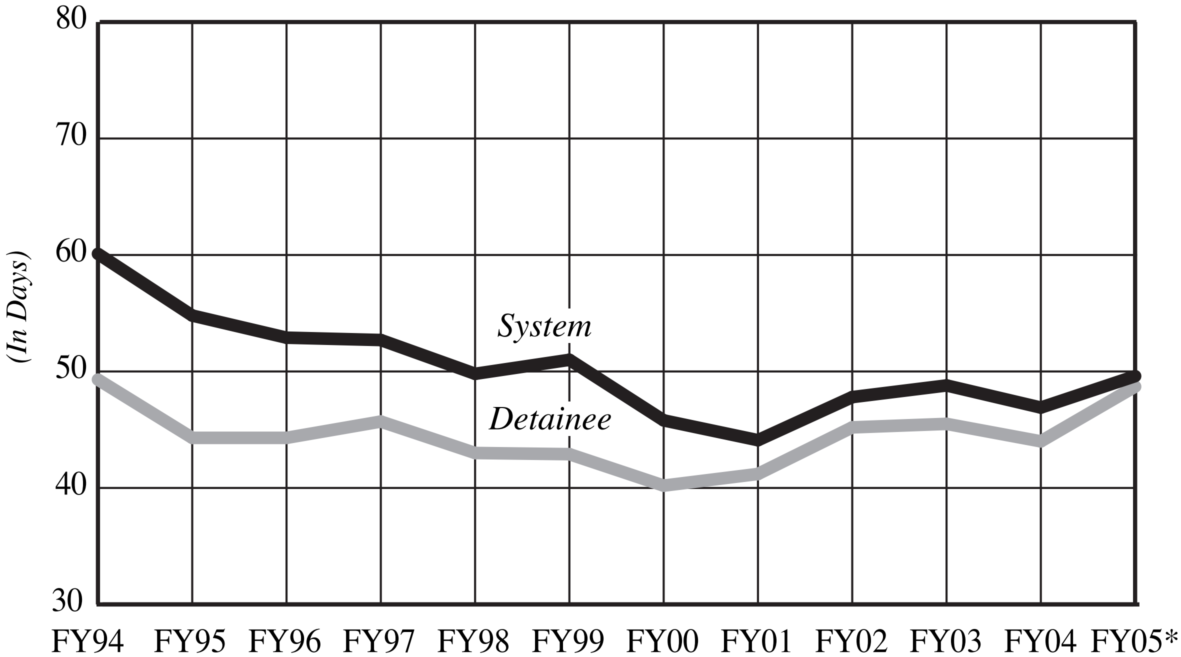
Summary of Agency Financial Data

The following table compares the 2006 Executive Budget with the 2006 Preliminary Budget, the 2005 forecast and actual expenditures for 2004.

Summary of Agency Financial Data
($000's)

			2006		Increase/(Decrease) 2005	Increase/(Decrease) 2006
	2004 Actual	2005 Forecast	Preliminary Budget	Executive Budget	Forecast	Preliminary Budget
Expenditures						
Salary and Wages	$719,168	$706,286	$674,535	$675,777	($30,509)	$1,242
Fringe Benefits	15,805	16,382	15,993	16,013	(369)	20
OTPS	98,375	106,107	103,376	108,214	2,107	4,838
Total	$833,348	$828,775	$793,904	$800,004	($28,771)	$6,100
Funding						
City	$791,569	$782,417	$749,554	$755,654	($26,763)	$6,100
Other Categorical Grants	560	2,029	800	800	(1,229)	—
IFA	—	—	—	—	—	—
State	17,343	20,430	19,709	19,709	(721)	—
Federal CD	—	—	—	—	—	—
Federal Other	23,349	23,043	22,991	22,991	(52)	—
Intra-City Other	527	856	850	850	(6)	—
Total	$833,348	$828,775	$793,904	$800,004	($28,771)	$6,100
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$218,717	$228,875	$248,006	$247,017	$18,142	($989)
Pensions	32,349	127,692	160,043	202,509	74,817	42,466
Other Than Personal Service (OTPS)						
Legal Services	—	5,968	5,501	5,593	(375)	92
Judgments and Claims	10,656	21,102	22,808	22,808	1,706	—
Debt Service	111,251	145,214	148,816	143,561	(1,653)	(5,255)
Total Additional Costs	$372,973	$528,851	$585,174	$621,488	$92,637	$36,314
Funding						
City	368,075	524,591	576,474	613,830	89,239	37,356
Non-City	4,898	4,260	8,700	7,658	3,398	(1,042)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$719,168	$706,286	$674,535	$675,777	($30,509)	$1,242
Fringe Benefits	234,522	245,257	263,999	263,030	17,773	(969)
Pensions	32,349	127,692	160,043	202,509	74,817	42,466
Total PS	$986,039	$1,079,235	$1,098,577	$1,141,316	$62,081	$42,739
OTPS	$98,375	$106,107	$103,376	$108,214	$2,107	$4,838
Legal Services	—	5,968	5,501	5,593	(375)	92
Judgments and Claims	10,656	21,102	22,808	22,808	1,706	—
Debt Service	111,251	145,214	148,816	143,561	(1,653)	(5,255)
Total OTPS	$220,282	$278,391	$280,501	$280,176	$1,785	($325)
Total Agency Costs	$1,206,321	$1,357,626	$1,379,078	$1,421,492	$63,866	$42,414
Less Intra-City	$527	$856	$850	$850	($6)	$—
Net Agency Cost	$1,205,794	$1,356,770	$1,378,228	$1,420,642	$63,872	$42,414
Funding						
City	1,159,644	1,307,008	1,326,028	1,369,484	62,476	43,456
Non-City	46,150	49,762	52,200	51,158	1,396	(1,042)
Personnel (includes FTEs at fiscal year-end)						
City	9,946	10,102	9,890	9,917	(185)	27
Non-City	863	856	851	851	(5)	—
Total	10,809	10,958	10,741	10,768	(190)	27

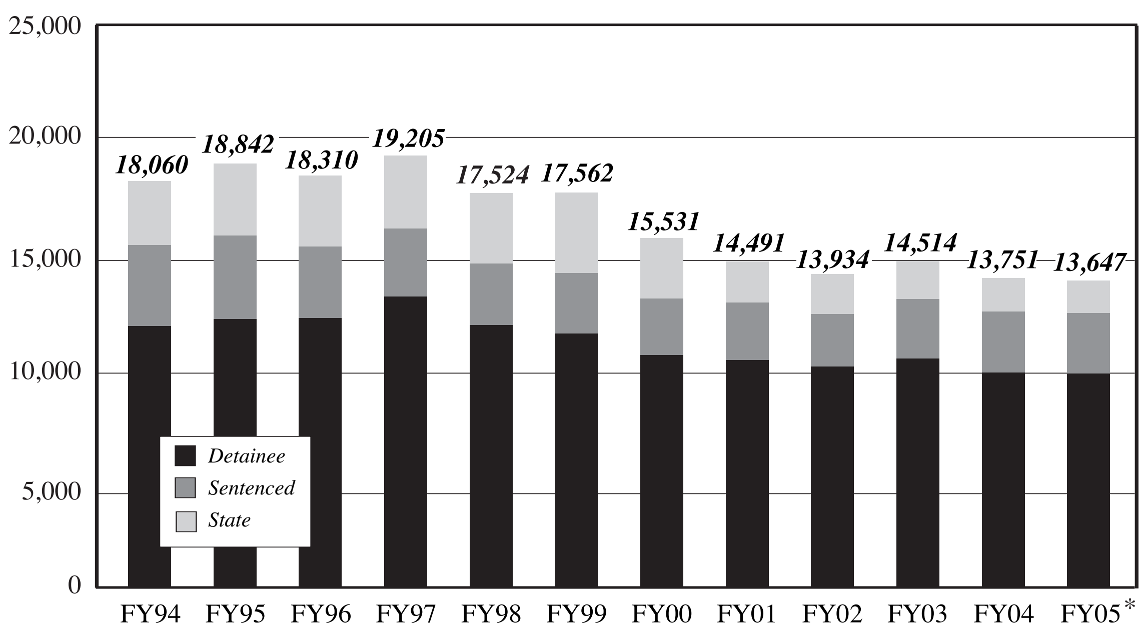
AVERAGE LENGTH OF STAY (By Fiscal Year)



* *YTD through February 28, 2005*

AVERAGE DAILY INMATE POPULATION

By Fiscal Year



* *YTD through February 28, 2005*

The average daily population through February 2005 was 13,647, consistent with 2004. Over the past two years, arrests have remained constant while the incarceration rate has decreased by six percent, resulting in a six percent decline in overall system admissions.

Although year to date admissions have decreased, a six percent increase in overall system length of stay has offset any impact on average daily population. Along with an increase in overall system length of stay through February 2005, detainee length of stay, the largest subset of the inmate population, has increased nine percent; from an average of 44.3 days in 2004 to 48.4 days in 2005 and reached a three year high of 55 days in December.

Capital Review

The Department's 2006–2015 Ten-Year Strategy totals $1.6 billion for capital improvements and equipment purchases. The Four-Year Capital Plan totals $745 million. The Four-Year Plan includes $514 million for capacity replacement, $17 million for construction of support space, $148 million for major overhaul of building systems and infrastructure, and $66 million for acquisition of new equipment.

The table below shows capital plan commitments by program area over the 2006-2009 period:

Capital Commitments

($000's)

	2004 Actual		2005 Plan		2006 Plan		2007 Plan		2008 Plan		2009 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Capacity Replacement	14,880	14,880	27,617	27,617	115,387	115,387	90,415	90,415	131,650	131,650	176,533	176,533
Support Space	-1,432	-1,432	5,152	5,152	8,093	8,093	2,500	2,500	5,800	5,800	1,000	1,000
Building Systems and Infrastructure	9,605	9,605	31,419	31,419	58,492	58,492	10,419	10,419	21,984	21,984	53,144	56,894
Equipment	7,328	7,328	7,812	7,812	33,432	33,432	14,450	14,450	10,144	10,144	8,349	8,349
Total	30,381	30,381	72,000	72,000	215,404	215,404	117,784	117,784	169,578	169,578	239,026	242,776

Capacity Replacement

The Department's capital program funds the replacement of aging structures originally designed as temporary housing with permanent structures. The modular replacement program will not change the overall bed capacity of the jails. The beds in the new, permanent facilities will simply replace existing bed capacity in temporary housing structures. The new facilities will improve the operations, security and environmental health of the jails.

Design for additions to three facilities will be complete during the first quarter of 2006. Therefore, in 2006 the Department will begin constructing additions to the Adolescent Reception and Detention Center, the Rose M. Singer Center, and George R. Vierno Center. Construction of 1,720 dorm beds and 112 cell beds will be ongoing for the next four years. The total project cost for the three facilities additions will be $251 million.

The 2006 Ten-Year Strategy provides $911 million for the modular replacement program. Commitments during the first four years total $514 million and include:

- construction of an 832 bed addition at the George R. Vierno Center ($35 million).
- construction of an 800 bed addition at the Rose M. Singer Center ($93 million).

Building Systems, Infrastructure and Support Space

The Department will undertake improvements to building systems, infrastructure, and support space. The Ten-Year Strategy includes $565 million. Commitments during the first four years total $165 million and include:

- interior renovation of the James A. Thomas Center ($22.7 million).
- improvements to Rikers Island perimeter security and fencing ($13.9 million).
- window replacements and roof reconstruction at various facilities ($8.1 million).
- replacement of the Rikers Island water distribution system ($7.6 million).
- continuation of fire life safety upgrades on Rikers Island ($4.3 million).

Equipment

The Ten-Year Strategy provides $144 million for upgrades and/or replacements of vehicles, computers, security equipment, and communication systems. Commitments during the first four years total $66 million and include:

- technology upgrades in the Department's four strategic areas: network and server infrastructure, the Inmate Information System, inmate telephone systems, and inmate cash management systems ($36 million).
- replacement of vehicles for inmate transport ($13 million).
- purchase of drug detection equipment and inmate housing security devices ($7.3 million).

DEPARTMENT OF SOCIAL SERVICES

The Department of Social Services (DSS) provides a range of services and programs to assist individuals and families to achieve self-sufficiency. Eligible clients receive employment and support services, Public Assistance, Medical Assistance, and food stamps. DSS also provides financial and supportive services to victims of domestic violence, people with AIDS and HIV-illness, and frail, elderly and disabled individuals.

Financial Review

The Department's 2006 Executive Budget provides for operating expenses of $7.2 billion, of which $5.3 billion are City funds.

Expense Budget Highlights

Providing Social Services to Those in Need

- the public assistance caseload has decreased by 25 percent since 2001. As of March 2005, 419,825 people were receiving assistance. Total expenditures in 2006 for public assistance payments as well as employment, child care, and other related services, are projected to be $1.9 billion, of which $771.9 million are City funds.

- the Medical Insurance and Community Services Administration (MICSA) has performed a significant role in the enrollment and recertification of Medicaid clients. Participation in MICSA programs has increased by 21.1 percent from 2,230,239 in January 2002 to 2,700,582 in December 2004. A key factor in this increase is the growth of enrollment in Family Health Plus, which covered 372,550 City residents as of December 2004. Additionally, there is an increase in enrollees receiving Medicaid independent of their enrollment in public assistance or Supplemental Security Income (SSI). From January 2002 to December 2004, Medicaid-only enrollments increased by 115,670, excluding Family Health Plus clients.

- the Wellness, Comprehensive Assessment, Rehabilitation and Employment (WeCARE) program, established in 2005, helps the growing proportion of the public assistance population with medical and/or psychiatric conditions that pose barriers to employability reach their greatest level of health and self-sufficiency. WeCARE provides a continuum of integrated services that include assessment, diagnosis, comprehensive service planning, linkages to treatment, case management, vocational rehabilitation, skills training and education, job placement and retention, and disability benefits assistance and advocacy. DSS expects WeCARE to serve approximately 46,000 people annually through two performance-based contracts.

Restructuring to Better Serve DSS Customers

- in 2006 DSS will continue restructuring its field offices to improve the delivery of client services by reducing wait times, creating a consumer-oriented approach, and ensuring that individuals receive appropriate services. Nineteen MICSA community sites have been restructured. In 2005, DSS completed three additional Family Independence Administration (FIA) offices, and now have one in each borough. The FIA model incorporates food stamp centers within job center locations. The HIV/AIDS Services Administration (HASA) is also converting its sites. The Amsterdam Center in Manhattan and the Queensboro Center in Queens have already been converted, and a HASA center in the Bronx will be completed in the summer of calendar year 2005.

Summary of Agency Financial Data
($000's)

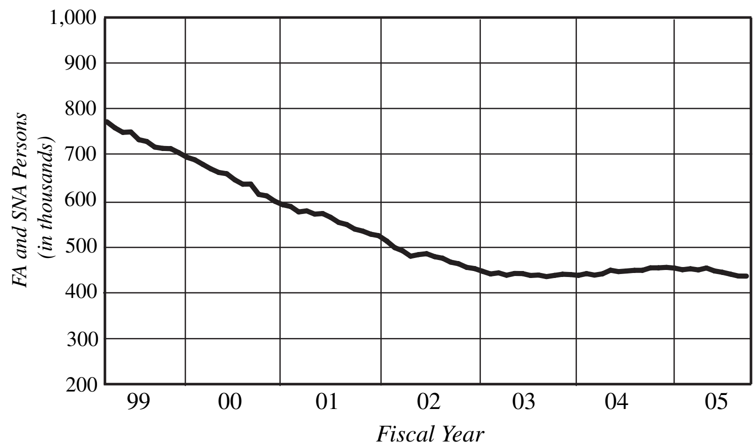
	2004 Actual	2005 Forecast	2006 Preliminary Budget	2006 Executive Budget	Increase/(Decrease) 2005 Forecast	Increase/(Decrease) 2006 Preliminary Budget
Expenditures						
Salary and Wages	$581,244	$643,578	$646,876	$646,876	$3,298	$—
Fringe Benefits	44	271	271	914	643	643
Medical Assistance	3,658,823	4,162,573	4,293,366	4,250,048	87,475	(43,318)
Public Assistance	2,079,352	2,095,695	2,035,149	2,035,266	(60,429)	117
Other OTPS	328,084	309,674	270,140	272,497	(37,177)	2,357
Total	$6,647,547	$7,211,791	$7,245,802	$7,205,601	($6,190)	($40,201)
Funding						
City	$4,575,056	$5,164,770	$5,309,174	$5,267,372	$102,602	($41,802)
Other Categorical Grants	—	—	—	—	—	—
IFA	—	—	—	—	—	—
State	1,018,363	1,055,806	1,045,809	1,046,485	(9,321)	676
Federal CD	2,466	14,556	2,938	2,938	(11,618)	—
Federal Other	1,050,894	975,891	887,113	888,038	(87,853)	925
Intra-City Other	768	768	768	768	—	—
Total	$6,647,547	$7,211,791	$7,245,802	$7,205,601	($6,190)	($40,201)
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$213,796	$234,961	$255,793	$256,097	$21,136	$304
Pensions	26,338	52,818	75,959	93,808	40,990	17,849
Other Than Personal Service (OTPS)						
Legal Services	—	3,031	3,031	3,089	58	58
Judgments and Claims	6,572	5,082	5,493	5,493	411	—
Debt Service	51,326	71,428	62,811	60,598	(10,830)	(2,213)
Total Additional Costs	$298,032	$367,320	$403,087	$419,085	$51,765	$15,998
Funding						
City	232,980	302,022	336,158	353,116	51,094	16,958
Non-City	65,052	65,298	66,929	65,969	671	(960)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$581,244	$643,578	$646,876	$646,876	$3,298	$—
Fringe Benefits	213,840	235,232	256,064	257,011	21,779	947
Pensions	26,338	52,818	75,959	93,808	40,990	17,849
Total PS	$821,422	$931,628	$978,899	$997,695	$66,067	$18,796
Medical Assistance	$3,658,823	$4,162,573	$4,293,366	$4,250,048	$87,475	($43,318)
Public Assistance	2,079,352	2,095,695	2,035,149	2,035,266	(60,429)	117
Other OTPS	328,084	309,674	270,140	272,497	(37,177)	2,357
Legal Services	—	3,031	3,031	3,089	58	58
Judgments and Claims	6,572	5,082	5,493	5,493	411	—
Debt Service	51,326	71,428	62,811	60,598	(10,830)	(2,213)
Total OTPS	$6,124,157	$6,647,483	$6,669,990	$6,626,991	($20,492)	($42,999)
Total Agency Costs	$6,945,579	$7,579,111	$7,648,889	$7,624,686	$45,575	($24,203)
Less Intra-City	$768	$768	$768	$768	$—	$—
Net Agency Cost	$6,944,811	$7,578,343	$7,648,121	$7,623,918	$45,575	($24,203)
Funding						
City	4,808,036	5,466,792	5,645,332	5,620,488	153,696	(24,844)
Non-City	2,136,775	2,111,551	2,002,789	2,003,430	(108,121)	641
Personnel (includes FTEs at fiscal year-end)						
City	11,160	11,267	11,333	11,333	66	—
Non-City	3,648	4,407	4,234	4,234	(173)	—
Total	14,808	15,674	15,567	15,567	(107)	—

Programmatic Review

Family Independence Administration (FIA)

FIA administers public assistance and employment programs, including Family Assistance (FA), Safety Net Assistance (SNA), and food stamps. FIA assists individuals with obtaining employment and ensuring that childcare and support services are available.

PUBLIC ASSISTANCE CASELOAD 1999-2005



Public Assistance

DSS expects to spend $1.27 billion ($534.1 million in City funds) on public assistance in 2006. The FA program, which is partially funded with Federal Temporary Assistance for Needy Families (TANF) and State funds, assisted 189,460 adults and children in March 2005. FA expenditures in 2006 are projected to be $582.3 million ($188.6 million in City funds). As of March 2005, 123,642 recipients have reached the five-year time limit for TANF-funded assistance and have been converted to SNA. The Department projects spending $270 million ($135 million in City funds) on these families in 2006. Additionally, there were 106,723 persons exclusive of the time-limited converted cases receiving SNA in March 2005. An estimated $421 million ($210.5 million in City funds) will be spent serving these recipients in the City/State SNA program in 2006.

Food Stamps

New York City will provide more than $1.3 billion in Federal food stamp benefits in 2006. In January 2002, DSS issued $72 million in food stamp benefits to 798,396 recipients. By March 2005, monthly benefits issued increased to $109 million, with 1,094,335 people receiving food stamps. The number of non-public assistance/SSI recipients enrolled in the food stamp program increased by 76 percent from 358,630 in January 2002 to 632,958 in March 2005.

Employment Services

FIA offers a wide array of programs and services to help families and individuals achieve self-sufficiency including job search for applicants; basic education, job training, placement, work experience and retention services; supported work opportunities for recipients; and targeted services for individuals with barriers to employment. At the beginning of March 2005, 74,964 participants were engaged in employment, training, or other work related activities. With a continued emphasis on retention, 84 percent of clients who had been placed in jobs retained their jobs for at least three months and 73 percent retained their employment for at least six months by the end of 2004.

Specialized Job Centers

DSS operates a special needs program for clients with special barriers to self-sufficiency. Services include comprehensive case management, substance abuse treatment, employment services, and case monitoring. Specialized programs include a Veterans Job Center; two Refugee/Immigrant Job Centers; the Riverview Job Center, which serves homeless families and single adults; the Perfect Opportunity for Individual Skills and Educational Development (POISED) program, which serves pregnant women and women with children three years of age or under; and the Substance Abuse Service Center (SASC), which serves participants in outpatient substance abuse treatment centers. Additional programs include the Residential Treatment Service Center (RTSC) and the SENIORWORKS Center.

Child Care

DSS provides child care services to public assistance recipients who are working or engaged in employment activities and continues to provide care for up to 12 months for families whose public assistance case closes because of employment. In 2005, approximately 48,700 children per month receive child care subsidies through DSS, with another 3,600 HRA-eligible public assistance children served by the Administration for Children's Services programs.

Medical Insurance and Community Services Administration (MICSA)

MICSA funds health care services through Medicaid for over 2.7 million New York City residents. Medicaid consumers receive a wide range of services including primary care, hospital inpatient, emergency room, physician, pharmacy, clinic, nursing home, personal care, dental, rehabilitation, transportation, vision care, laboratory services and x-rays.

Home Care Services Program

The Home Care Services Program assists frail, elderly and disabled residents to remain safely in their homes through non-institutional alternatives to nursing home care. In February 2005, the Home Care Services Program was responsible for approximately 66,000 beneficiaries in home health services and long-term home health care.

Adult Protective Services (APS)

APS provides case management, guardianship, financial management and eviction prevention services to adults who are unable to care for themselves or protect themselves from abuse, neglect, or exploitation. In calendar year 2004, APS received 13,604 referrals and assisted an average of 6,307 clients.

Over 90 percent of the cases found eligible have a psychiatric diagnosis and nearly 65 percent have physical impairments. Over a third of APS referrals are the result of a person being threatened with eviction. APS contracts out 600 protective services cases and 995 community guardian cases.

HIV/AIDS Services Administration (HASA)

HASA provides a full range of services to individuals with AIDS or with advanced HIV- illness. The HASA caseload was 30,971 as of March 2005.

HASA provides emergency housing placements in contracted transitional housing and non-contracted single room occupancy facilities for its homeless clients. HASA also provides permanent housing in contracted congregate facilities and scatter-site apartments operated by community-based organizations that provide case management and support services. HASA supports 2,129 units in its emergency housing portfolio and 4,656 units in its permanent housing stock.

Customized Assistance Services (CAS)

CAS provides a wide array of services for DSS clients who experience significant health, mental health and substance abuse problems. The Visiting Psychiatric Service Program provides home-based psychiatric evaluation and crisis intervention services to clients referred by other areas of DSS. In 2004, 6,364 home visits were made. CAS is responsible for the development and implementation of the WeCARE program that helps the growing proportion of the public assistance population with medical and/or mental health problems reach their highest attainable level of health and self-sufficiency.

Office of Domestic Violence and Emergency Intervention Services (ODVEIS)

ODVEIS is comprised of the Office of Domestic Violence Services (ODV), which provides emergency shelter and social services to victims of domestic violence, and the Office of Emergency Intervention Services (OEIS).

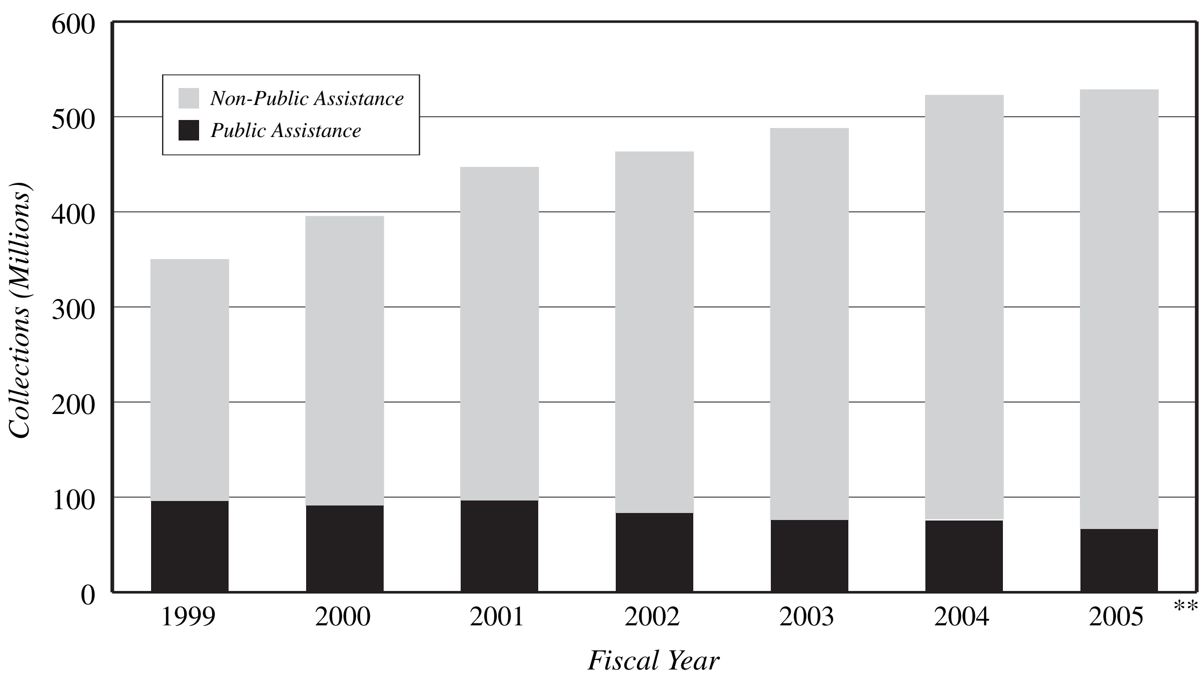
OEIS includes the Crisis and Disaster Services unit that responds to citywide disasters, the federally funded Home Energy Assistance Program (HEAP), and the Office of Food Programs and Policy Coordination.

ODV administers 38 State-licensed emergency domestic violence shelters, including one directly operated by DSS. Domestic violence victims are provided with a safe environment and a range of support services including counseling, advocacy and referrals. ODV increased the emergency bed capacity to 1,915 in 2005 and is expanding the number of Tier II shelters to a total of six, which will provide 206 units of transitional housing to victims of domestic violence. Non-residential domestic violence programs provide telephone hotlines, counseling, advocacy, and referrals to supportive services. Each month, the core programs serve an average of 2,100 domestic violence victims and legal services are provided to an average of 1,700 domestic violence victims.

HEAP is a federally funded energy program that assists low-income homeowners and renters pay energy and repair bills. From November 2004 to January 2005, New York City issued 374,303 regular heating and emergency grants totaling $25.5 million.

The Emergency Food Assistance Program (EFAP) in the Office of Food Programs seeks to improve the nutritional status of low-income New Yorkers. The program provides nutrition education and funding for distribution of more than 14 million pounds of food to over 600 food pantries and soup kitchens.

CHILD SUPPORT COLLECTIONS 1999-2005*



* *Includes support collected from New York City residents on behalf of other states.*
*** Estimated*

Office of Child Support Enforcement (OCSE)

OCSE works to ensure that non-custodial parents are identified and that they provide financial support for their children. As of March 2005, there were 44,065 public assistance cases and 188,492 non-public assistance cases with court orders established. Collections totaled $487.7 million in 2003 and $521.1 million in 2004. OCSE expects to collect $528 million in 2005 and $540 million in 2006 through increased investigative enforcement efforts and service enhancements.

OCSE, in conjunction with the Family Court, has fully implemented an expedited court service for child support petitioners in all five boroughs. The Support Through Employment Program (STEP) refers non-custodial parents to organizations which provide job training and placement to assist them in entering the workforce in order to meet their child support obligations. As of February 2005, STEP has served 4,136 unemployed or underemployed non-custodial parents since 2002.

Capital Review

The Department's Ten-Year Capital Strategy totals $183 million which includes $80.3 million in the 2006 – 2009 Four-Year Plan. The Four Year Capital Plan includes $48.5 million for technology to streamline Department operations, $16.2 million for facilities maintenance, equipment and improvement, and $15.6 million for the installation of telecommunications equipment.

Capital Commitments

($000's)

	2004 Actual		2005 Plan		2006 Plan		2007 Plan		2008 Plan		2009 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Buildings	$4,268	$4,684	$13,238	$14,977	$8,823	$10,534	$0	$0	$2,023	$2,023	$1,500	$1,500
Computers	$6,550	11,700	13,079	21,798	14,729	24,213	5,611	9,349	3,034	5,055	5,936	9,891
Telecommunications	$0	0	4,291	7,152	4,059	6,765	2,172	3,619	2,170	3,616	989	1,648
Equipment	$623	1,112	2,752	4,413	1,035	1,725	0	0	0	0	0	0
Vehicles	$0	0	162	162	66	110	0	0	0	0	159	265
Total	$11,441	$17,496	$33,522	$48,502	$28,712	$43,347	$7,783	$12,968	$7,227	$10,694	$8,584	$13,304

Highlights of the Four Year Capital Plan

- maintenance and upgrade of computer equipment, development of software for caseload tracking and reporting as well as intra/inter-Department communications ($48.5 million).
- maintainance of the structural integrity of DSS facilities through upgrade of HVAC, masonry, roofing, electrical and plumbing systems and building renovations ($16.2 million).
- rollout of the Voice over Internet protocol, Wide Area Network, and an Interactive Voice Response System allowing caseworkers to document client calls and supporting a more mobile workforce ($15.6 million).

ADMINISTRATION FOR CHILDREN'S SERVICES

The Administration for Children's Services (ACS) provides a broad range of programs that protect and advance the interests of children. The Department investigates allegations of child abuse and neglect, supports preventive services to families and children, and provides foster care or adoption services for children who cannot safely remain in their homes. The Department also provides subsidized childcare programs and early childhood education through the Head Start program.

Financial Review

The Department's 2006 Executive Budget provides for operating expenses of $2.2 billion, $596.1 million of which are City funds.

Expense Budget Highlights

Reinvestment in Child Welfare

- in 2006, a total of $107 million in savings from a projected decline in the foster care caseload since 2005 will be reinvested into services to strengthen families and ensure better outcomes for children in care.

  - $33 million in total funds will be used to create new aftercare programs for families with children leaving foster care and to expand preventive services for children at risk of foster care placement.

  - $41 million in total funds will support a rate enhancement and restoration of planned reductions to foster care providers to ensure the provision of quality services to children in foster care.

  - $33 million in total funds will be restored to the budget to avert a planned reduction to preventive and substance abuse services.

Providing Core Services

- in 2006, $11 million in total funds will be restored to the child care budget for non-mandated lower priority care and to avert a planned parent fee increase.

- in 2006, $61 million in total funds will be used to replace New York State Child Care Block Grant (CCBG) funding that was reduced in the State Fiscal Year 2005-06 budget. These funds will insure that the City's commitment to child care is maintained in 2006, providing time to plan for longer-term restructuring in the face of reduced State allocations and changing demographics.

Summary of Agency Financial Data
($000's)

	2004 Actual	2005 Forecast	2006 Preliminary Budget	2006 Executive Budget	Increase/(Decrease) 2005 Forecast	Increase/(Decrease) 2006 Preliminary Budget
Expenditures						
Salary and Wages	$309,846	$327,770	$329,538	$329,538	$1,768	$—
Fringe Benefits	15	16	16	67	51	51
Medical Assistance	—	—	—	—	—	—
Public Assistance	307	—	—	—	—	—
Other OTPS	1,947,157	1,989,540	1,766,223	1,825,049	(164,491)	58,826
Total	$2,257,325	$2,317,326	$2,095,777	$2,154,654	($162,672)	$58,877
Funding						
City	$579,594	$620,406	$567,983	$596,075	($24,331)	$28,092
Other Categorical Grants	97	210	—	—	(210)	—
IFA	—	—	—	—	—	—
State	452,050	496,329	575,813	515,790	19,461	(60,023)
Federal CD	26,536	37,797	3,715	23,715	(14,082)	20,000
Federal Other	1,198,794	1,148,785	921,266	992,074	(156,711)	70,808
Intra-City Other	254	13,799	27,000	27,000	13,201	—
Total	$2,257,325	$2,317,326	$2,095,777	$2,154,654	($162,672)	$58,877
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$86,332	$89,784	$97,642	$96,706	$6,922	($936)
Pensions	8,507	19,816	31,938	39,424	19,608	7,486
Other Than Personal Service (OTPS)						
Legal Services	—	2,066	2,066	2,106	40	40
Judgments and Claims	1,317	2,550	2,757	2,757	207	—
Debt Service	—	—	—	—	—	—
Total Additional Costs	$96,156	$114,216	$134,403	$140,993	$26,777	$6,590
Funding						
City	70,994	91,673	111,882	118,799	27,126	6,917
Non-City	25,162	22,543	22,521	22,194	(349)	(327)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$309,846	$327,770	$329,538	$329,538	$1,768	$—
Fringe Benefits	86,347	89,800	97,658	96,773	6,973	(885)
Pensions	8,507	19,816	31,938	39,424	19,608	7,486
Total PS	$404,700	$437,386	$459,134	$465,735	$28,349	$6,601
Medical Assistance	$—	$—	$—	$—	$—	$—
Public Assistance	307	—	—	—	—	—
Other OTPS	1,947,157	1,989,540	1,766,223	1,825,049	(164,491)	58,826
Legal Services	—	2,066	2,066	2,106	40	40
Judgments and Claims	1,317	2,550	2,757	2,757	207	—
Debt Service	—	—	—	—	—	—
Total OTPS	$1,948,781	$1,994,156	$1,771,046	$1,829,912	($164,244)	$58,866
Total Agency Costs	$2,353,481	$2,431,542	$2,230,180	$2,295,647	($135,895)	$65,467
Less Intra-City	$254	$13,799	$27,000	$27,000	$13,201	$—
Net Agency Cost	$2,353,227	$2,417,743	$2,203,180	$2,268,647	($149,096)	$65,467
Funding						
City	650,588	712,079	679,865	714,874	2,795	35,009
Non-City	1,702,639	1,705,664	1,523,315	1,553,773	(151,891)	30,458
Personnel (includes FTEs at fiscal year-end)						
City	6,032	6,547	6,522	6,546	(1)	24
Non-City	311	100	166	94	(6)	(72)
Total	6,343	6,647	6,688	6,640	(7)	(48)

Programmatic Review

Division for Child Protection (DCP)

DCP investigates allegations of child abuse and neglect and is responsible for monitoring children and families until it is determined whether children may remain safely in their homes or must be placed in foster care. ACS investigates an average of over 49,000 reports of child abuse or neglect each year. To achieve optimal outcomes for children and families, Protective Services also conducts case conferences to bring caseworkers, parents, relatives and service providers together. These conferences insure that service and placement decisions are based on all available information and perspectives.

Preventive Services for Children and Families

The Department provides both direct and contracted preventive services designed to prevent foster care placement or reduce the time that children spend in foster care. The Department provides intensive services through its direct Family Preservation Program to a monthly average of 297 families. In addition, the Department contracts for 9,885 general preventive slots, 1,150 Family Rehabilitation Program (FRP) slots, which provide intensive services for families with substance abuse issues, and 403 specialized slots for families with special needs. In 2006, a total of $33 million will support additional preventive and aftercare slots.

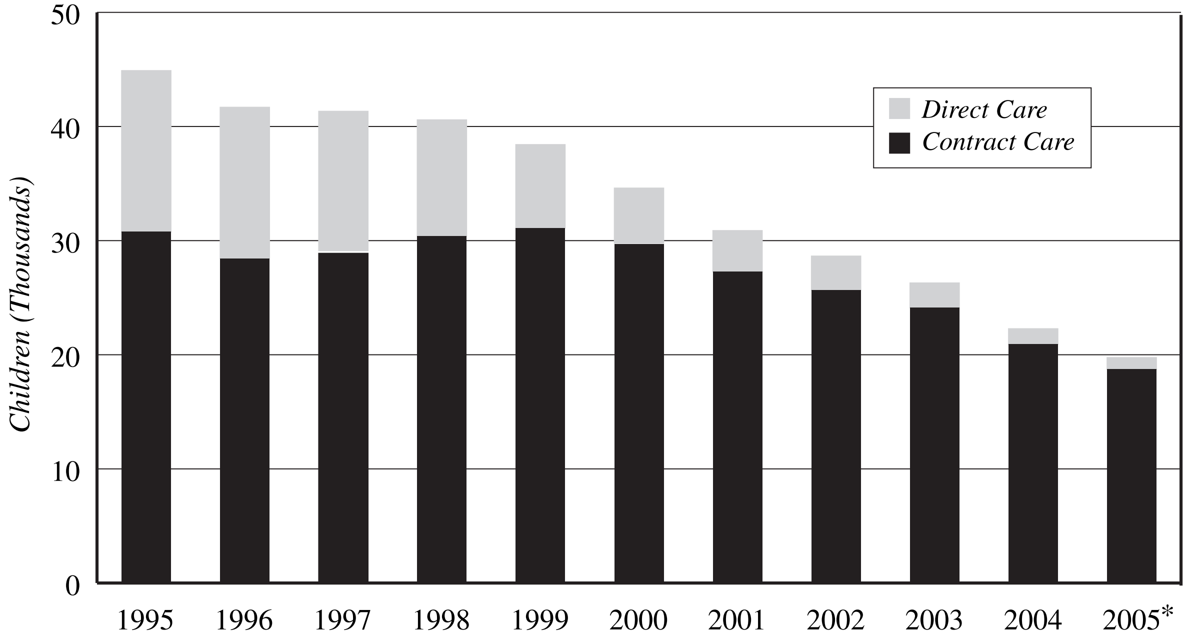
In 2005, ACS invested $1.5 million in a citywide child safety campaign called "Take Good Care of Your Baby," in conjunction with the Mayor's Office, the Department of Health and Mental Hygiene (DOHMH), and the Health and Hospitals Corporation (HHC). The campaign teaches parents and caregivers how to avoid some of the most common and dangerous child and infant-related injuries, including window falls, drowning, Shaken Baby Syndrome and unintended poisonings in the home.

Foster Care

Placements in foster boarding homes, congregate settings or specialized residential care facilities are provided on a temporary basis until children can be reunified with their families. If reunification is not an option, children receive services that will lead to adoption or development of independent living skills.

In 2005, an average of 19,700 children were living in out-of-home placements, a 12 percent decline over 2004. In 2006, the caseload is projected to decline a further 11 percent, to an average of 17,500 children. In February 2005, ACS unveiled, "Protecting Children and Strengthening Families: A Plan to Realign New York City's Child Welfare System," a plan to provide higher-quality services and oversight, limit the use of institutional care with a focus on family-based care, and continue the City's historic reduction of the number of children in foster care.

AVERAGE FOSTER CARE CASELOAD: 1995-2005



** Projected*

Note: Beginning in 1996 the number of children in contract care is calculated using number of care-days rather than reported census.

Adoption

Adoption provides a stable and permanent home for children who cannot return to their birth parents. In 2005, there were approximately 35,000 children living in adoptive homes. An increased number of adolescents are living in adoptive homes due to the Department's Families for Teens initiative, which worked to move adolescents living in congregate care into family-based settings. The Department's efforts to recruit adoptive parents, including the adoption hotline and the award winning Wednesday's Child television segment, have contributed to a 13 percent increase in annual adoptions, from 2,312 in 1994 to a projected 2,614 in 2005.

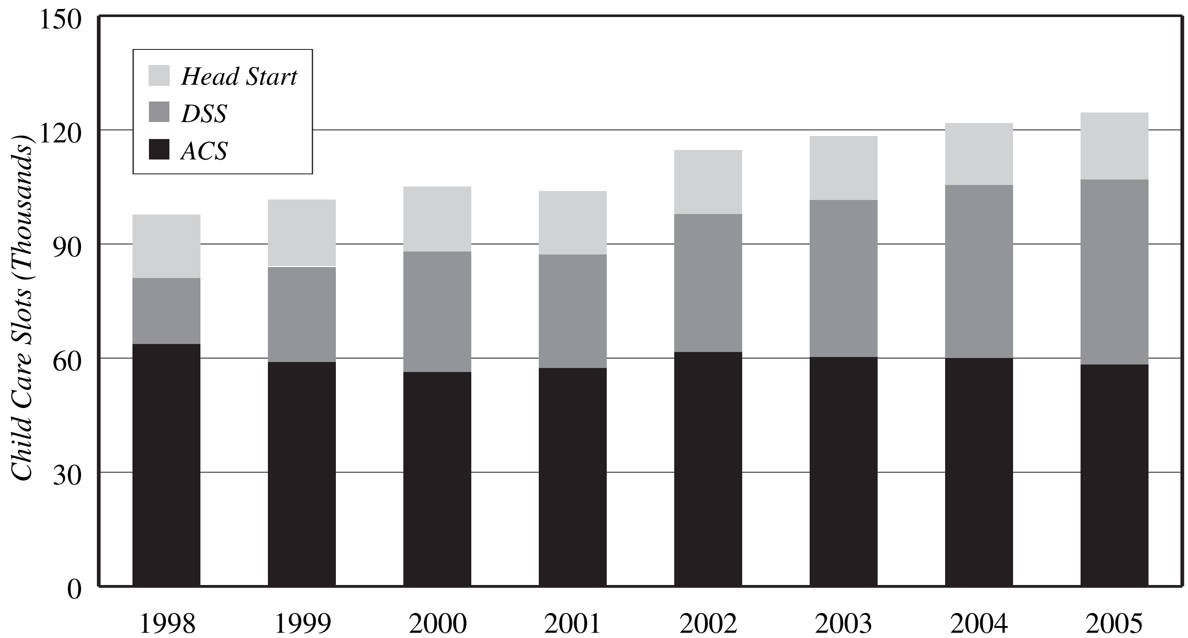
Division of Child Care and Head Start

The Division of Child Care and Head Start provides quality child care services that enhance child development and assist families in achieving and maintaining self-sufficiency. Subsidized child care is targeted to low-income working families and public assistance recipients who are employed or engaged in work activities and families receiving child welfare services.

ACS contracts with over 320 not-for-profit organizations to operate child care programs in communities across the City. Contracted care is provided in group child care centers that are licensed by the Department of Health and Mental Hygiene (DOHMH) or in the homes of child care providers that are registered by DOHMH. Vouchers are issued to eligible families that may be used by parents to purchase care in any legal child care setting. Head Start, a federally funded program that provides comprehensive early childhood care for children from birth to age five, is provided through 79 delegate agencies at 244 sites. In addition, the Department of Social Services (DSS) funds child care services for parents receiving public assistance and those transitioning from welfare to work.

In 2006, the Department will continue the Mayor's commitment to providing quality child care by maintaining total capacity at the current level, despite a substandial reduction in New York State Child Care Block Grant funds supporting the City's child care system. As of January 2005, 126,608 children were enrolled in child care programs: 19,349 in Head Start, and 58,960 in ACS contract and voucher care, and 48,299 in care funded by DSS.

CITYWIDE CHILD CARE ENROLLMENT: 1998-2005



Capital Review

The 2006-2015 Ten-Year Capital Strategy totals $153.5 million, which includes $63.7 million in the 2006-2009 Four-Year Plan. Major projects include $11.8 million for congregate care facilities, $17.7 million for child care facility renovations, $12.1 million for renovations of administrative and field offices, and $22.1 million for information technology upgrades and systems development.

Capital Commitments

($000's)

	2004 Actual		2005 Plan		2006 Plan		2007 Plan		2008 Plan		2009 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Child Welfare	$581	$598	$7,837	$7,866	$2,973	$2,973	$3,732	$3,732	$2,584	$2,584	$2,469	$2,469
Child Care	$238	$238	$11,883	$12,141	$9,591	$9,760	$2,624	$2,624	$2,585	$2,585	$2,747	$2,747
Buildings	$1,912	$1,898	$4,141	$4,786	$9,056	$9,560	$1,000	$1,266	$1,000	$1,266	$0	$0
MIS	$6,701	$6,878	$13,112	$16,314	$4,413	$5,587	$4,938	$6,252	$3,745	$4,742	$4,360	$5,519
Total	$9,432	$9,612	$36,973	$41,407	$26,033	$27,880	$12,294	$13,874	$9,914	$11,177	$9,576	$10,735

Note: Funds for ACS capital projects prior to 2001 are included in the Department of Social Services capital plan.

Highlights of the Four-Year Capital Plan

- continued development of the Department's automated systems, including computer replacements, upgrades of telecommunications networks, and maintenance of systems that are critical for meeting mandated program reporting requirements ($22.9 million).

- renovation of the Department's central office at 150 William Street ($7.9 million).

DEPARTMENT OF YOUTH AND COMMUNITY DEVELOPMENT

The Department of Youth and Community Development (DYCD) administers programs for youth and adults, through community-based organizations in neighborhoods throughout the five boroughs. These organizations provide services including after-school, summer jobs, literacy and immigrant programs. DYCD is committed to improving communities by developing innovative and creative approaches to support positive development of youth, families and neighborhoods.

DYCD is also the designated Community Action Agency for New York City, which is the local grantee for the Federal Community Services Block Grant (CSBG). Through a network of 43 Neighborhood Advisory Boards, the CSBG funds community services, including immigration assistance, youth leadership development and domestic violence intervention.

In 2006, DYCD will focus particular attention on three programmatic areas which will experience exciting change and new growth: Out-of-School Time (OST), Youth Workforce Preparation and Family Literacy.

Financial Review

The Department's 2006 Executive Budget provides for operating expenses of $229 million, of which $114.1 million are City funds.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- in 2006, $41.9 million in total funds will support the Summer Youth Employment Program to provide summer jobs to over 33,000 youth.

- in 2006, $1.8 million in City funds will support the Immigrant Initiative; this program will provide English to Speakers of Other Languages (ESOL) classes, citizenship assistance and other services. Programs for immigrant families will be supplemented by $3.8 million in Federal funds.

- in 2006, $41.3 million in total funds will support 80 Beacon after-school programs that serve over 100,000 youth.

Summary of Agency Financial Data
($000's)

	2004 Actual	2005 Forecast	2006 Preliminary Budget	2006 Executive Budget	Increase/(Decrease) 2005 Forecast	Increase/(Decrease) 2006 Preliminary Budget
Expenditures						
Salary and Wages	$17,845	$19,858	$19,853	$19,853	($5)	$—
Fringe Benefits	—	—	—	—	—	—
OTPS	226,600	236,696	191,253	209,145	(27,551)	17,892
Total	$244,445	$256,554	$211,106	$228,998	($27,556)	$17,892
Funding						
City	$115,124	$126,906	$111,158	$114,082	($12,824)	$2,924
Other Categorical Grants	647	163	—	—	(163)	—
IFA	—	—	—	—	—	—
State	15,316	15,973	15,180	15,180	(793)	—
Federal CD	5,637	6,675	6,300	6,300	(375)	—
Federal Other	99,659	98,116	70,039	85,039	(13,077)	15,000
Intra-City Other	8,062	8,721	8,429	8,397	(324)	(32)
Total	$244,445	$256,554	$211,106	$228,998	($27,556)	$17,892
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$4,619	$5,209	$5,561	$5,759	$550	$198
Pensions	490	1,192	1,778	2,375	1,183	597
Other Than Personal Service (OTPS)						
Legal Services	—	27	27	27	—	—
Judgments and Claims	—	28	31	31	3	—
Debt Service	—	—	—	—	—	—
Total Additional Costs	$5,109	$6,456	$7,397	$8,192	$1,736	$795
Funding						
City	5,015	6,419	7,360	8,171	1,752	811
Non-City	94	37	37	21	(16)	(16)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$17,845	$19,858	$19,853	$19,853	($5)	$—
Fringe Benefits	4,619	5,209	5,561	5,759	550	198
Pensions	490	1,192	1,778	2,375	1,183	597
Total PS	$22,954	$26,259	$27,192	$27,987	$1,728	$795
OTPS	$226,600	$236,696	$191,253	$209,145	($27,551)	$17,892
Legal Services	—	27	27	27	—	—
Judgments and Claims	—	28	31	31	3	—
Debt Service	—	—	—	—	—	—
Total OTPS	$226,600	$236,751	$191,311	$209,203	($27,548)	$17,892
Total Agency Costs	$249,554	$263,010	$218,503	$237,190	($25,820)	$18,687
Less Intra-City	$8,062	$8,721	$8,429	$8,397	($324)	($32)
Net Agency Cost	$241,492	$254,289	$210,074	$228,793	($25,496)	$18,719
Funding						
City	120,139	133,325	118,518	122,253	(11,072)	3,735
Non-City	121,353	120,964	91,556	106,540	(14,424)	14,984
Personnel (includes FTEs at fiscal year-end)						
City	193	196	195	195	(1)	—
Non-City	221	257	228	229	(28)	1
Total	414	453	423	424	(29)	1

Programmatic Review

Out-of-School Time (OST)

In 2003, the Mayor convened an unprecedented number of City agencies, members of the provider and advocacy community, and foundations in a planning process to review the City's Out-of-School Time (OST) programs for youth. The goal of this planning process was to build upon the Administration's commitment to improve opportunities for young people throughout the City during hours when schools are not in session.

The planning process resulted in the initiation of a new OST program for school-age children and youth that will maximize available resources and provide families with universal access to quality programs during non-school hours. OST goals include providing youth with a safe environment; supporting healthy behavior and physical well-being; strengthening young people's academic skills; and supporting youth leadership development. The Department estimates that more than 60,000 young people will be served by OST programs upon full implementation.

Youth Workforce Preparation

Through youth employment programs, DYCD seeks to provide the City's youth with a full range of opportunities for career exploration and skill-building.

The Department is the City's grantee for the youth services funding component of the Workforce Investment Act (WIA). In 2006, the Department will receive a projected $35 million in WIA funds. WIA primarily funds in-school and out-of-school youth employment programs through a portfolio of 65 not-for-profit providers that serve over 8,000 youth annually. The In-School Youth employment programs provide education and employment-related services to youth, ages 14 to 18, who are still attending shcool. Out-of-school Youth employment programs provide vocational training and education programs to youth, ages 16 to 21, who are no longer in school.

The Department operates the Summer Youth Employment Program (SYEP), the largest summer youth employment program in the nation, enrolling over 33,000 youth each year. DYCD has made substantive improvements to the program to benefit youth including a more efficient and user-friendly payroll system, a web-based application process, a more flexible work schedule, and a financial literacy component. In 2006, DYCD will enhance SYEP through an earlier job application process.

Family Literacy

Family literacy programs utilize the natural bonds between child and parent/primary caregiver to support the entire family's educational, social and economic success. In 2003, Toyota Motors and the National Center for Family Literacy selected DYCD to launch the new Toyota Family Literacy Program, creating the first municipally-funded family literacy initiative in the country. DYCD's literacy services include 11 family literacy programs and 45 adult literacy programs serving over 12,000 New Yorkers each year. In 2006, the Department's goal is to firmly establish the City's infrastructure for supporting literacy and expanding the number of sites in communities throughout the City.

Community Services Block Grant

In 2006, the City is projected to receive $30.6 million in Community Services Block Grant (CSBG) funds, pending the outcome of the Federal fiscal 2006 budget. CSBG funds will support community services including immigration and refugee assistance, GED classes, employment assistance and domestic violence intervention.

DEPARTMENT OF HOMELESS SERVICES

The Department of Homeless Services provides programs for homeless families and single adults, including transitional housing, outreach and drop-in services, homeless prevention programs, and permanent housing placements.

In June 2004 the City released *Uniting for Solutions Beyond Shelter*, an ambitious five-year plan to end chronic homelessness. The plan charged the Department, in coordination with other public agencies and not-for-profit and private sector partners, to reduce the street and shelter homeless populations by two-thirds within five years. This strategy provides the blueprint for new homelessness prevention programs, rental assistance, and other housing-based interventions that supplement the Department's traditional services.

In 2006, innovative new homeless prevention programs will continue to be supported, as will initiatives to improve family intake and eligibility services. The Department will continue efforts to reduce the average length of shelter stay, with a particular focus on helping those who have been in shelter for extended periods to make a successful transition to permanent housing.

Financial Review

The Department's 2006 Executive Budget provides for operating expenses of $706.3 million, of which $294.9 million are City funds.

Expense Budget Highlights

Budgetary Priorities: Providing Core Service

- in 2006, $12 million in total funds will allow the Department to continue the HomeBase homelessness prevention program. HomeBase was established in six communities in New York City with high rates of families entering shelter. Each of the programs is run by a community-based not-for-profit provider who serves a minimum of 400 clients per year. HomeBase is designed to offer flexible assistance in order to respond to the diversity of crises that can lead to homelessness. Interventions include case management, family mediation, independent living skills coaching, and short-term financial aid.

- the Department has developed, in collaboration with other City agencies and the supportive housing provider community, a New York/New York III initiative to create 9,000 units of supportive housing for special needs populations including persons with serious and persistent mental illness, and disabling substance abuse disorders. In 2006, the Department will work to secure New York State contribution to financing operating costs for the new units.

- starting in 2005, $30 million in capital funds will support construction of a new permanent intake center in the Bronx for families with children. The new intake center, which will permanently replace the Emergency Assistance Unit (EAU), will feature upgraded technology and a client-focused layout to meet the needs of applicant families.

Summary of Agency Financial Data
($000's)

	2004 Actual	2005 Forecast	2006 Preliminary Budget	2006 Executive Budget	Increase/(Decrease) 2005 Forecast	Increase/(Decrease) 2006 Preliminary Budget
Expenditures						
Salary and Wages	$102,492	$108,192	$106,481	$106,800	($1,392)	$319
Fringe Benefits	346	188	188	1,183	995	995
Medical Assistance	—	—	—	—	—	—
Public Assistance	315,470	319,328	318,927	317,627	(1,701)	(1,300)
Other OTPS	255,493	295,723	273,267	280,674	(15,049)	7,407
Total	$673,801	$723,431	$698,863	$706,284	($17,147)	$7,421
Funding						
City	$264,188	$291,585	$286,789	$294,897	$3,312	$8,108
Other Categorical Grants	30	—	—	—	—	—
IFA	—	—	—	—	—	—
State	215,728	214,245	210,884	210,793	(3,452)	(91)
Federal CD	6,500	10,095	4,051	4,051	(6,044)	—
Federal Other	154,602	176,385	166,067	165,422	(10,963)	(645)
Intra-City Other	32,753	31,121	31,072	31,121	—	49
Total	$673,801	$723,431	$698,863	$706,284	($17,147)	$7,421
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$28,679	$31,375	$34,147	$33,874	$2,499	($273)
Pensions	2,823	6,458	10,303	12,739	6,281	2,436
Other Than Personal Service (OTPS)						
Legal Services	—	161	161	164	3	3
Judgments and Claims	178	291	314	314	23	—
Debt Service	—	—	—	—	—	—
Total Additional Costs	$31,680	$38,285	$44,925	$47,091	$8,806	$2,166
Funding						
City	18,981	26,640	33,311	35,597	8,957	2,286
Non-City	12,699	11,645	11,614	11,494	(151)	(120)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$102,492	$108,192	$106,481	$106,800	($1,392)	$319
Fringe Benefits	29,025	31,563	34,335	35,057	3,494	722
Pensions	2,823	6,458	10,303	12,739	6,281	2,436
Total PS	$134,340	$146,213	$151,119	$154,596	$8,383	$3,477
Medical Assistance	$—	$—	$—	$—	$—	$—
Public Assistance	315,470	319,328	318,927	317,627	(1,701)	(1,300)
Other OTPS	255,493	295,723	273,267	280,674	(15,049)	7,407
Legal Services	—	161	161	164	3	3
Judgments and Claims	178	291	314	314	23	—
Debt Service	—	—	—	—	—	—
Total OTPS	$571,141	$615,503	$592,669	$598,779	($16,724)	$6,110
Total Agency Costs	$705,481	$761,716	$743,788	$753,375	($8,341)	$9,587
Less Intra-City	$32,753	$31,121	$31,072	$31,121	$—	$49
Net Agency Cost	$672,728	$730,595	$712,716	$722,254	($8,341)	$9,538
Funding						
City	283,169	318,225	320,100	330,494	12,269	10,394
Non-City	389,559	412,370	392,616	391,760	(20,610)	(856)
Personnel (includes FTEs at fiscal year-end)						
City	2,156	2,256	2,288	2,292	36	4
Non-City	33	39	1	1	(38)	—
Total	2,189	2,295	2,289	2,293	(2)	4

Programmatic Review

Single Adult Services

The Department provides a variety of services for homeless single adults, including street outreach and drop-in centers for the hardest to serve, general and specialized transitional facilities, and permanent supportive housing. After five years of steady growth in the single adult shelter population, from an average of 6,775 in 1999 to a peak of 8,867 in March 2004, the average daily census in March 2005 dropped to 8,612. This represents a 2.9 percent decline compared to March 2004.

The Department supports directly-run and contracted outreach teams to identify and engage homeless adults living in public spaces and link them with services to enable them to move into transitional or permanent housing. Ten drop-in centers provide counseling, crisis intervention, meals, clothing and referrals to support services, to an average of 1,300 individuals each day.

In March 2005, the Department undertook its third annual Homeless Outreach Population Estimate (HOPE) in order to measure success and challenges in efforts to reduce street homelessness. The results of HOPE 2005, the first ever city-wide count, indicate that an estimated 4,395 unsheltered individuals live on the streets, in parks, in encampments, under highways, and in subway stations and trains in New York City. The HOPE 2005 estimate will serve as the baseline for measuring second year challenges in decreasing the street homeless population by two-thirds within five years.

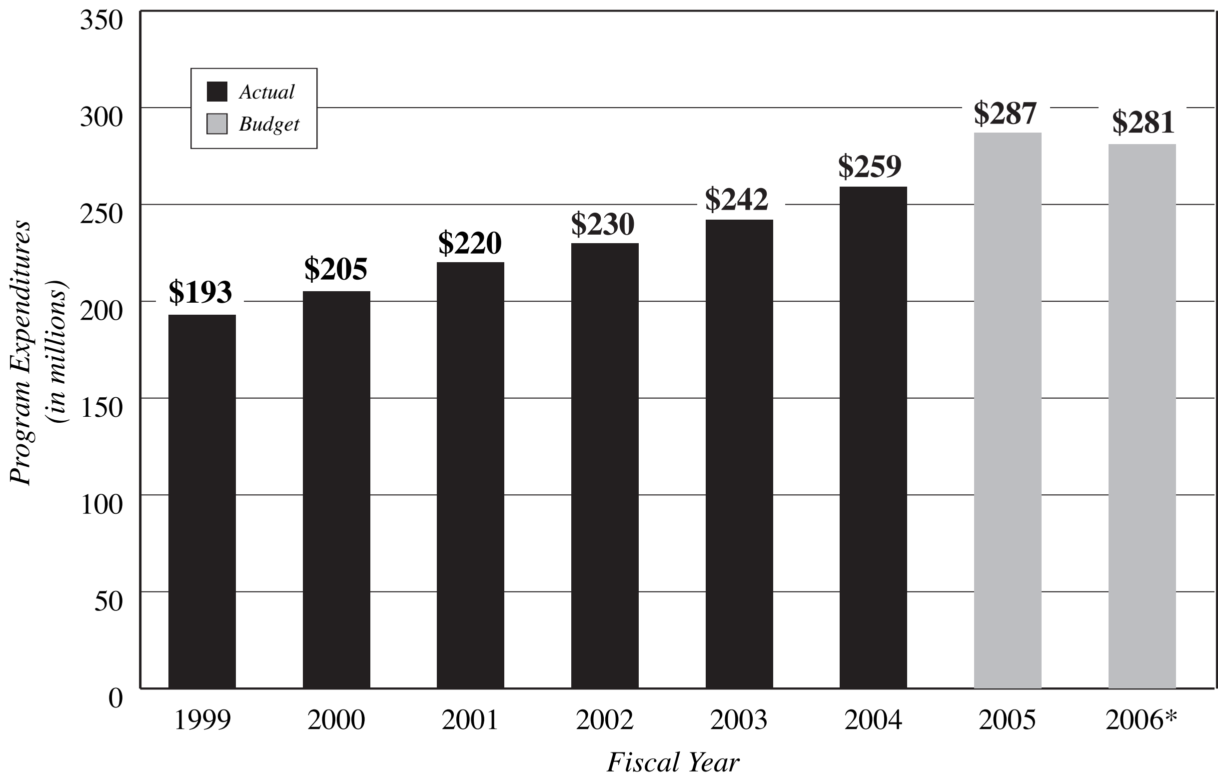
In 2005 the Department, in cooperation with the Department of Health and Mental Hygiene (DoHMH) established the Citywide Outreach/Drop-in Center Coordinating Council. The Council has established working groups to help guide the remaining Five Year Plan initiatives on street homelessness.

The Department also offers permanent housing assistance, including referral to supportive Single Room Occupancy (SRO) units operated by a network of not-for-profit providers. The Department funds over 7,000 units of supportive housing through the SRO Support Services Program.

In 2005, the Department launched a pilot program in six single adult shelters to assist clients who have resided in shelter for at least nine months to move to permanent housing. Through a combination of case management, client responsibility, and improved use of housing resources, the Department's goal is to reduce the number of long-term-stayers in the selected shelters. In the spring and summer of 2005, additional shelters will begin to participate in this program. In addition, the Department implemented client responsibility standards for the first time. These standards require that clients follow an Independent Living Plan; seek and accept permanent or other appropriate housing; follow shelter rules; and avoid behavior that places others in the shelter at risk.

In 2006, the Department will continue to improve and expand specialized programs providing substance abuse, mental health and employment services to address barriers to independent living.

HOMELESS INDIVIDUALS - PROGRAM EXPENDITURES: 1999-2006



* *Decreased expenditures in 2006 reflect one-time funding for Local Law 1 in 2005.*

In 2006, the cost of serving homeless single individuals will be $ 281 million, of which $138 million are City funds.

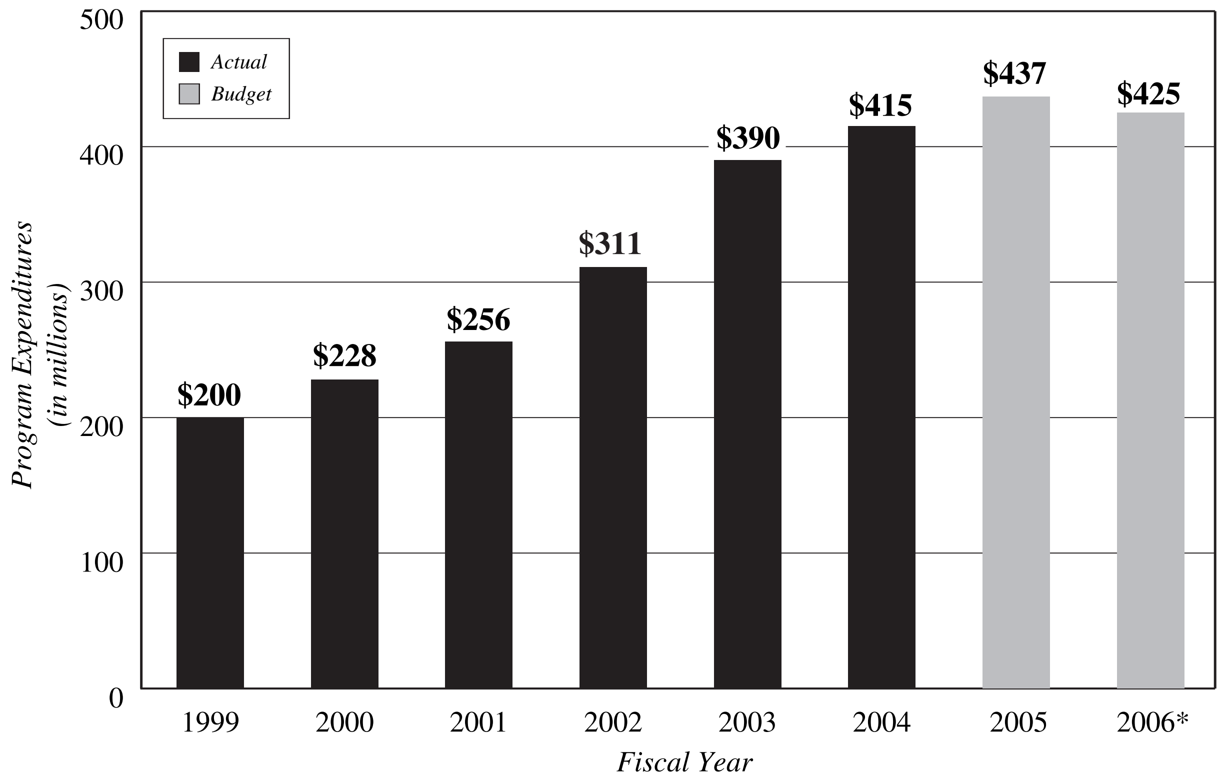
Family Services

The Department serves homeless families through a network of transitional housing facilities that provide families with stable living situations and supportive social services designed to lead to self-sufficiency. The number of homeless families has decreased from an average of 9,096 in March 2004 to an average of 8,534 in March 2005. The Department continues efforts to minimize the disruptions associated with homelessness for shelter residents as well as to maximize family health and stability.

As part of the Five-Year Plan, DHS has implemented a number of initiatives to eliminate chronic homelessness among families. The Housing Stability Plus (HSP) program, a five-year rental assistance supplement that decreases in value each year to promote self-sufficiency, was approved by New York State in December 2004. As of March 2005, 812 families with children and 26 single adults and couples have moved out of shelter through the HSP program.

Since 2003, the Department has worked closely with a court-appointed special master panel to improve intake and eligibility services for families applying for shelter. The panel recommended to the court, at the end of its tenure, to end 22 years of litigation and court oversight. In addition, the panel issued recommendations in June 2004, including reconstruction and reorganization of the EAU, expanding prevention interventions to help families avoid homelessness and strengthening the eligibility determination process.

HOMELESS FAMILIES - PROGRAM EXPENDITURES: 1999-2006



* *Decreased expenditures in 2006 reflect one-time funding for Local Law 1 in 2005.*

The cost of housing homeless families in 2006 will be $425 million, of which $157 million are City funds.

Capital Review

The Department's Ten-Year Capital Strategy totals $273.4 million which includes $128.2 million in the 2006-2009 Four-Year Plan. Projects for homeless families total $53.3 million, projects for single adults total $64.9 million and $10 million is allocated for computer systems and equipment purchases.

Capital Commitments

($000's)

	2004 Actual		2005 Plan		2006 Plan		2007 Plan		2008 Plan		2009 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Homeless Families	$3,363	$3,363	$11,978	$11,978	$28,223	$28,223	$16,700	$16,700	$4,700	$4,700	$3,700	$3,700
Homeless Individuals	782	782	21,100	21,100	23,332	23,332	13,702	13,702	13,382	13,382	14,489	14,489
Equipment and Vehicles . .	5,300	5,300	448	448	250	250	250	250	250	250	0	0
Information Technology . .	242	242	6,340	6,340	3,750	3,750	3,750	3,750	750	750	1,000	1,000
Total.	$9,687	$9,687	$39,866	$39,866	$55,555	$55,555	$34,402	$34,402	$19,082	$19,082	$19,189	$19,189

Highlights of the Four-Year Capital Plan

- construction of a new permanent intake center for families with children ($28 million).

- building envelope stabilization at facilities for homeless adults, including Manhattan Bowery, Harlem Men's Shelter, Charles Gay Keener, Charles Gay Annex, and Willow ($7.3 million); and at facilities for homeless families, including Auburn, Jennie Clarke and Linden ($5.1 million).

- building upgrades at facilities for homeless adults, including 282 East 3rd Street, 85 Lexington, Webster SRO, Mt. Eden SRO, and Veteran's SRO ($2.2 million); and at facilities for homeless families, including Briarwood, Flatlands, and Nelson Avenue ($7 million).

- continued upgrade and expansion of the Department's computer network linking the directly operated and contracted sites; development of the new Client Tracking System and implementation of a digital telephone system ($9.2 million).

DEPARTMENT FOR THE AGING

The Department for the Aging (DFTA) administers a wide range of programs to the City's elderly population to enhance their independence and quality of life. The Department's services include the operation of senior centers, provision of home-delivered and congregate meals, case management, social and legal counseling, home care, caregiver services, transportation, and information and referral services.

Financial Review

The Department's 2006 Executive Budget provides for operating expenses of $218.8 million, of which $88.9 million are City funds.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- a total of $44.4 million, including an increase of $3.6 million in State funds, will support home care, case management, and social adult day care services.

- in 2006, the Department will continue the Mayor's commitment to providing quality services to senior citizens. Restorations and enhancements totaling $20.6 million will support various services to the elderly including case management, home care, and English as a Second Language classes.

Summary of Agency Financial Data
($000's)

	2004 Actual	2005 Forecast	2006 Preliminary Budget	2006 Executive Budget	Increase/(Decrease) 2005 Forecast	Increase/(Decrease) 2006 Preliminary Budget
Expenditures						
Salary and Wages	$22,765	$15,800	$14,890	$14,890	($910)	$—
Fringe Benefits	15	1,772	1,604	1,604	(168)	—
OTPS	205,812	216,264	181,171	202,268	(13,996)	21,097
Total	$228,592	$233,836	$197,665	$218,762	($15,074)	$21,097
Funding						
City	$88,119	$96,227	$71,720	$88,917	($7,310)	$17,197
Other Categorical Grants	25,171	29,450	29,400	29,400	(50)	—
IFA	—	—	—	—	—	—
State	26,633	20,631	19,610	23,510	2,879	3,900
Federal CD	2,200	5,765	4,564	4,564	(1,201)	—
Federal Other	85,425	80,678	71,899	71,899	(8,779)	—
Intra-City Other	1,044	1,085	472	472	(613)	—
Total	$228,592	$233,836	$197,665	$218,762	($15,074)	$21,097
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$6,253	$5,860	$5,944	$6,196	$336	$252
Pensions	625	935	1,441	1,781	846	340
Other Than Personal Service (OTPS)						
Legal Services	—	57	57	59	2	2
Judgments and Claims	—	34	36	36	2	—
Debt Service	—	—	—	—	—	—
Total Additional Costs	$6,878	$6,886	$7,478	$8,072	$1,186	$594
Funding						
City	6,720	6,812	7,421	8,019	1,207	598
Non-City	158	74	57	53	(21)	(4)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$22,765	$15,800	$14,890	$14,890	($910)	$—
Fringe Benefits	6,268	7,632	7,548	7,800	168	252
Pensions	625	935	1,441	1,781	846	340
Total PS	$29,658	$24,367	$23,879	$24,471	$104	$592
OTPS	$205,812	$216,264	$181,171	$202,268	($13,996)	$21,097
Legal Services	—	57	57	59	2	2
Judgments and Claims	—	34	36	36	2	—
Debt Service	—	—	—	—	—	—
Total OTPS	$205,812	$216,355	$181,264	$202,363	($13,992)	$21,099
Total Agency Costs	$235,470	$240,722	$205,143	$226,834	($13,888)	$21,691
Less Intra-City	$1,044	$1,085	$472	$472	($613)	$—
Net Agency Cost	$234,426	$239,637	$204,671	$226,362	($13,275)	$21,691
Funding						
City	94,839	103,039	79,141	96,936	(6,103)	17,795
Non-City	139,587	136,598	125,530	129,426	(7,172)	3,896
Personnel (includes FTEs at fiscal year-end)						
City	127	123	112	99	(24)	(13)
Non-City	759	665	683	635	(30)	(48)
Total	886	788	795	734	(54)	(61)

Programmatic Review

In 2006, DFTA will provide critical senior services through a network of 329 senior centers in the five boroughs. Senior programs provide education, recreation, nutrition, and other information and assistance services. The Department plans to serve over 14 million congregate and home-delivered meals in 2006.

Over 45,000 elderly households will receive exemptions from rent increases through the Department's Senior Citizen Rent Increase Exemption program (SCRIE). SCRIE provides property tax exemptions for landlords who rent apartments in rent-stabilized buildings to low-income seniors age 62 and above.

Home Care Services

The Department provides home care services to 4,822 elderly residents through contracts with 37 community-based organizations. The program allows the frail elderly to safely remain in their homes by providing assistance with daily chores and personal care.

Naturally Occurring Retirement Communities

Naturally Occurring Retirement Communities (NORCS) are on-site collaborations among housing entities, social service providers, and healthcare networks that assist seniors to remain in their own homes by providing critical support and assistance. Approximately 46,000 elderly residents receive case management, healthcare assistance, and transportation services. In 2006, $3.8 million will fund services in 27 NORCS in the Bronx, Brooklyn, Manhattan and Queens. The NORC program model has gained national recognition, putting New York City in the forefront of adapting programs to meet the changing needs of the elderly population.

New York City Caregiver Program

New York City's Caregiver program provides approximately 6,000 caregivers throughout the City with critical support services to assist them in caring for the elderly including training, assistance in accessing benefits and resources, counseling and respite services. The Department provides these services in partnership with 15 community-based organizations. In 2006, a total of $4.6 million will support the City's Caregiver program.

Capital Review

The Department's 2006-2015 Ten-Year Capital Strategy totals $34.9 million, which includes $17.3 million in the 2006-2009 Four-Year Plan. Capital projects include the rehabilitation of senior centers throughout the City and technology projects to improve operations.

Capital Commitments

($000's)

	2004 Actual		2005 Plan		2006 Plan		2007 Plan		2008 Plan		2009 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Elec. Data Processing	$443	$443	$3,544	$3,544	$4,878	$4,878	$1,030	$1,030	$1,750	$1,750	$700	$700
Building Renovations and Vehicles	$1,695	$1,695	$14,734	$14,734	$5,729	$5,729	$1,449	$1,449	$350	$350	$1,400	$1,400
Total	$2,138	$2,138	$18,278	$18,278	$10,607	$10,607	$2,479	$2,479	$2,100	$2,100	$2,100	$2,100

Highlights of the Four-Year Capital Plan

- establishment of new and renovation of existing senior centers in neighborhoods with growing senior populations ($8.9 million).

- development of a computerized network to assist applicants in accessing services and entitlement programs, purchase computers for senior centers and migration of applications to a web-based platform ($8.4 million).

DEPARTMENT OF HEALTH AND MENTAL HYGIENE

The mission of the New York City Department of Health and Mental Hygiene (DOHMH) is to protect and promote the health and mental health of all New Yorkers, to support the recovery of individuals with mental illness and chemical dependencies, and to promote the realization of full potential for individuals with mental retardation and developmental disabilities. DOHMH is committed to maintaining core public health services and continues to introduce new programs and technologies to improve the health status of New Yorkers.

The Department's mission is achieved through monitoring, prevention, and control activities for individuals, families, and communities. The Department prevents epidemics and the spread of diseases such as HIV/AIDS, other sexually transmitted diseases (STDs), and tuberculosis (TB); protects against environmental hazards; prevents unintentional injuries; promotes and encourages healthy behaviors; responds to disasters and assists communities in recovery; and ensures the accessibility of health services.

In 2006, the Department will continue its focus on reducing the incidence of preventable and treatable conditions; intensifying efforts to improve HIV prevention, care, housing, and treatment; and improving the health of school children. The Department's public health activities are targeted in communities that bear a disproportionate share of physical and mental illness and premature death.

The independent Office of Chief Medical Examiner is responsible for determining the cause and manner of deaths occurring in the City, operating the County Mortuaries and operating an accredited Forensic Biology Laboratory.

Financial Review

The Department's 2006 Executive Budget provides for operating expenses of $1.5 billion, $565.9 million of which are City funds. Additional funds of approximately $60.0 million will be added to the budget during the fiscal year when Federal and State award notifications are received. Capital commitments of $60.6 million are also provided.

Revenue Forecast

DOHMH generates revenue from licenses, permits, inspection and service fees, and fines for violations of the New York City Health Code. The Department will generate $49.9 million from these sources in 2006.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- targeted programs to improve women and infant health, including $3 million total funds for the Healthy Women/Healthy Babies Initiative to reduce the incidence of unwanted pregnancies through increased awareness and access to family planning and emergency contraception.

- heightened focus on HIV prevention and control through expansion of rapid HIV testing, condom distribution, harm reduction activities and $5 million total funds to support effective programs to stop the spread of HIV in communities of color that are most heavily affected.

- promotion of healthy behaviors in New York City's school children, such as appropriate diet and physical activity, including an additional $7.3 million total funds in 2006 growing to $9.7 million in 2009 to support school health nursing services.

- an increase of $1.9 million total funds to maintain Department initiatives to reduce preventable disease, including cancer prevention, tobacco cessation and women and children's health services.

Restructuring and Streamlining

- in 2006, the Department will continue activities to increase Medicaid enrollment among children in the Early Intervention Program and will implement new initiatives to maximize Medicaid revenue received.

- increased use of automation to enhance the efficiency and effectiveness of Department operations and improve clinical services.

Summary of Agency Financial Data
($000's)

			2006		Increase/(Decrease)	
	2004 Actual	2005 Forecast	Preliminary Budget	Executive Budget	2005 Forecast	2006 Preliminary Budget
Expenditures						
Salary and Wages	$266,260	$298,822	$332,011	$333,747	$34,925	$1,736
Fringe Benefits	539	216	188	424	208	236
Medical Assistance	2,114	—	—	—	—	—
Other Mandates*	136,981	147,931	11,247	55,168	(92,763)	43,921
Other OTPS	1,064,720	1,090,554	1,125,775	1,137,844	47,290	12,069
Total	$1,470,614	$1,537,523	$1,469,221	$1,527,183	($10,340)	$57,962
Funding						
City	$558,338	$579,237	$557,591	$565,855	($13,382)	$8,264
Other Categorical Grants	213,929	216,899	235,912	235,912	19,013	—
IFA	—	—	—	—	—	—
State	416,582	440,066	428,969	432,343	(7,723)	3,374
Federal CD	553	830	553	553	(277)	—
Federal Other	277,819	294,058	242,451	288,775	(5,283)	46,324
Intra-City Other	3,393	6,433	3,745	3,745	(2,688)	—
Total	$1,470,614	$1,537,523	$1,469,221	$1,527,183	($10,340)	$57,962
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$71,991	$79,413	$85,578	$88,177	$8,764	$2,599
Pensions	7,325	18,503	28,924	39,720	21,217	10,796
Other Than Personal Service (OTPS)						
Legal Services	—	1,164	1,164	1,185	21	21
Judgments and Claims	1,307	2,814	3,041	3,041	227	—
Debt Service	7,004	16,253	20,696	19,965	3,712	(731)
Total Additional Costs	$87,627	$118,147	$139,403	$152,088	$33,941	$12,685
Funding						
City	84,770	115,726	136,273	149,243	33,517	12,970
Non-City	2,857	2,421	3,130	2,845	424	(285)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$266,260	$298,822	$332,011	$333,747	$34,925	$1,736
Fringe Benefits	72,530	79,629	85,766	88,601	8,972	2,835
Pensions	7,325	18,503	28,924	39,720	21,217	10,796
Total PS	$346,115	$396,954	$446,701	$462,068	$65,114	$15,367
Medical Assistance	$2,114	$—	$—	$—	$—	$—
Other Mandates*	136,981	147,931	11,247	55,168	(92,763)	43,921
Other OTPS	1,064,720	1,090,554	1,125,775	1,137,844	47,290	12,069
Legal Services	—	1,164	1,164	1,185	21	21
Judgments and Claims	1,307	2,814	3,041	3,041	227	—
Debt Service	7,004	16,253	20,696	19,965	3,712	(731)
Total OTPS	$1,212,126	$1,258,716	$1,161,923	$1,217,203	($41,513)	$55,280
Total Agency Costs	$1,558,241	$1,655,670	$1,608,624	$1,679,271	$23,601	$70,647
Less Intra-City	$3,393	$6,433	$3,745	$3,745	($2,688)	$—
Net Agency Cost	$1,554,848	$1,649,237	$1,604,879	$1,675,526	$26,289	$70,647
Funding						
City	643,108	694,963	693,864	715,098	20,135	21,234
Non-City	911,740	954,274	911,015	960,428	6,154	49,413
Personnel (includes FTEs at fiscal year-end)						
City	4,336	4,440	5,109	5,200	760	91
Non-City	1,347	1,481	1,022	1,048	(433)	26
Total	5,683	5,921	6,131	6,248	327	117

* HIV/AIDS contract services, including Ryan White funded programs. Additional grant funds will be added during the year.

Programmatic Review

Agency-wide Initiatives

Launched in March 2004, the Take Care New York policy identified 10 key areas, each of which causes significant illness and death but is amenable to intervention with proven strategies. Successful implementation of evidence-based programs and a coordinated response from City agencies, health care providers, community-based organizations and employers will save thousands of lives and prevent hundreds of thousands of illnesses each year. In 2004 and 2005, the Department established the policy, created a network of approximately 100 community and City agency partners, and created and distributed over three million pieces of health education materials, including the Passport to Your Health, a personal health record. In 2006, the Department will continue to work closely with medical providers, consumers, employers, and community-based organizations to promote the Take Care New York preventive services agenda, and will monitor the City's progress.

DOHMH continues a comprehensive approach to planning for and managing public health emergencies, including oversight of agency-wide readiness and response through the Emergency Preparedness Unit; coordination of preparation, mitigation, response, and recovery activities through the Bureau of Emergency Management; and development of specialized Environmental Health staff to perform core public health functions in contaminated environments and provide technical consultation to key agencies such as the Police Department (NYPD), Fire Department (FDNY), Department of Environmental Protection (DEP), and Office of Emergency Management (OEM) regarding chemical, biological, and radiological incidents. The Department also coordinates with other City agencies as a member of the Local Emergency Planning Committee.

Mental Hygiene Services

Through the Division of Mental Hygiene, the Department provides planning, funding, and oversight for the provision of mental health, mental retardation, developmental disabilities, chemical dependency and early intervention services. In addition, the Department funds public education, prevention, and training while maintaining culturally responsive, cost-effective, and high quality care for consumers. Over 400,000 consumers are served annually through contracts with nonprofit provider agencies, HHC facilities and voluntary hospitals.

Early Intervention Services

The Early Intervention Program is a system of early identification and treatment for infants and toddlers up to age three, at risk of or diagnosed with developmental delays or disabilities. Services reduce the likelihood of delays, assist and empower families to manage children's needs and enable children to reach their fullest potential. A network of over 150 contract agencies provide services, evaluations and service coordination, and authorize appropriate services for approximately 40,000 children and their families annually.

Mental Health

The Department provides a variety of mental health services, including treatment for children, adults and families, outreach, supportive housing, and rehabilitation. The Department's leading priorities include services for targeted populations such as people with co-occurring disabilities and disorders, children, adolescents, the homeless, and individuals with severe and persistent mental illness, as well as improving the detection and treatment of depression.

Mental Retardation and Developmental Disabilities

A range of services including employment, evaluation, family support, counseling, recreation, respite care and special continuing education are provided to meet the needs of people with developmental disabilities. This population includes those with mental retardation, cerebral palsy, epilepsy, autism and other neurological impairments. Services for people with co-occurring disabilities and those aging out of the Department of Education's Special Education system are priorities for the Department.

Chemical Dependency

Services to assist individuals in need of chemical dependency treatment include detoxification, outpatient adult services, family centered treatment for adolescents, programs focusing on sobriety and employment readiness, and community residences. Priority populations include people who are homeless, pregnant women, people with co-occurring disabilities, families and adolescents. The Department will also continue its initiative to expand use of buprenorphine, a new treatment for opiate addiction.

Public Health Services

Disease Control

The Department safeguards the health of New Yorkers through the identification, surveillance, treatment, control, and prevention of infectious diseases and protects the health of citizens during emergencies.

The Bureau of Immunization operates immunization clinics, maintains the Citywide Immunization Registry, oversees the Federal Vaccines for Children Program, and works with the Department of Education to ensure compliance with New York State immunization requirements. During last year's flu vaccine shortage, DOHMH clinics served as the safety net provider for all New Yorkers in high-risk categories and distributed more than half a million flu vaccine doses.

The Bureau of Tuberculosis Control provides direct patient care, education, surveillance, and outreach to reduce the incidence of tuberculosis. In 2004, new cases of TB reached a historic low of 1,039, a nine percent decrease from the previous year and an overall decline of 73 percent since the peak of the epidemic in 1992. TB continues to disproportionately affect the foreign-born, who represented 68 percent of the cases reported in 2004. The Department has increased services for high-risk immigrant communities and works to improve completion rates for treatment of latent TB infection. Cases among the homeless declined in 2004 and the focus on that population will also continue.

The Bureau of STD Prevention & Control will continue outreach activities and targeted screening efforts to address the rise in syphilis cases, which increased over 100 percent in the past four years to a total of 621 cases. The Bureau operates 10 full-service STD clinics and one free standing HIV Counseling and Testing site, which performed approximately 38,000 HIV tests in 2004. All sites now offer rapid HIV testing, which provides results in 20 minutes. The STD clinics also provide emergency contraception as well as hepatitis A, B and C-related services.

The Public Health Laboratory provides a wide variety of clinical and environmental testing in support of Department programs and mandates, and develops new procedures and technology to respond to emerging public health issues. Together with the Bureau of Communicable Disease, the new emerging infectious disease and bioterrorism laboratory will continue to enhance its capacity to rapidly detect and respond to new emerging infectious disease threats, such as the Severe Acute Respiratory Syndrome (SARS) and avian influenza, and ensure preparedness for bioterrorism incidents.

The mission of the Bureau of HIV/AIDS Prevention and Control is to reduce the number of new cases and ensure that people living with HIV/AIDS are living longer and healthier lives. To achieve this goal the Bureau will continue community planning through the HIV Prevention Planning Group, the Title I Ryan White Planning Council and the NYC Commission on HIV/AIDS. The Bureau will continue to perform core functions of HIV/AIDS surveillance, with enhanced focus on utilizing data for program planning. HIV prevention, care and housing services are provided through approximately $156 million in contracts. In 2006, additional efforts will expand evidenced-based HIV prevention programs, increase voluntary rapid testing to increase the number of New Yorkers who know their status, improve the care of people living with HIV/AIDS and strengthen linkages connecting people to care and housing.

Epidemiology

The Department provides timely, systematic, and ongoing collection, analysis, and dissemination of data to monitor health trends and assist in the development of appropriate interventions. Major surveys completed in 2005 include the Community Health Survey and the New York City Health and Nutrition Examination Survey, which will provide the first measure of New Yorkers' actual health conditions. During 2006 the Department will analyze collected data pertaining to cardiovascular disease risk factors, depression and diabetes. The Department also registers, processes, certifies, and issues reports of births, deaths, and spontaneous and induced terminations of pregnancy.

Also in 2006, the Department will continue to implement the Electronic Death Registration System (EDRS). EDRS is a paperless electronic death record system. The EDRS is currently being piloted with three funeral homes and the New York Weill Cornell Medical Center. The Department plans to begin processing of death certificates via EDRS in calendar year 2005.

Health Promotion and Disease Prevention

In 2006, the Department will continue to focus on control of non-communicable diseases and on reducing disparities in health care within the most vulnerable communities through its District Public Health Offices (DPHOs) in Harlem, the South Bronx and North/Central Brooklyn. The DPHO's flagship programs focus on improving management of childhood asthma, reducing childhood lead exposure and preventing adolescent pregnancy. Additional efforts address obesity, lack of physical activity and smoking cessation; cancer screening (with a focus on colon cancer); improved diabetes prevention and care; promotion of wellness in workplaces; and prevention and control of heart disease. Department representatives make one-on-one educational visits to deliver information and tools to improve physicians' ability to address these issues.

The Department provides public health services in public and non-public elementary and intermediate schools, including comprehensive reviews of children's medical conditions and immunization status, provision of medication and management of chronic illnesses, vision and hearing screening, and follow-up on conditions requiring referral. These activities, particularly asthma management, will be facilitated by the increased use of the Automated School Health Record, which was introduced in 2005. Expanding physical education in schools continues to be a priority joint initiative with the Department of Education. Other public health activities include updating health education programs.

In 2006, the Department will continue to enhance efforts to reduce infant mortality in high-risk neighborhoods through coordination with community partnerships and the education of residents and service providers. While the City's infant mortality rate fell to a record low in 2002, it increased somewhat in 2003 and remains unacceptably high in certain neighborhoods. A home visiting program for every firstborn newborn has been introduced in some of these neighborhoods and the nurse family partnership program, which provides intensive services for mothers at high risk will be expanded in 2006.

Environmental Health

The Department will continue to improve the Day Care program, which oversees more than 12,000 day care services. Permitting, licensing, registration and inspection procedures will be updated to increase the program's effectiveness and efficiency. Staff training in improved protocols will continue. Critical incident reporting procedures were instituted and complaint response procedures have been strengthened, reducing average response times. A web site currently in development will provide information and inspection results for all group day care services.

The Department will promote food safety by rewarding restaurants that maintain excellent food safety practices with the "Golden Apple Award", which can be prominently displayed, and by continuing to give greater penalties for food safety hazards that pose the greatest risk for food-borne illness. The Department inspects more than 23,000 restaurants and mobile food carts each year.

The Department will continue the Citywide Rodent Initiative by focusing resources on eleven of the most rodent infested areas in the Bronx, Manhattan and Brooklyn, and will continue to identify and respond to other strategic geographic areas with rodent problems. Easier reporting through 311 led to a 28 percent increase in rodent complaints to which the Department responds. In addition, comprehensive mosquito surveillance and control activities will continue. In 2004 increased mosquito traps and mosquito pool testing enabled the Department to better target larvae control activities and reduce the need to apply chemical pesticide for control of adult mosquito populations.

The Department provides intensive case coordination and environmental investigation and monitoring to all children with blood lead levels of 15 mcg/dL or greater. The Department also provides education and follow-up services to families and doctors of children with blood lead levels of 10-14 mcg/dL. Lead poisoning prevention outreach and education for families, medical providers, landlords, contractors and retailers will continue to be enhanced, especially in high-risk neighborhoods, which include low-income areas with older housing stocks.

Health Care Access and Improvement

The Department develops, implements, and monitors programs to expand the availability of health services. In conjunction with the Department of Social Services (DSS) and the New York State Department of Health (NYSDOH), it oversees the Mandatory Medicaid Managed Care program, in which enrollment exceeded 1.4 million as of February 2005. The Department also manages voluntary Medicaid Managed Care Plans designed to meet the needs of special populations. Over 46,000 Supplemental Security Income recipients were enrolled as of February and 1,200 persons with HIV/AIDS are currently enrolled in plans with five contracted providers certified by NYSDOH. The Department will continue to collaborate with managed care plans on addressing public health priorities through improved health care management and effective prevention activities.

The Department assists New Yorkers to apply for public health insurance programs. Since 2001, over 37,000 persons have gained access to insurance through Department initiatives, including children receiving early intervention services and former inmates discharged from Rikers Island facilities. Since April 2004 more than 5,500 children with special health care needs have been assisted with accessing specialized health care as well as medical care payment for services not covered by insurance.

The Bureau of Correctional Health Services provides health services to the more than 100,000 inmates who pass through the City's correctional facilities each year. In 2005, rapid HIV testing was implemented system-wide, and nearly 14,000 rapid tests have been performed. Oral cancer-screening was added to the correctional facility intake exam protocol, and the delivery of mental health services to the inmate population was enhanced.

In 2006, the Department will begin implementing a fully functional, interoperable Correctional Health Services Electronic Health Record (EHR) that uses national data standards to collect and transport health information, and incorporates clinical decision support tools to enhance patient care. This EHR and decision support system will provide a model for community-based primary care clinics. Through its Primary Care Information Project the Department will increase primary care providers' use of information technology to improve the quality of care delivered to patients.

The Bureau of Forensic Behavioral Services provides discharge planning to mentally ill inmates released from City jails pursuant to the Brad H. court stipulation. During 2005 the program has served almost 6,000 clients, screening over 3,000 for Medicaid eligibility and submitting 1,012 Medicaid and 1,415 Public Assistance applications to DSS.

The Bureau of Transitional Health Care Coordination, created in 2004 to improve health care access for inmates released from City jails, has established linkages with 38 community providers and provided service referrals to more than 1,000 inmates, 350 re-entrants, and over 500 family members.

The Bureau of Oral Health, Programs and Policy will continue oral cancer screening to increase early detection, and the "Seal Your Smile" dental sealant initiative, which emphasizes the prevention of tooth decay in children from low-income communities. The Bureau also plans to increase the number of community-based clinics during 2006.

Office of Chief Medical Examiner

Through 2005, the Office of Chief Medical Examiner (OCME) has identified 10,634 of 19,962 remains recovered from the September 11 terrorist attack for a total of 1,591 victim identifications. This year the OCME will conclude this phase of the identification process as it has exhausted the limits of current DNA technology. Development and validation of new techniques may produce additional identifications in the future. The OCME will safeguard and house unidentified and unclaimed remains and continue to provide families with information on the identification processes.

The Office operates an accredited Forensic Biology Laboratory that processes DNA evidence from over 3,000 homicides and sexual assaults. The average time to complete a DNA case is 67 days for regular cases and 10 days for rush cases. In 2005 the Office implemented the City's first mitochondrial DNA (mtDNA) laboratory, which allows for DNA testing on hair evidence recovered from crime scenes. The new laboratory is projected to analyze 100 mtDNA cases per year until it expands with the opening of the new DNA building.

Scheduled to open in 2007, the new fifteen story DNA Laboratory will consolidate OCME's existing laboratories into a world class, custom-built facility for forensic DNA analysis. The new building will provide greater capacity to receive and store evidence; expand the casework laboratory, high sensitivity laboratory and mtDNA laboratory capacities and allow for the development of new laboratories, including a high-volume, high-throughput exemplar laboratory to perform DNA profiling and an in-situ/genetics laboratory that will use DNA and biochemical testing to perform molecular autopsies.

In calendar year 2005, the Office will occupy new medical examiner facilities in Queens and Brooklyn. The new buildings will replace aging, inadequate facilities and offer the public a dignified, accommodating environment during a time of grief and loss. In addition, the Department of Medicolegal Investigations is piloting new projects to further improve investigations: the Family Outreach Unit will reduce City burials at Hart Island; the OCME-OSHA Investigations Unit will help prevent workplace deaths; and the Child Fatality Prevention Team will establish investigative standards for accidental pediatric deaths in hopes of improving prevention.

The OCME has made major strides in planning for management of mass fatality incidents. Working closely with the NYPD, DOHMH, OEM, DEP, and FDNY, the Office has developed interagency teams and protocols to respond to and mitigate the effects of a disaster, whether natural, accidental, or the result of a terrorist attack. Planning over the past year included development of the Interagency Mass Fatality Plan for OEM, development of the Unified Victim Identification System (UVIS) with NYPD Missing Persons, OEM and DoITT, and implementation of training in WMD awareness and response.

Capital Review

The 2006 - 2015 Ten-Year Capital Strategy totals $241.5 million for facilities, new construction, renovation and equipment, which includes $153.6 million in the 2006 - 2009 Four-Year Plan. The table below reflects capital commitments over the 2006 - 2009 period.

Capital Commitments
($000's)

	2004 Actual		2005 Plan		2006 Plan		2007 Plan		2008 Plan		2009 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Equipment	$14,013	$14,013	$38,990	$38,990	$25,374	$25,374	$6,828	$6,828	$7,238	$7,238	$5,157	$5,157
Renovation	18,486	18,486	82,003	82,003	35,218	35,218	44,891	44,891	14,170	14,170	14,738	14,738
Total	$32,499	$32,499	$120,993	$120,993	$60,592	$60,592	$51,719	$51,719	$21,408	$21,408	$19,895	$19,895

Highlights of the Ten-Year Capital Strategy and Four-Year Plan

- improvement and upgrade of the Public Health Laboratory ($43.4 million)
- repair and renovation of health clinics ($104 million)
- legally-mandated upgrades for Animal Care and Control facilities and increased services in two boroughs ($12.7 million)
- an Electronic Health Record and automated clinical decision support system for Correctional Health Services ($7.9 million)
- digital radiography for TB, Oral Health and Correctional Health Services and other automation initiatives in Oral Health ($6.5 million)
- development of a Brad H. discharge planning, tracking and reporting system ($3.8 million)
- equipment replacement and upgrade and initial outfitting of OCME facilities ($22 million)

FIRE DEPARTMENT

The Fire Department is responsible for protecting the lives and the property of the citizens of New York City while responding to fire, medical and other emergencies, and investigating building hazards. The Fire Department extinguishes fires, promotes fire prevention awareness, investigates suspicious fires, provides ambulance and emergency medical services, and inspects for building safety. The Department currently has 356 fire units that provide fire and rescue and emergency medical services, while public outreach and enforcement of New York City's fire codes promote fire prevention. The Department's Fire Marshals investigate fires and apprehend perpetrators. The Bureau of Emergency Medical Services (EMS), assisted by the Certified First Responder – Defibrillation (CFR-D) trained personnel responding from Engine Companies, provide pre-hospital emergency medical care and ambulance transport, where required.

Financial Review

The Fire Department's 2006 Executive Budget provides for operating expenses of $1.2 billion, a decrease of $55.5 million from the amount forecasted for 2005. This decrease is primarily due to expected overtime spending reductions in 2006 as well as a projected reduction in expenses supported by Federal grant funding.

Capital commitments of $147.9 million are also provided in 2006. This represents a decrease of $17.1 million, a 10 percent change from the amount forecasted for 2005 primarily due to accelerated construction activity for the renovation of the five borough communications offices and procurement of additional mandated frontline apparatus.

Revenue Forecast

The Fire Department issues permits and collects fees for the inspection of fire suppression and electrical systems, places of public assembly, laboratories, high-rise buildings, and the storage and use of combustible materials. In addition, the Department realizes revenues from fees charged to out-of-state fire insurers that issue policies in New York City and to private fire alarm companies. In 2006, the revenue estimate for the Fire Department is $61.5 million.

The Department also collects revenue from Emergency Medical Services (EMS) ambulance transports. In 2006, revenue from Medicaid and non-Medicaid sources is projected at $113.8 million which is $9.3 million more than 2005. This increase in EMS revenue projections is associated primarily with improved collections from commercial health insurers along with an increased number of hospital transports.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- continue to provide on-site emergency medical care and ambulance transport services citywide.
- hire in excess of the current firefighter quota to reduce overtime.
- purchase personal safety rope and harness systems for every firefighter and train each of them in their proper use.
- increase the staffing of the Recruitment Unit by six positions including one civilian director and one fire captain to implement the Department's recruitment strategy.
- add four municipal ambulance tours to replace voluntary tours no longer provided by private hospitals.

Streamlining

- hire six analysts to improve the collection of EMS hospital transport fees from commercial health insurers.

Summary of Agency Financial Data
($000's)

	2004 Actual	2005 Forecast	2006 Preliminary Budget	2006 Executive Budget	Increase/(Decrease) 2006 Forecast	Increase/(Decrease) 2007 Preliminary Budget
Expenditures						
Salary and Wages	$1,065,680	$1,080,672	$1,029,373	$1,052,030	($28,642)	$22,657
Fringe Benefits	19,143	15,665	13,876	19,485	3,820	5,609
OTPS	98,876	139,232	101,349	108,556	(30,676)	7,207
Total	$1,183,699	$1,235,569	$1,144,598	$1,180,071	($55,498)	$35,473
Funding						
City	$1,061,561	$1,068,322	$1,019,162	$1,054,339	($13,983)	$35,177
Other Categorical Grants	104,200	105,457	115,034	115,330	9,873	296
IFA	—	—	—	—	—	—
State	3,300	2,159	1,846	1,846	(313)	—
Federal CD	—	—	—	—	—	—
Federal Other	12,516	57,602	6,527	6,527	(51,075)	—
Intra-City Other	2,122	2,029	2,029	2,029	—	—
Total	$1,183,699	$1,235,569	$1,144,598	$1,180,071	($55,498)	$35,473
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$341,816	$363,321	$394,358	$391,816	$28,495	($2,542)
Pensions	433,712	537,804	550,982	678,363	140,559	127,381
Other Than Personal Service (OTPS)						
Legal Services	—	4,745	4,745	4,836	91	91
Judgments and Claims	18,205	20,029	21,649	21,649	1,620	—
Debt Service	39,009	51,966	49,880	48,159	(3,807)	(1,721)
Total Additional Costs	$832,742	$977,865	$1,021,614	$1,144,823	$166,958	$123,209
Funding						
City	794,797	948,899	993,517	1,114,050	165,151	120,533
Non-City	37,945	28,966	28,097	30,773	1,807	2,676
Total Agency Costs (including Central Accounts)						
Salary and Wages	$1,065,680	$1,080,672	$1,029,373	$1,052,030	($28,642)	$22,657
Fringe Benefits	360,959	378,986	408,234	411,301	32,315	3,067
Pensions	433,712	537,804	550,982	678,363	140,559	127,381
Total PS	$1,860,351	$1,997,462	$1,988,589	$2,141,694	$144,232	$153,105
OTPS	$98,876	$139,232	$101,349	$108,556	($30,676)	$7,207
Legal Services	—	4,745	4,745	4,836	91	91
Judgments and Claims	18,205	20,029	21,649	21,649	1,620	—
Debt Service	39,009	51,966	49,880	48,159	(3,807)	(1,721)
Total OTPS	$156,090	$215,972	$177,623	$183,200	($32,772)	$5,577
Total Agency Costs	$2,016,441	$2,213,434	$2,166,212	$2,324,894	$111,460	$158,682
Less Intra-City	$2,122	$2,029	$2,029	$2,029	$—	$—
Net Agency Cost	$2,014,319	$2,211,405	$2,164,183	$2,322,865	$111,460	$158,682
Funding						
City	1,856,358	2,017,221	2,012,679	2,168,389	151,168	155,710
Non-City	157,961	194,184	151,504	154,476	(39,708)	2,972
Personnel (includes FTEs at fiscal year-end)						
City	15,508	15,521	15,547	15,643	122	96
Non-City	14	29	27	27	(2)	—
Total	15,522	15,550	15,574	15,670	120	96

Programmatic Review

In 2005, the Department expects that well over one-half of the responses by fire companies will be to medical and other non-fire emergencies. The Department's citywide response time to structural fires is estimated to be less than four and one-half minutes in 2006. The Department anticipates that its ambulances will respond to over one million medical incidents in 2006.

Fire Extinguishment

The Fire Department provides fire and rescue operations via 197 Engine Companies, 143 Ladder Companies, seven Squads, five Rescue Units, three Marine Companies, and one Hazardous Materials Unit.

Emergency Medical Services

The Department provides pre-hospital medical care through the deployment of 550 daily ambulance tours. Four additional EMS tours will be added as noted above. Engine Companies' personnel have received CFR-D training, and re-certification continues for those whose initial certification will expire.

Fire Prevention

The Bureau of Fire Prevention is responsible for enforcing the City's fire code through the inspection of public and private properties. The Bureau was recently expanded to focus on on-site examinations for fire safety directors in high-rise buildings, overdue account inspections and residential sprinkler inspections. The Bureau is also working with the Legal Division on the fire code revision project.

Fire Investigation

The Bureau of Fire Investigation is responsible for investigating and determining the cause and origin of all suspicious fires, and for the apprehension of arsonists. The Department will deploy 80 Fire Marshals to field duty in 2005.

Capital Review

The 2006-2015 Ten-Year Capital Strategy totals $559.3 million which includes $299.5 million in the 2006 – 2009 Four-Year Plan. This funding will be used for the purchase of fire-fighting apparatus, support vehicles, fire suppression and emergency medical equipment, the renovation and modernization of firehouses, and the upgrade and replacement of computer and communications systems.

The City is undertaking significant upgrade and enhancements to its 911 Emergency Dispatch System. The majority of the capital funding for this initiative, known as the Emergency Communications Transformation Program (ECTP), is contained within the capital budget of the Department of Information Technology and Telecommunications (DoITT). In conjunction with the NYPD and DoITT, FDNY is working to develop an integrated 911 dispatch system that will bolster the City's critical emergency response capabilities. This project includes the development of a consolidated dispatch system, an upgraded telecommunications infrastructure, and redundant call-taking and dispatch centers. In 2006, FDNY plans for the completion of the first phase of renovations on the Public Safety Answering Center (PSAC).

Capital Commitments

($000's)

	2004 Actual		2005 Plan		2006 Plan		2007 Plan		2008 Plan		2009 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Fire Alarm Communications	2,950	2,950	28,980	28,980	24,685	24,685	1,223	1,223	200	200	200	200
Electronic Data Processing	13,803	13,803	18,707	18,707	3,648	3,648	6,675	6,675	5,350	5,350	1,922	1,922
Reconstruction/Modernization of Facilities	35,749	35,749	83,264	83,264	89,130	89,130	24,400	24,400	17,250	17,250	11,847	11,847
Vehicles and Equipment	16,456	12,631	34,147	33,016	30,513	16,628	25,539	25,539	24,983	24,983	31,979	31,979
Total	68,958	65,133	165,098	163,967	147,976	134,091	57,837	57,837	47,783	47,783	45,948	45,948

Highlights of the Ten-Year Capital Plan

- upgrade emergency communications systems and radio equipment ($22 million).
- professional services for the upgrade and integration of the emergency response and dispatch system ($22.1 million).
- the purchase and upgrade of computer equipment to support agency operations including for the replacement of antiquated mainframe systems ($18.5 million).
- the replacement of front-line fire-fighting apparatus according to mandated replacement cycles and support vehicles and equipment including $113.0 million in the 2006-2009 four year plan ($310.6 million).
- the renovation of firehouse components such as boilers, electrical upgrades, kitchens, roofs, bathrooms, waterproofing, apparatus doors, floors, and windows including $76.4 million in the 2006-2009 four year plan ($119.9 million).
- the complete rehabilitation of three firehouses ($16.6 million).
- the construction of a new firehouse for Rescue Squad Three in the Bronx and Engine Company 201 in Brooklyn ($21.3 million).
- the construction of a new EMS station at Queens Hospital Center ($7.0 million).
- the relocation and consolidation of the fleet maintenance facility to a new site ($9.9 million).
- the renovation and the installation of security enhancements at FDNY training facilities on the Fort Totten Campus ($3.7 million).

The 2006 Plan for the Department totals $147.9 million and highlights include:

- the renovation of firehouse components such as boilers, electrical upgrades, kitchens, roofs, bathrooms, waterproofing, apparatus doors, floors, and windows ($36.5 million).
- the complete rehabilitation of three firehouses ($16.6 million).
- the construction of a new firehouse for Rescue Squad Three in the Bronx and Engine Company 201 ($21.3 million).

- the construction of a new EMS station at Queens Hospital Center ($7.0 million).
- the reconstruction of the Marine One Pier located on the west side of Manhattan ($3.6 million).
- the replacement of front-line fire-fighting apparatus and support vehicles and equipment ($16.1 million).
- the procurement of a new fireboat funded through the U.S. Department of Homeland Security grant program ($13.9 million).
- professional services for the integration and upgrade of the emergency response and dispatch system ($22.1 million).

DEPARTMENT OF SANITATION

As one of the oldest, largest, and most diverse public solid waste organizations in the United States, the Department of Sanitation maintains sanitary conditions and enforces sanitary compliance through the collection, management, recycling, and disposal of municipal solid waste in the City's 59 Community Districts.

Financial Review

The Department of Sanitation's 2006 Executive Budget provides for operating expenses of $1.1 billion, an increase of $23.7 million from the 2005 forecast. This increase is primarily due to landfill and interim export contract costs.

Capital commitments of $660.2 million are also provided in 2006, an increase of $521.1 million from the 2005 Plan amount. This increase is primarily due to the extensive infrastructure development for the new Solid Waste Management Plan in 2006.

Revenue Forecast

The Department of Sanitation generates revenue from contracts for the removal of abandoned vehicles from City streets and property, from concession fees on methane gas extracted from the Fresh Kills landfill, from the sale of recyclables to private processors, and from an assortment of miscellaneous fees and minor sales. The Department's 2006 revenue estimate is $8.9 million from these sources.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- the Department's workforce has been increased by six positions and $328,166 annually for the Citywide Anti-Graffiti Program.

- the Department's continued efforts towards a new Solid Waste Management Plan are supported with $2.7 million in 2006 for technical and legal services.

- a Waste Characterization Study, funded at $232,364 in 2006, will result in a better understanding and management of the composition of the City's waste stream.

- the Department will continue the separate collection and composting of leaves and Christmas trees with an additional $987,478 annually in funding.

- the Department's snow removal budget has been increased by $5.0 million, based on the previous five-year spending average.

Restructuring and Streamlining

- with the hiring of an additional 33 Sanitation Enforcement Agents and supervisors, the Department is expecting to reduce illegal dumping, postering, etc., and increase fine revenue from non-compliance with City laws.

- due to regulatory delays, the Department is estimating $36.0 million less in Fresh Kills closure construction costs in 2006.

- the Department expects to save $4.1 million in Personal Services costs, mostly due to a reduction in personnel uniform overtime.

Summary of Agency Financial Data
($000's)

	2004 Actual	2005 Forecast	2006 Preliminary Budget	2006 Executive Budget	Increase/(Decrease) 2005 Forecast	Increase/(Decrease) 2006 Preliminary Budget
Expenditures						
Salary and Wages	$607,792	$618,691	$615,307	$621,719	$3,028	$6,412
Fringe Benefits	16,783	17,891	17,847	18,774	883	927
OTPS	373,426	410,797	406,216	430,571	19,774	24,355
Total	$998,001	$1,047,379	$1,039,370	$1,071,064	$23,685	$31,694
Funding						
City	$965,605	$999,357	$1,014,631	$1,046,648	$47,291	$32,017
Other Categorical Grants	1,527	1,986	1,300	1,300	(686)	—
IFA	9,008	10,575	10,531	10,259	(316)	(272)
State	10,095	22,513	—	—	(22,513)	—
Federal CD	10,993	12,074	12,132	12,081	7	(51)
Federal Other	—	5	—	—	(5)	—
Intra-City Other	773	869	776	776	(93)	—
Total	$998,001	$1,047,379	$1,039,370	$1,071,064	$23,685	$31,694
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$207,721	$219,723	$240,948	$240,379	$20,656	($569)
Pensions	22,987	65,392	106,885	134,062	68,670	27,177
Other Than Personal Service (OTPS)						
Legal Services	—	2,745	2,745	2,797	52	52
Judgments and Claims	23,623	25,804	27,890	27,890	2,086	—
Debt Service	99,218	142,722	162,036	156,314	13,592	(5,722)
Total Additional Costs	$353,549	$456,386	$540,504	$561,442	$105,056	$20,938
Funding						
City	346,365	449,240	528,404	550,133	100,893	21,729
Non-City	7,184	7,146	12,100	11,309	4,163	(791)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$607,792	$618,691	$615,307	$621,719	$3,028	$6,412
Fringe Benefits	224,504	237,614	258,795	259,153	21,539	358
Pensions	22,987	65,392	106,885	134,062	68,670	27,177
Total PS	$855,283	$921,697	$980,987	$1,014,934	$93,237	$33,947
OTPS	$373,426	$410,797	$406,216	$430,571	$19,774	$24,355
Legal Services	—	2,745	2,745	2,797	52	52
Judgments and Claims	23,623	25,804	27,890	27,890	2,086	—
Debt Service	99,218	142,722	162,036	156,314	13,592	(5,722)
Total OTPS	$496,267	$582,068	$598,887	$617,572	$35,504	$18,685
Total Agency Costs	$1,351,550	$1,503,765	$1,579,874	$1,632,506	$128,741	$52,632
Less Intra-City	$773	$869	$776	$776	($93)	$—
Net Agency Cost	$1,350,777	$1,502,896	$1,579,098	$1,631,730	$128,834	$52,632
Funding						
City	1,311,970	1,448,597	1,543,035	1,596,781	148,184	53,746
Non-City	38,807	54,299	36,063	34,949	(19,350)	(1,114)
Personnel (includes FTEs at fiscal year-end)						
City	9,034	9,578	9,478	9,592	14	114
Non-City	315	390	386	386	(4)	—
Total	9,349	9,968	9,864	9,978	10	114

Programmatic Review

The Department's main administrative and planning divisions include the Bureau of Long Term Export, Financial Management and Administration, and the Bureau of Waste Prevention, Re-use, and Recycling. The two operational divisions are the Bureau of Cleaning and Collection (BCC) and the Bureau of Waste Disposal (BWD). The Bureau of Motor Equipment (BME) and the Bureau of Building Management (BBM) provide support operations.

Long Term Solid Waste Management

On July 31, 2002, the Mayor asked the Department of Sanitation to develop a new City waste export infrastructure to replace the existing contracts, limit truck-based export and maximize the export of containerized waste by barge or rail. The Mayor directed the Department to focus on the conversion of existing Marine Transfer Stations for barge export from four Boroughs and to build a facility to export Staten Island waste by rail.

The Department's efforts resulted in designs for new containerization facilities to be built at the Marine Transfer Station sites for the Department-managed waste generated in four Boroughs. Through procurement solicitations, the Department also obtained proposals from vendors interested in providing long-term waste services at the Marine Transfer Stations, as well as private vendor proposals that offer alternatives to the conversion of certain Marine Transfer Stations.

For Staten Island waste, the Department has embarked on the construction of a facility at a site at the closed Fresh Kills landfill that will containerize waste for rail transport once the final connections are complete.

Containerization at the Marine Transfer Stations and at the Staten Island facility will provide the City with an environmentally sound approach to waste management and increased flexibility in disposal options. In addition, the Solid Waste Management Plan more equitably distributes the responsibility for waste transfer among the five boroughs.

The Department's Ten-Year Capital Strategy provides $542.8 million for the implementation of the City's Solid Waste Management Plan.

Bureau of Waste Prevention, Re-use, and Recycling

The Department continues its efforts to reduce the quantity of solid waste that must be disposed. The Department currently operates a dual-stream recycling program that requires residents to separate metal, glass, and plastic (MGP) from paper and place it in bins, bags or bundles.

In 2005, the paper recycling program generates an average of $16.32 of revenue per ton from various vendors or $6.8 million per year. In 2005, the City is paying $51.00 per ton for metal, glass and plastic (MGP) processing.

Bureau of Cleaning and Collection

The Bureau of Cleaning and Collection (BCC) is primarily responsible for collecting household refuse and recyclables, cleaning City streets, and enforcing recycling regulations and portions of the City's health and administrative codes. During the winter, BCC is also responsible for the removal of snow from City streets.

Currently, BCC provides refuse collection services two to three times a week depending on the population density of the community. During 2004, the Department's curbside collection program averaged 10.8 tons per truck, primarily because of the temporary suspension of glass recycling for the first three quarters; while, in 2005, the Department has averaged 10.6 year-to-date.

Bureau of Waste Disposal

The Bureau of Waste Disposal (BWD) is responsible for the receipt, transfer, transportation, and final disposal of approximately 12,000 daily tons of residential and institutional waste through its waste export contracts.

BWD is also responsible for the Fresh Kills landfill closure activities. The Financial Plan includes funds for closure activities including final capping of the landfill, leachate treatment and control, methane gas collection and flaring, maintenance and security of the site and waterways, and environmental monitoring.

Support Bureaus

The Bureau of Motor Equipment (BME) provides services related to the acquisition, repair, and maintenance of the Department's equipment including collection trucks, street sweepers, salt spreaders, snow melters, front-end loaders, and other vehicles and equipment. BME operates an extensive network of repair and maintenance facility to ensure that equipment is available. This Bureau researches and develops equipment specifications to improve productivity, vehicle design, and to take advantage of the newest technologies including alternative fuel vehicles and emissions-reducing exhaust after-treatments. The Department has been a leading force in the City's efforts to convert its fleet to ultra-low-sulfur fuel.

The Bureau of Building Maintenance continues to provide facility management services. BBM provides maintenance and emergency repair work for the Department's 204 facilities. BBM is also working in conjunction with the New York Power Authority to reduce the Department's overall electrical consumption, particularly peak loads during high temperature summer days.

Capital Review

The Department's 2006-2015 Ten-Year Capital Strategy totals $2.5 billion. The Ten-Year Capital Strategy provides the Department with funding to construct, rehabilitate, purchase, and develop the necessary infrastructure and assets to support refuse collection, recycling, cleaning, waste disposal, and support operations. The Department's Ten-Year Capital Strategy consists of three major components – garage construction and rehabilitation, transfer station renovation and construction, and vehicle purchases. These three major programs represent 98.8 percent of the total 2006-2015 Ten-Year Capital Strategy.

The Department supports its collection and cleaning operations through its garage program. Garages and facilities will be constructed and rehabilitated in all five Boroughs. In accordance with the revised focus of the City's Long Term Solid Waste Management Plan, the Department has also embarked on the renovation and the construction of transfer stations. These containerized facilities will enable the City to export its refuse via barge or rail. The Department continues to replace vehicles, within established life cycles, including collection trucks, dual-bin trucks, mechanical brooms, and salt spreaders in order to support operations.

Capital Commitments

($000's)

	2004 Actual		2005 Plan		2006 Plan		2007 Plan		2008 Plan		2009 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Waste Disposal	2,542	2,542	3,793	3,793	10,500	10,500	10,000	10,000	9,500	9,500	0	0
Solid Waste Management	34,799	34,799	13,232	13,232	477,900	477,900	0	0	0	0	0	0
Garages	36,850	36,850	94,832	94,832	91,399	91,399	120,100	120,100	157,700	157,700	13,891	13,891
Equipment	66,146	66,146	27,340	27,340	80,450	80,450	82,126	82,126	85,085	85,085	93,706	93,706
TOTAL	140,338	140,338	139,197	139,197	660,249	660,249	212,226	212,226	252,285	252,285	107,597	107,597

Highlights of the 2006-2015 Ten-Year Capital Strategy and 2006-2009 Four-Year Plan

- construction and rehabilitation of garages ($935.7 million): including Manhattan 1/2/5 Garage ($189.7 million); Manhattan 6/8/8A Garage ($120.4 million); Staten Island 3 Garage and Borough Shop ($66.3 million); Brooklyn 13/15 Garage ($65.2 million); Brooklyn 3/3A Garage ($47.6 million); and Staten Island 1 Garage ($45.5 million).

- construction and renovation of transfer stations in accordance with the revised focus of the City's Long Term Solid Waste Management Plan ($569.9 million).

- replacement of vehicles ($985.6 million).

- construction and renovation of salt sheds ($36.0 million).

The 2006 Capital Plan provides $660.2 million in 2006 including:

- design and construction services necessary for the Transfer Stations ($450.8 million).

- replacement of mechanical brooms, collection trucks, salt spreaders and other vehicles in accordance with established replacement cycles ($68.4 million).

- design of the Staten Island 1 Garage ($1.7 million); design of the Brooklyn 13/15 Garage ($2.6 million); rehabilitation of Queens 9 garage ($2.6 million); design of Manhattan 6/8/8A Garage ($4.6 million); and the construction of Brooklyn 3/3A Garage ($47.6 million).

- construction of salt sheds, citywide ($13.0 million).

DEPARTMENT OF PARKS AND RECREATION

The Department of Parks and Recreation maintains one of the oldest and most extensive municipal park systems in the country. The Department is responsible for 28,800 acres of developed, natural, and undeveloped parkland, which constitutes 14 percent of the City's landmass. The municipal park system includes 800 athletic fields, 550 tennis courts, 63 swimming pools, 35 recreation centers, 14 miles of beaches, 13 golf courses, six ice rinks, four stadia, and three zoos. The Department is also responsible for the care of 1,200 monuments, 22 historic house museums and the cultivation of 2.5 million park and street trees.

Financial Review

The 2006 Executive Budget for the Department provides for operating expenses of $266.8 million, which represents a net decrease of $15.6 million from the amount forecasted in 2005. This decrease is primarily due to a projected decrease in expenses supported by grant funding.

Capital commitments for 2006 of $375.8 million are also provided, a decrease of $182.8 million from the 2005 capital plan of $558.6 million. This decrease is due to accelerated procurement and construction activity in 2005 for the reconstruction of various neighborhood parks and playgrounds, the acquisition of land for parks, and the reconstruction of East River Park and other large parks.

Revenue Forecast

The Department of Parks and Recreation issues recreational permits, collects revenue from stadium rentals, and receives revenue generated by concessions operated on Parks property. The Department will collect $69.4 million from these sources in 2006.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- maintaining the City's parks, playgrounds, infrastructure, and safety equipment, while maintaining the level of acceptable ratings for the cleanliness and overall condition of parks. The budget provides for the cleaning and maintenance of parks with full-time and part-time staff. The budget has been increased by 27 positions for the maintenance and operation of new parkland in Staten Island, Fort Totten, and comfort stations citywide.

- Parks maintenance funding is also provided by the City's Human Resources Administration for the Parks Opportunity Program. This program provides manpower to the Parks Department to maintain and operate its parks, while helping to train and employ public assistance recipients. The 2006 budget includes a $3 million increase over 2005 for this program.

- operating pools and beaches, and employing lifeguards at beaches. The 2006 budget includes the continuation of a $6 million allocation to provide the necessary staff for the operation and maintenance of pools and other recreation facilities during the summer months.

- developing athletic, artistic, and academic skills for children at recreational centers and playgrounds. The budget has been increased by 22 positions for the staffing and operation of the newly re-opened East 54th Street Recreation Center.

- maintaining street trees, park flora and fauna. The 2006 budget includes over $5 million for the removal of wood waste in areas affected by the Asian Longhorned Beetle infestation throughout the New York City area, preventing further infestation and damage to the City's trees.

- designing and supervising park construction. The 2006 budget includes an increase of 37 positions for the Capital Projects Division that is responsible for redesigning and rebuilding the agency's more than 1700 sites throughout the city. The additional positions are provided for the reconstruction of parkland in the Bronx.

- the 2006 budget also includes $9.3 million to fully subsidize the Wildlife Conservation Society for the operation of the Central Park Zoo, the Prospect Park Zoo and the Queens Wildlife Center.

Summary of Agency Financial Data
($000's)

	2004 Actual	2005 Forecast	2006 Preliminary Budget	2006 Executive Budget	Increase/(Decrease) 2005 Forecast	Increase/(Decrease) 2006 Preliminary Budget
Expenditures						
Salary and Wages	$205,119	$206,244	$201,642	$202,304	($3,940)	$662
Fringe Benefits	509	927	566	1,328	401	762
OTPS	55,988	75,164	60,187	63,140	(12,024)	2,953
Total	$261,616	$282,335	$262,395	$266,772	($15,563)	$4,377
Funding						
City	$184,255	$203,044	$190,607	$196,723	($6,321)	$6,116
Other Categorical Grants	8,475	11,234	1,250	1,250	(9,984)	—
IFA	18,239	19,136	20,329	20,329	1,193	—
State	380	839	—	—	(839)	—
Federal CD	5,745	7,638	5,910	5,910	(1,728)	—
Federal Other	1,066	700	—	—	(700)	—
Intra-City Other	43,456	39,744	44,299	42,560	2,816	(1,739)
Total	$261,616	$282,335	$262,395	$266,772	($15,563)	$4,377
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$69,795	$75,878	$80,890	$80,597	$4,719	($293)
Pensions	5,645	12,370	19,263	24,123	11,753	4,860
Other Than Personal Service (OTPS)						
Legal Services	—	3,899	3,900	3,974	75	74
Judgments and Claims	12,723	17,946	19,397	19,397	1,451	—
Debt Service	81,393	135,603	128,668	124,124	(11,479)	(4,544)
Total Additional Costs	$169,556	$245,696	$252,118	$252,215	$6,519	$97
Funding						
City	166,622	240,558	243,470	243,860	3,302	390
Non-City	2,934	5,138	8,648	8,355	3,217	(293)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$205,119	$206,244	$201,642	$202,304	($3,940)	$662
Fringe Benefits	70,304	76,805	81,456	81,925	5,120	469
Pensions	5,645	12,370	19,263	24,123	11,753	4,860
Total PS	$281,068	$295,419	$302,361	$308,352	$12,933	$5,991
OTPS	$55,988	$75,164	$60,187	$63,140	($12,024)	$2,953
Legal Services	—	3,899	3,900	3,974	75	74
Judgments and Claims	12,723	17,946	19,397	19,397	1,451	—
Debt Service	81,393	135,603	128,668	124,124	(11,479)	(4,544)
Total OTPS	$150,104	$232,612	$212,152	$210,635	($21,977)	($1,517)
Total Agency Costs	$431,172	$528,031	$514,513	$518,987	($9,044)	$4,474
Less Intra-City	$43,456	$39,744	$44,299	$42,560	$2,816	($1,739)
Net Agency Cost	$387,716	$488,287	$470,214	$476,427	($11,860)	$6,213
Funding						
City	350,877	443,602	434,077	440,583	(3,019)	6,506
Non-City	36,839	44,685	36,137	35,844	(8,841)	(293)
Personnel (includes FTEs at fiscal year-end)						
City	5,613	5,179	5,223	5,114	(65)	(109)
Non-City	426	488	494	490	2	(4)
Total	6,039	5,667	5,717	5,604	(63)	(113)

Programmatic Review

The Parks Department continues to explore approaches to maximize funding available to provide for safe and clean recreational space. To that end the Department expects to build upon past successes in establishing private and public partnerships along with Federal and State funding to assist in parkland maintenance and operations.

Maintaining Parks

The Department of Parks and Recreation will continue to optimize its full-time and seasonal staffing resources in order to maintain cleanliness in all parks and playgrounds citywide.

As a continued cost cutting measure the Parks Department will accelerate the reconstruction of asphalt or barren athletic fields, converting them to fields carpeted with synthetic turf. This initiative, known as the "Green Acres" program, maximizes recreational use of the fields, which can then sustain year-round play. Furthermore, the program reduces maintenance costs by eliminating the need to irrigate, mow, weed, fertilize or seed, thus allowing the Department to shift resources to other facilities or programs.

Expanding Public-Private Partnerships

The Department of Parks and Recreation continues to explore a variety of opportunities to increase resources for specific programmatic allocation. In the past, the Department has received support for capital projects, maintenance, programming and special events from non-profit partners like the Central Park Conservancy, the Randall's Island Sports Foundation, the Prospect Park Alliance, and the Friends of Van Cortlandt and Pelham Bay Park.

The Department is expanding its public-private partnerships to provide parks programming and adopt-a-park funds for maintenance of selected properties. The Department has not only benefited from cash donations but corporations like Daimler-Chrysler have made in-kind donations of 248 Global Electric Motorcars and Toyota donated 10 electric sports utility vehicles. The Rockaway Artist Alliance provided labor and materials for the maintenance of the City's monuments.

In October 2003, the Mayor and the City Parks Foundation officially launched the $25 million 'Catalyst for Neighborhood Parks' program focusing on four collections of parks: Historic Harlem, Astoria/Long Island City Waterfront, Red Hook, and High Bridge (Bronx) and Highbridge (Manhattan) parks. This innovative program builds community stewardship of New York City parks through concentrated projects that cultivate diverse partnerships with community groups, government agencies, nonprofits, schools and business and through those partnerships leverages resources to produce changes on-the-ground. At each collection of parks, the Parks Department is identifying and recruiting key stakeholders to help build commitment for both specific parks activities and for larger neighborhood revitalization strategies.

In addition to cleanliness, the Department places an emphasis on beautification. With funding from Bank of America, MetLife and Wendy's for the Greenstreets program the Department converted an additional 51 traffic triangles and medians into pocket parks and tree-lined malls, resulting in a combined total of more than 2,050 citywide.

Recreational Services

In an effort to promote cultural, recreational, and academic enrichment, the Department offers free after-school programs in 33 recreation centers citywide. Youth membership at recreational centers is at 25,000 an increase of approximately thirty percent from three years ago. The Department continues to make children a priority by enhancing its after school programs. Through programs such as Shape Up New York, Teens at Parks and Parks Afterschool, the Department is encouraging physical and mental health as well as developing leadership, teambuilding and creative skills throughout the City during the entire school year.

Capital Review

The Ten-Year Plan totals $1.1 billion, including $51 million of non-city funding. The first four years total $755.7 million, including $51 million of non-city funding. The table below shows capital commitments by program area over the 2006 - 2009 period.

Capital Commitments

($000's)

	2004 Actual		2005 Plan		2006 Plan		2007 Plan		2008 Plan		2009 Plan	
Ten Year Plan Category	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Beaches and Boardwalks	$1,098	$1,098	$18,911	$23,486	$1,465	$1,465	$700	$700	$1,700	$1,700	$500	$500
Land Acquisition and Tree Planting	15,711	16,029	48,415	50,620	17,959	17,959	11,706	11,706	7,907	7,907	6,400	6,400
Major Recreation Facilities	22,514	23,141	57,773	59,104	33,489	36,427	19,250	19,250	18,500	18,500	7,200	7,200
Neighborhood Parks and Playgrounds	40,296	44,391	102,364	123,029	61,968	66,983	34,500	34,500	26,750	26,750	15,000	15,000
Vehicles, Equipment and Facility Reconstruction	15,153	15,153	14,983	14,983	8,401	8,401	5,700	5,700	5,200	5,200	5,700	5,700
Large, Major and Regional Park Reconstruction	27,247	27,247	234,693	274,738	197,018	238,332	125,863	127,955	52,049	52,049	33,767	33,767
Zoos	0	0	12,614	12,614	6,244	6,244	0	0	0	0	0	0
TOTAL	$122,019	$148,998	$489,753	$558,574	$326,544	$375,811	$197,089	$199,181	$112,106	$112,106	$68,567	$68,567

Highlights of the Ten-Year Capital Plan

- construction of Fresh Kills Park in Staten Island ($100.0 million).
- development of the Greenpoint and Williamsburg waterfront ($100.0 million).
- construction of Brooklyn Bridge Park in Brooklyn ($45.3 million).
- reconstruction and replacement of safety surfaces, play equipment and paths in neighborhood parks and playgrounds citywide ($51.9 million).
- planting an average of 12,300 street trees per year citywide ($76.9 million).
- construction of the new Elmhurst Keyspan Park ($17.0 million) and Fort Totten Park in Queens ($12.0 million).
- development of riverfront parkland along the Bronx River ($23.0 million).
- rehabilitation of Shea and Yankee Stadium ($47.4 million).
- reconstruction and rehabilitation of park buildings citywide ($57.5 million).
- construction of Hudson River Park in Manhattan ($36.1 million, following $28.2 million in 2005).
- reconstruction of pools citywide ($17.2 million).
- reconstruction of bridges within Central Park, Prospect Park, and other parks ($59.2 million).

The 2006 Plan for the Department totals $375.8 million and highlights include:

- construction and reconstruction of neighborhood parks and playgrounds citywide ($67.0 million).
- construction of Hudson River Park in Manhattan($30.6 million).
- street tree planting citywide ($11.5 million).
- construction of athletic fields on Randall's Island ($5.0 million).
- reconstruction of Staten Island Botanical Garden in Staten Island ($3.6 million).
- restoration the Bronx River Park and Greenways ($2.4 million)
- reconstruction of the Queensbridge Park Greenways along the East River in Queens ($2.6 million)
- construction of the new Elmhurst Keyspan Park in Queens ($6.0 million)
- restoration of Marine Park White Island in Brooklyn ($6.6 million)
- reconstruction of the Prospect Park Ice Rink in Brooklyn ($10.9 million)

DEPARTMENT OF ENVIRONMENTAL PROTECTION

The major functions of the Department of Environmental Protection (DEP) include the collection, storage and delivery of the City's water; the conveyance and treatment of stormwater and sanitary flow; the enforcement of air, noise and water use regulations; water use billing, revenue collection and customer service; the management of environmental issues and natural resource protection; and the construction and reconstruction of the related infrastructure. The City is reimbursed for the costs of operating the water and sewer system by the New York City Water Board (the "Water Board") and the Department's capital program is financed through the New York City Municipal Water Finance Authority (the "Water Authority").

Financial Review

The Department of Environmental Protection's 2006 Executive Budget provides $809.5 million in operating expenses, an increase of $44.2 million from the amount forecast for 2005. It also provides capital commitments of $2.1 billion in Water Finance Authority funds and $114.3 million in non-City funds.

Revenue Forecast

The Department collects revenue from environmental quality permits, the sale of hydro-energy to upstate power utilities, property rentals, summonses adjudicated before the Environmental Control Board, and other fees. The revenue estimate for 2006 is $68.0 million. In addition, DEP gathers the data used to generate bills for customers and collects water and sewer fees for the New York City Water Board. DEP projects approximately $2.0 billion in water and sewer revenue for 2006.

The Bureau of Environmental Compliance regulates air, noise and hazardous materials, performs inspections, issues licenses and permits, and reviews technical plans related to asbestos control, air quality, and noise abatement laws. The Bureau will collect $10.7 million from these sources in 2006. The Environmental Control Board will collect $54.0 million in 2006.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- supplying approximately 1.3 billion gallons per day of drinking water to eight million City residents and one million upstate residents, as well as maintaining the City's water main and sewer infrastructure. Approximately 1,900 personnel and $295.0 million are dedicated to this function.

- treating approximately 1.3 billion gallons of dry-weather sewage per day at the City's 14 wastewater treatment plants. Approximately 2,300 personnel and $312.0 million are dedicated to this function.

- enforcing the City's air and noise codes, responding to hazardous materials emergencies, and adjudicating environmental violations through the Environmental Control Board. Approximately 300 personnel and $29.0 million support this function.

- continuing to address health and safety concerns for DEP employees with the addition of $3.9 million in funding and 30 positions.

- providing $1.4 million for various watershed security measures. Currently the watershed police force personnel are comprised of 211 budgeted positions including 188 environmental police officers.

- increasing funding by $9.2 million for Agency-wide energy needs and $12.5 million for taxes on City-owned watershed property.

- adding seven positions and $0.7 million in funding to repair street cave-ins.

Restructuring and Streamlining

- contracting out for sewer dragging services to alleviate the accumulation of debris and silt ($0.2 million in 2006 and $1.0 million in 2007). The sewers to be cleaned are located in Pugley Avenue, Zerega Avenue, and Balcom Avenue in the Bronx, as well as Beach Channel Drive in Queens.

- continuing improvements to the water and sewer computer billing system. This includes the contracting in of eight information technology positions to provide support for the customer billing system, saving approximately $2.0 million in annual contract costs beginning in 2007.

- increasing funding by $1.7 million for various maintenance and service repairs at its water pollution control plants and sewage pumping stations.

Summary of Agency Financial Data
($000's)

	2004 Actual	2005 Forecast	2006 Preliminary Budget	2006 Executive Budget	Increase/(Decrease) 2005 Forecast	Increase/(Decrease) 2006 Preliminary Budget
Expenditures						
Salary and Wages	$340,911	$350,194	$347,325	$354,810	$4,616	$7,485
Fringe Benefits	50	44	44	2,269	2,225	2,225
OTPS	368,269	415,144	399,395	452,454	37,310	53,059
Total	$709,230	$765,382	$746,764	$809,533	$44,151	$62,769
Funding						
City	$661,119	$714,173	$698,924	$760,291	$46,118	$61,367
Other Categorical Grants	—	—	—	—	—	—
IFA	46,555	46,876	46,876	48,276	1,400	1,400
State	788	2,636	—	—	(2,636)	—
Federal CD	—	—	—	—	—	—
Federal Other	260	733	—	—	(733)	—
Intra-City Other	508	964	964	966	2	2
Total	$709,230	$765,382	$746,764	$809,533	$44,151	$62,769
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$97,500	$103,686	$112,962	$112,748	$9,062	($214)
Pensions	9,361	21,043	33,574	41,552	20,509	7,978
Other Than Personal Service (OTPS)						
Legal Services	—	8,276	7,548	7,691	(585)	143
Judgments and Claims	23,853	22,473	24,291	24,291	1,818	—
Debt Service	84,758	85,441	73,399	70,807	(14,634)	(2,592)
Total Additional Costs	$215,472	$240,919	$251,774	$257,089	$16,170	$5,315
Funding						
City	212,994	237,837	246,824	252,679	14,842	5,855
Non-City	2,478	3,082	4,950	4,410	1,328	(540)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$340,911	$350,194	$347,325	$354,810	$4,616	$7,485
Fringe Benefits	97,550	103,730	113,006	115,017	11,287	2,011
Pensions	9,361	21,043	33,574	41,552	20,509	7,978
Total PS	$447,822	$474,967	$493,905	$511,379	$36,412	$17,474
OTPS	$368,269	$415,144	$399,395	$452,454	$37,310	$53,059
Legal Services	—	8,276	7,548	7,691	(585)	143
Judgments and Claims	23,853	22,473	24,291	24,291	1,818	—
Debt Service	84,758	85,441	73,399	70,807	(14,634)	(2,592)
Total OTPS	$476,880	$531,334	$504,633	$555,243	$23,909	$50,610
Total Agency Costs	$924,702	$1,006,301	$998,538	$1,066,622	$60,321	$68,084
Less Intra-City	$508	$964	$964	$966	$2	$2
Net Agency Cost	$924,194	$1,005,337	$997,574	$1,065,656	$60,319	$68,082
Funding						
City	874,113	952,010	945,748	1,012,970	60,960	67,222
Non-City	50,081	53,327	51,826	52,686	(641)	860
Personnel (includes FTEs at fiscal year-end)						
City	423	435	431	435	—	4
Non-City	5,701	5,846	5,768	5,862	16	94
Total	6,124	6,281	6,199	6,297	16	98

Programmatic Review

Water Supply Strategies

The New York City Water System consists of 18 collecting reservoirs and three controlled lakes located within the 2,000 square miles of the Croton, Catskill and Delaware watersheds. The Croton Watershed provides 10 percent of the City's water supply and is located north of the City in Westchester, Putnam and Dutchess Counties. The Catskill Watershed provides 40 percent of the City's water supply and is located 100 miles north of the City in the central and eastern portions of the Catskill Mountains. The Delaware Watershed provides 50 percent of the City's Water Supply and is located approximately 125 miles northwest of the City along the branches of the Delaware River.

The Department will continue the implementation of programs related to the Filtration Avoidance Determination (FAD) for the City's Catskill and Delaware water supplies. In 2006, an additional $1.0 million is provided. The FAD, which provides the City with an additional five year water filtration waiver through 2007, is based on DEP's ongoing long-term watershed protection program. DEP will continue funding for certain components that have been particularly effective and enhance or modify others where needed. Additionally, the FAD requires DEP to build an ultraviolet light disinfection facility to disinfect Catskill and Delaware water.

Wastewater Treatment Initiatives

The City's 14 Water Pollution Control Plants (WPCP) play a crucial role in DEP's ongoing efforts to improve water quality in New York Harbor and its surrounding areas by treating approximately 1.3 billion gallons of wastewater from homes, businesses, schools, and streets in the five boroughs daily. These plants treat captured sewage to standards established by State and Federal laws. Such measures help maintain exceptional quality of life standards for City communities. To continue this effort, DEP will use an additional $1.7 million for various maintenance and service repair contracts.

According to a recent Harbor Survey issued by the Department, water quality in the Harbor and surrounding waters continues to improve. The Harbor Survey has provided ongoing monitoring of water quality at 53 sampling stations since 1909. Coliform bacterial counts, which are indicators of sewage pollution, continue to decline at unprecedented levels. Improvements have also been realized in the measure of dissolved oxygen (DO) in the City's surrounding waters, as concentration levels in most areas of the Harbor have been notably higher in recent years. These advancements are primarily in response to the following Department initiatives: continued WPCP reconstruction and upgrades throughout the City; the abatement of illegal discharges; improved surveillance and sewer maintenance; decreased water consumption; and increased capture of wet weather flows.

Customer Services Programs

As required by the NYS Department of Environmental Conservation and the NYC Water Board, the Department is progressing towards its goal of universally metering all properties. The major goals of universal metering include water conservation, improved water supply system management and rate equity. The Department services approximately 824,000 water and sewer customer accounts, of which 36,000 are un-metered and 788,000 are metered accounts. Of the metered accounts, DEP bills 757,000 for water and sewer services based on metered consumption and 31,000 on an annual flat-rate system. These 31,000 accounts are receiving a flat rate during a transition period which allows owners to install water saving devices and conduct water leak audits. Owners of 14,000 properties that still have not taken steps to have meters installed will continue to receive surcharges to their annual flat rate bills.

The Department's outreach effort offers customers an opportunity to learn about billing policies and water conservation programs. DEP has improved payment convenience by entering into agreements with privately operated Neighborhood Payment Centers (NPCs). Customers can pay water and sewer bills by cash, check, or money order at over 400 NPCs.

DEP has enhanced the capabilities of its Interactive Voice Response (IVR) system so that customers now hear key information about their accounts including current balance due, payment received, and data from their last meter reading. In addition, customers may now view current water and sewer charges, make payments and view bills for the last year on the City's NYCServ Website.

The Department's conservation programs will also conduct 25,000 annual surveys, at a cost of approximately $1.0 million, for water leaks on customers' properties and supply low-flow showerheads and faucet aerators at no cost. Where leaks are detected and promptly corrected, customers may qualify for a "forgiveness" program that reduces increased charges caused by the leaks. The program was recently expanded to service both residential and commercial properties.

Environmental Compliance

The Bureau of Environmental Compliance responds to hazardous material emergencies, maintains a Citywide database of facilities containing hazardous materials under its Right-to-Know Program, monitors emissions and environmental impacts from alternative fuel vehicles, reviews and inspects asbestos abatement projects, investigates air quality and noise complaints, maintains four air monitoring stations on Staten Island, and assists environmental economic development.

The Asbestos Control Program certifies asbestos handlers, provides telephone response service to contractors and the public, laboratory analysis of asbestos materials, and inspects asbestos remediation projects.

Capital Review

Overview

In total, the Ten-Year Capital Plan provides $15.8 billion from the following sources: $15.6 billion in Water Finance Authority funds; $25.3 million in City funds; and $236.3 million in State funds.

The major elements of the Ten-Year Capital Plan include:

- plan, design, and begin to construct the Kensico-City water tunnel ($1.7 billion).

- constructing the Croton Water Filtration Plant and related projects ($1.3 billion).

- replacing and extending trunk and distribution water mains ($1.2 billion).

- constructing an ultraviolet light water disinfection plant for the Catskill and Delaware Watersheds ($517.0 million). This facility along with other elements of the FAD will enable DEP to avoid having to construct a conventional filtration plant estimated to cost between $4.0 and $6.0 billion.

- reconstructing upstate dams, roads and bridges ($525.9 million), including $210.0 million for the reconstruction of the Gilboa Dam in the Catskill Watershed.

- continuing construction of Stage Two of City Tunnel Number Three ($244.1 million). Work on this stage of tunnel construction will be primarily in Manhattan.

- extending and reconstructing sewers ($1.5 billion).

- continued upgrading to secondary treatment of the Newtown Creek WPCP ($811.6 million).

- ensuring compliance with mandated permit requirements by stabilizing in-City WPCPs, including: Bowery Bay ($313.1 million), Hunts Point ($519.2 million), Jamaica ($86.5 million), North River ($241.0 million), Rockaway ($100.5 million), Port Richmond & Oakwood Beach ($361.1 million), Tallman Island ($316.0 million), Ward's Island ($597.4 million), and 26th Ward ($500.8 million).

- implementing initiatives that address water quality problems attributable to combined sewer overflow (CSO) discharges into the City's surrounding waterways during rainstorms. These include an estimated $150 million in New York State funds, as part of the Clean Water/Clean Air Bond Act of 1996, for various water quality improvement projects that are included in the Ten-Year Plan ($716.8 million).

- continuing water conservation programs that include the installation of water meters ($107.7 million) and the toilet rebate program ($24.0 million).

Major projects scheduled for 2006 include:

- upgrading portions of the Newtown Creek WPCP ($259.8 million).

- reconstructing four WPCPs that discharge into the Upper East River to reduce nitrogen levels ($176.0 million).

- constructing the Paerdegat Basin CSO facility in Brooklyn ($164.1 million).

- continuing in-City water main construction ($163.6 million).

- reconstructing and extending of the City's sewer system ($177.6 million).

- commencing the remediation of the Brookfield Avenue Landfill in Staten Island ($111.5 million).

- continuing the construction of the Third Water Tunnel, Stage Two ($74.1 million).

The table below shows capital commitments by program area over the 2004-2009 period.

Capital Commitments

($000's)

	2004 Actual		2005 Plan		2006 Plan		2007 Plan		2008 Plan		2009 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Water Pollution	876,938	935,182	792,858	858,545	1,070,314	1,095,314	227,235	252,235	664,631	689,631	707,842	732,842
Water Mains	480,494	480,552	791,240	793,066	497,788	497,788	1,887,102	1,887,102	382,806	382,806	230,765	230,765
Sewers	215,650	216,098	230,236	231,025	177,623	177,647	184,547	184,547	172,824	172,824	122,813	122,813
Water Supply	38,854	38,854	751,795	751,795	184,026	184,026	15,103	15,103	50,000	50,000	150,000	150,000
Equipment	42,547	42,614	136,548	211,963	169,960	259,233	78,706	81,706	60,787	63,787	61,763	64,763
Total	1,654,483	1,713,300	2,702,677	2,846,394	2,099,711	2,214,008	2,392,693	2,420,693	1,331,048	1,359,048	1,273,183	1,301,183

The 2006-2015 Capital Plan provides $15.8 billion in funding. The major elements of the Ten-Year Plan are described below in the context of the four major program areas.

Water Supply

DEP provides water for the City and many upstate communities by maintaining 18 reservoirs and three controlled lakes in three watersheds, with a storage capacity of about 550 billion gallons. A network of three aqueducts, three City water tunnels, 106,312 hydrants, 94,358 valves, and 6,794 miles of water mains are or will be used to convey water from upstate to the City and several upstate communities.

The Ten-Year Plan includes approximately $7.3 billion for the protection and upkeep of the City's source water supply and water distribution systems. The highlights include various improvements to the water supply system upstate, the construction of the Catskill/Delaware Ultraviolet Light Disinfection Facility, the construction of the Croton Filtration Plant, the initiation of new Water Conveyance Measures, the Kensico-City Tunnel, Stage Two of City Tunnel Number 3, and the replacement and construction of distribution and trunk water mains.

The Department forecasts $1.6 billion within this Ten-Year Plan for improvements to the City's watershed, with $1.2 billion allocated in the first four years. This includes the continuation of the Filtration Avoidance measures totaling $89.3 million, with $57.5 million allocated in the first four years; the reconstructions of upstate dams, roads and bridges totaling $525.8 million, with $226.8 million allocated in the first four years; and the construction of an Ultraviolet Light Water Disinfection Facility for Catskill and Delaware totaling $517.0 million, which is all allocated in the first four years.

The Ten-Year Plan provides $1.3 billion, all within the first four years, for the construction of the Croton Filtration Plant and related projects. The City is required under a federal court consent decree to design and construct a filtration plant for its Croton water supply. In September 2004, a notice to proceed was issued for the first phase of construction of the plant at the preferred site for the facility; the Mosholu Golf Course in Van Cortlandt Park in the Bronx.

The Ten-Year Plan also includes $1.0 billion for Water Conveyance measures, with $50.0 million committed in the first four years. This program will allow the City to turn off any major component of the water supply system for inspection and repair without affecting the quantity or quality of water delivered to DEP customers.

The Department's Ten-Year Plan provides $1.7 billion for the planning, design, and construction of the Kensico to City Tunnel, with $150.0 million allocated in the first four years. This tunnel will run from the Kensico Reservoir in Westchester to the Van Cortlandt Park Valve Chamber in the Bronx, bypassing the Hillview Reservoir. This project will provide redundancy for sections of the Catskill and Delaware Aqueducts from the Kensico Reservoir to the City.

The Ten-Year Plan forecasts $244.1 million for the completion of Stage Two of City Tunnel Number Three, with $79.1 million scheduled for the first four years. The bulk of this amount will be committed to the completion of the boring and lining of the tunnel within Manhattan, and the construction of Shaft sites 24B through 32B on the east and west sides of Manhattan, as well as activation of the Brooklyn and Queens portion of the tunnel.

The Ten-Year Plan also provides $1.2 billion to replace and extend in-City distribution water mains. In the first four years, $430.7 million is allocated. In addition, DEP has forecasted $70.0 million over the next four years for the construction of a groundwater treatment facility for the well system located in Southeast Queens.

Sewers

The Department operates and maintains over 6,400 miles of sanitary, storm and combined sewers that carry both storm and wastewater to the City's 14 WPCPs. The sewage collection system, designed to prevent flooding and sewer backups, is divided into 14 drainage areas, 131,243 catch basins and approximately 5,000 seepage basins. The Ten-Year Capital Plan allocates $1.5 billion for the replacement, construction and expansion of the City's sewer system, with $657.8 million disbursed over the next four years.

The Ten-Year Plan provides $132.9 million for the replacement and augmentation of sewers to enhance capacity for areas experiencing population increases and economic development projects. Over $503.3 million is allocated for the replacement of chronically malfunctioning sewers that may cause flooding or potential health hazards. The Department projects to commit $890.8 million to extend the sewer system into areas currently underserved, primarily in Queens and Staten Island. This amount includes $280.1 million in expenditures within the next four years. In addition, DEP has forecasted $44.4 million over the next ten years for the acquisition of land as part of the Staten Island Bluebelt program. This project sets aside streams, ponds, and other wetland areas for the conveyance and storage of stormwater in lieu of more costly conventional trunk storm sewers.

Wastewater Treatment

DEP's Bureau of Wastewater Treatment operates 14 WPCPs, one storm-overflow retention facility, 93 wastewater pumping stations, nine laboratories, eight sludge dewatering facilities and three inner-harbor sludge transport vessels. On average, these facilities treat approximately 1.3 billion gallons of dry-weather sewage and handle 1,200 wet-tons of sludge each day. The Ten-Year Plan for Wastewater Treatment projects totals $6.2 billion, including $150.0 million of State funds. Of this amount, $2.8 billion will be allocated over the next four years.

The Ten-Year Plan includes $1.0 billion for consent decree upgrading and construction projects for water pollution control facilities. The largest of these projects is $811.6 million for the continued upgrade of the Newtown Creek WPCP to provide full secondary treatment ($2.4 billion total cost).

The Ten-Year Plan has scheduled $3.1 billion for the stabilization of in-City WPCPs that are in need of reconstruction to ensure continued compliance with mandated permit requirements. These facilities include the Bowery Bay, Hunts Point, Jamaica, North River, Rockaway, Port Richmond, Oakwood Beach, Tallman Island, Wards Island, and 26th Ward WPCPs. Capital Plan improvements total $313.1 million at Bowery Bay, $316.0 million at Tallman Island, $519.2 million at Hunts Point, $597.4 million at Ward's Island and $500.8 million at 26th Ward.

The Ten-Year Plan allocates $1.1 billion for the reconstruction of wastewater pumping stations, regulators, tide gates, force mains, and equipment purchases. The System's 93 pumping stations are used to convey wastewater over long distances, to drain low-lying areas, and to lift flows to WPCPs.

Portions of the City's water bodies have been negatively impacted by combined sewer overflow (CSO) discharges. The Ten-Year Plan provides $716.8 million for the study, design and implementation of CSO abatement projects for Flushing Bay in Queens, Newtown Creek in Brooklyn, Paerdegat Basin in Brooklyn, Hunts Point in the Bronx, Alley Creek in Queens, and the Gowanus Canal in Brooklyn. The allocations include $150.0 million forecasted in State funds, as part of the Clean Water/Clean Air Bond Act of 1996, to be used for various water quality improvement projects.

Equipment

The Ten-Year Plan totals $805.9 million for this category, funded as follows: $25.3 million in City General Obligation bonds, $86.2 million in State funds, and $694.4 million from the Water Authority. The majority of this funding is allocated for the relocation of utility gas mains for sewer and water main projects at a cost of $290.3 million over the next ten years. The plan also includes the remediation of closed landfills, water meter installation, facility reconstruction, and the purchase of vehicles and computer equipment.

DEP will continue upgrading and consolidating its facilities over this Ten-Year Plan for a cost of $148.8 million. This includes the reconstruction of the Maspeth Water and Sewer Operations facility in Queens for $38.1 million and the construction of the Clove Road Consolidated Maintenance Facility for Water & Sewer Operations in Staten Island for $30.8 million.

The Ten-Year Plan provides funding for water conservation efforts at a cost of $131.8 million. This includes $107.8 million for water meter replacements and $24.0 million for the plumbing retrofit program.

DEP will continue to remediate certain landfills previously operated by the Department of Sanitation. As a result of past illegal dumping which occurred at these sites, they have been placed on the State list of inactive hazardous waste sites. DEP will supervise the remediation of Brookfield Avenue Landfill in Staten Island, which will require a cap, a gas collection and disposal system, and a stormwater management system. Remediation scheduled for 2006 will cost $111.5 million, of which $25.3 million will be funded by City General Obligation bonds and $86.2 million funded by State funds.

DEPARTMENT OF TRANSPORTATION

The Department of Transportation (DOT) maintains, operates and reconstructs City bridges, maintains and resurfaces streets and arterial highways within the five boroughs, plans and funds street reconstruction, operates the Staten Island Ferry, manages the streetlighting system and traffic signal network, maintains and collects revenue from parking meters, operates parking facilities, helps regulate traffic flow, coordinates transportation planning, oversees subsidized bus and private ferry operations, and manages street use franchises.

Financial Review

The Department's 2006 Executive Budget provides for operating expenses of $545.2 million, a decrease of $29.3 million from the amount forecast for 2005. This decrease is primarily the result of Federal and State grants expiring at the end of 2005. Capital commitments of almost $1.3 billion are also provided for 2006, including $223.5 million in Federal and State funding.

Revenue Forecast

The Department of Transportation collects revenue from parking meters and garages, franchises, concessions, and street opening permits. In 2006, the Department will collect $198.7 million in revenue.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- an allocation of $80.2 million for the resurfacing of 900 lane miles of streets and the repair of approximately 228,000 street defects (potholes).
- funding of $81.5 for streetlights and traffic signals, including $54.2 million to energize all streetlights and traffic signals throughout the City, and $27.3 million for the maintenance of over 11,700 traffic signalized intersections and over 334,000 streetlights, citywide.
- funding of $54.5 million in 2006 for the operation of the Staten Island Ferry and overseeing private ferry service.
- funding of $14.7 million for the preventive maintenance, cleaning, and painting of City bridges.
- approximately $15.5 million in 2006 for the maintenance and cleaning of arterial highways located throughout the five boroughs.
- an allocation of $12.1 million to repair hazardous or potentially hazardous safety and structural conditions on bridges, also known as "flags."

Restructuring

- an increase of $11.2 million and 32 positions for the resurfacing of an additional 200 lane miles of streets and related support services.
- an increase of $1.7 million for additional weekday Staten Island ferry service during rush hour and other times.
- an increase of $1.5 million for the Staten Island Ferry operations, including 14 positions to staff the new Spirit of America ferry boat, and additional canine detection teams for security.
- an increase of $0.4 million to provide a medical review program for employees agency-wide.

Summary of Agency Financial Data
($000's)

	2004 Actual	2005 Forecast	2006 Preliminary Budget	2006 Executive Budget	Increase/(Decrease) 2005 Forecast	Increase/(Decrease) 2006 Preliminary Budget
Expenditures						
Salary and Wages	$245,920	$270,015	$245,063	$249,901	($20,114)	$4,838
Fringe Benefits	263	4,957	236	3,480	(1,477)	3,244
OTPS	255,467	299,554	269,722	291,864	(7,690)	22,142
Total	$501,650	$574,526	$515,021	$545,245	($29,281)	$30,224
Funding						
City	$276,387	$311,572	$314,361	$329,160	$17,588	$14,799
Other Categorical Grants	3,128	6,461	—	—	(6,461)	—
IFA	93,816	99,432	94,308	105,499	6,067	11,191
State	47,123	60,263	35,942	40,176	(20,087)	4,234
Federal CD	269	435	—	—	(435)	—
Federal Other	27,562	38,684	12,888	12,888	(25,796)	—
Intra-City Other	53,365	57,679	57,522	57,522	(157)	—
Total	$501,650	$574,526	$515,021	$545,245	($29,281)	$30,224
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$80,391	$88,762	$95,682	$95,146	$6,384	($536)
Pensions	6,759	16,129	23,297	29,318	13,189	6,021
Other Than Personal Service (OTPS)						
Legal Services	—	25,112	24,196	24,644	(468)	448
Judgments and Claims	106,702	125,218	135,343	135,343	10,125	—
Debt Service	242,854	325,587	349,435	337,096	11,509	(12,339)
Total Additional Costs	$436,706	$580,808	$627,953	$621,547	$40,739	($6,406)
Funding						
City	433,418	572,250	608,858	603,714	31,464	(5,144)
Non-City	3,288	8,558	19,095	17,833	9,275	(1,262)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$245,920	$270,015	$245,063	$249,901	($20,114)	$4,838
Fringe Benefits	80,654	93,719	95,918	98,626	4,907	2,708
Pensions	6,759	16,129	23,297	29,318	13,189	6,021
Total PS	$333,333	$379,863	$364,278	$377,845	($2,018)	$13,567
OTPS	$255,467	$299,554	$269,722	$291,864	($7,690)	$22,142
Legal Services	—	25,112	24,196	24,644	(468)	448
Judgments and Claims	106,702	125,218	135,343	135,343	10,125	—
Debt Service	242,854	325,587	349,435	337,096	11,509	(12,339)
Total OTPS	$605,023	$775,471	$778,696	$788,947	$13,476	$10,251
Total Agency Costs	$938,356	$1,155,334	$1,142,974	$1,166,792	$11,458	$23,818
Less Intra-City	$53,365	$57,679	$57,522	$57,522	($157)	$—
Net Agency Cost	$884,991	$1,097,655	$1,085,452	$1,109,270	$11,615	$23,818
Funding						
City	709,805	883,822	923,219	932,874	49,052	9,655
Non-City	175,186	213,833	162,233	176,396	(37,437)	14,163
Personnel (includes FTEs at fiscal year-end)						
City	2,036	2,248	2,225	2,256	8	31
Non-City	2,291	2,634	2,034	2,134	(500)	100
Total	4,327	4,882	4,259	4,390	(492)	131

Programmatic Review

Bridges

The Bureau of Bridges is responsible for the reconstruction, repair, maintenance and operation of approximately 800 bridge and tunnel structures. In 2006, the Bureau of Bridges will be staffed with 797 positions and have an operating budget of $61.7 million, a decrease of $4.6 million from the amount forecast for 2005. This decrease is primarily the result of Federal and State grants expiring at the end of 2005. A number of these grants are ultimately expected to be renewed during 2006.

The Bridge program in the 2006 Executive Budget continues the City's commitment to preserve and maintain its infrastructure, including $33.0 million for "Flag" Repair ($12.1 million), Corrective Repair ($6.2 million) and Preventive Maintenance ($14.7 million) programs.

The Bridge "Flag" Repair program corrects structural and safety deficiencies on bridges by using both in-house and contract forces. The Executive Budget provides 145 positions in 2006 for the "Flag" Repair program. Of the $12.1 million budgeted, approximately $3.8 million is provided for contracts to help reduce the backlog of "yellow" and "safety" flags and to keep current on all new occurrences of "red" or more serious flags. Flag Repair is also performed by the Department's capital budget contractors doing large-scale reconstruction work on the East River Bridges and other bridges. As a result of these combined strategies, more serious flags are treated expeditiously.

In addition, 30 positions are planned in 2006 for the Corrective Repair program, which primarily oversees mechanical and electrical systems on the City's 25 movable bridges. Furthermore, the Preventive Maintenance program will have a workforce of 202 positions for the oiling, sweeping, cleaning, washing, electrical maintenance and spot and salt splash zone painting of the City's bridges. Operating in conjunction with these expense-funded programs, the Capital Budget also funds large-scale bridge protective coating programs.

To complement the City's commitment to the Bridges program, the Federal government will extend grants for preventive maintenance on the Manhattan, Williamsburg, Queensboro and Brooklyn Bridges while these four bridges are under capital reconstruction.

This continuing commitment to the City's Bridges program, in conjunction with a Ten-Year Capital Plan of approximately $4.9 billion, will result in an extensive bridge system in good condition, with lower future capital reconstruction costs, fewer emergency repairs, and a more cost effective maintenance and repair program.

Highway Operations

The Roadway Repair and Maintenance Division is responsible for maintaining approximately 5,700 linear miles of streets and arterial highways within the five boroughs. The Permits Management and Construction Control programs are responsible for regulating the excavation and various other uses of City streets and sidewalks. In 2006, the Highway operations will be staffed by approximately 1,066 full-time and approximately 220 seasonal positions with a budget totaling $116.6 million, a decrease of $1.6 million over the 2005 agency forecast. This decrease is primarily the result of $10.9 million increase in 2006 for the in-house resurfacing program being offset by Federal and State grants expiring at the end of 2005. A number of these grants are expected to be renewed during 2006.

The City continues to dedicate significant resources to its in-house resurfacing program, with 274.3 linear miles (900 lane miles) to be resurfaced in 2006, a total increase of 61.0 linear miles (200 lane miles) over the amount resurfaced in previous years. The City will repair approximately 228,000 small street defects in 2005, in addition to other street defects addressed in the resurfacing program. Currently, 74.3 percent of the City's 5,700 linear miles of street surfaces are rated in good condition.

In an effort to maintain the arterial highways within the City, and increase community participation, the Department will continue its successful Adopt-a-Highway Program. This program enables sponsors to adopt up to 362 miles of highway and contribute funding for the cleaning and maintenance of the roadside. Additionally, the Department utilizes available State aid to perform both road maintenance and repair activities. Currently, the Department annually cleans and maintains 1,175 lane miles of arterial highway and 2,525 acres of landscaped areas and shoulders with a staff of approximately 248.

Traffic Operations

The Bureau of Traffic Operations maintains and collects revenue from approximately 77,000 metered spaces, operates 49 municipal parking facilities, and installs and maintains an estimated 1.3 million traffic signs, approximately 11,700 signalized intersections, and over 334,000 streetlights. The 2006 Executive Budget for the Bureau of Traffic provides for 1,162 positions and $195.9 million, a decrease of $16.9 million from the amount forecast for 2005. This decrease is primarily the result of Federal and State grants expiring at the end of 2005. A number of these grants are ultimately expected to be renewed during 2006. The 2006 Executive Budget includes $49.7 million for the continued maintenance of streetlights and traffic signals.

The Red Light Camera program is designed to promote safe, responsible driving by photographing and fining vehicles "running" red lights. Given the success of this program in reducing red light violations at busy intersections, DOT is proposing to expand the current program from 50 to 100 cameras citywide. The expansion of the Red Light Camera Program requires the approval of the New York State Legislature which is currently considering DOT's proposal and is expected to take action before the end of the current legislative session. The 2006 Executive Budget includes $7.8 million for the operation of this program.

Under the Safe Routes to School program, the Bureau has completed collecting traffic safety data on the City's 1,359 elementary and middle schools and has identified the 135 schools with the greatest traffic safety risks. In 2006, long-term improvement projects will continue at 32 of these schools.

The Bureau will continue the successful Commercial Parking Program in the central business core of Manhattan. The program has alleviated traffic congestion in midtown by creating expanded traffic corridors, reducing double parking, improving timely parking space turnover, and expediting cross-town traffic flow.

Transit Operations

DOT operates and maintains the Staten Island Ferry and its terminals, regulates private ferry operations, provides school bus service for disabled pre-kindergarten children, and manages the subsidized franchise bus program. The 2006 Executive Budget provides for 677 positions and an operating budget of $121.8 million, a decrease of $3.0 million from the amount forecast for 2005. This decrease is primarily the result of Federal and State grants expiring at the end of 2005. A number of these grants are expected to be renewed during 2006. Concurrently, DOT oversees approximately $253.9 million in operating subsidies to the franchised bus program and the MTA Bus Company, including $56.3 million in State subsidies. These bus subsidies are paid from the City's Miscellaneous Budget.

The Staten Island Ferry is expected to carry approximately 19.0 million passengers and the Department anticipates that the Ferry program will achieve an on-time performance rate of 96 percent. DOT currently estimates that annual ridership on privately operated commuter ferries is approximately 10 million passengers. Prior to September 11, 2001, only about eight million passengers per year were transported on privately operated commuter ferries. Ridership peaked at approximately 15 million passengers per year in 2002 and 2003, before the restoration of the WTC PATH service in November 2003.

DOT also provides financial management and operating assistance, and administers the capital program for the subsidized franchise bus program. The program, through private franchised bus companies, provides local and express service in areas generally not covered by New York City Transit's bus network in The Bronx, Brooklyn and Queens. This system is expected to carry approximately 100 million passengers in 2006, remaining flat from the previous year. In addition, the City is currently managing and monitoring selected private express bus service to southern Staten Island. The City is currently finalizing agreements with the goal of transitioning to MTA bus service in the areas served by the seven City's franchised bus companies. The MTA Bus Company, a newly established MTA subsidiary, has already commenced service in the areas served by two of the companies, Liberty Lines Express in The Bronx and Queens Surface Corporation in Queens.

The City currently owns three bus depots, located in College Point, Queens, Yonkers and in Southeast Brooklyn, two of which are equipped to fuel and maintain Compressed Natural Gas (CNG) buses. Currently, 356 of over 1,200 buses are fueled by Compressed Natural Gas (CNG).

Capital Review

The Department's 2006-2015 Ten-Year Capital Commitment Plan totals $8.9 billion for the reconstruction of transportation infrastructure, of which approximately 82 percent is City-funded. The table below shows commitments by program area over the 2004-2009 period.

Capital Commitments

($000's)

	2004 Actual		2005 Plan		2006 Plan		2007 Plan		2008 Plan		2009 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Highways and Streets	$193,517	$214,272	$305,976	$342,741	$329,808	$407,101	$355,687	$415,379	$296,963	$297,212	$297,728	$297,728
Highway Bridges	144,956	206,098	117,415	118,924	497,323	506,110	435,713	525,036	257,122	444,832	134,356	169,646
Waterway Bridges	213,380	356,368	5,938	152,757	103,230	118,230	179,460	289,460	33,652	33,652	182,308	331,826
Traffic	30,495	50,703	44,118	84,996	82,844	170,879	65,798	90,134	40,836	57,136	38,438	55,338
Vehicles/Equipment	8,642	8,829	7,832	8,385	26,453	37,945	23,125	23,125	6,000	6,000	6,000	6,000
Ferries	16,566	49,492	23,858	130,283	32,133	43,233	27,450	34,050	25,550	25,550	15,800	15,800
Franchise Transit	(542)	(1,496)	4,305	5,269	1,506	13,265	0	0	0	0	0	0
Total	$607,014	$884,266	$509,442	$843,355	$1,073,297	$1,296,763	$1,087,233	$1,377,184	$660,123	$864,382	$674,630	$876,338

The highlights of the Ten-Year Capital Commitment Plan include:

- the continued reconstruction/rehabilitation of the four East River Bridges and the complete reconstruction/rehabilitation of 149 other bridge structures. The Plan also includes programs to resurface bridge decks, replace expansion joints and other bridge components, and apply protective coating treatments to prolong the useful life of City bridges ($4.9 billion, including $2.4 billion in 2006-2009).

- the reconstruction and/or resurfacing of approximately 2,646.4 linear miles (8,672.6 lane miles) of City streets to maintain and improve their condition. In addition, it provides for the installation of pedestrian ramps at approximately 42,900 corners to increase accessibility for the disabled, and the reconstruction of 46.7 million square feet of sidewalk to reduce defects ($3.1 billion, including $1.4 billion in 2006-2009).

- the modernization and expanded computerization of the City's traffic signal network to improve traffic flow, the upgrade of the streetlighting system, the installation of pavement markings, and the reconstruction of municipal parking facilities ($684.0 million including $373.5 million in 2006-2009).

- the reconstruction and improvement of various ferry vessels and facilities, including the completion of the Whitehall and St. George Ferry Terminals and the final phase of the construction of three next-generation Centennial-class ferry vessels ($174.7 million, including $118.6 million in 2006-2009).

- the purchase of equipment and the rehabilitation of bus facilities for the City's subsidized franchise transit program ($13.3 million, entirely in 2006-2009).

- the replacement of vehicles for field forces and the upgrading of computer equipment ($99.4 million, including $73.1 million in 2006-2009).

Bridges

The Ten-Year Plan for the Bureau of Bridges totals $4.9 billion, of which 76 percent is City-funded. The plan includes $543.6 million for the continuing reconstruction of the East River Bridges, including $296.0 million for the reconstruction of the Brooklyn Bridge, $157.2 million for the Manhattan Bridge, $60.1 million for the Williamsburg Bridge and $30.3 million for the Queensboro Bridge. The Ten-Year Plan will complete the commitment for major reconstruction of all four East River Bridges.

The Four-Year Plan for the Bureau of Bridges totals $2.4 billion, of which 75 percent is City-funded. The plan includes $446.9 million for the continuing reconstruction of the East River Bridges, including $274.2 million for the reconstruction of the Brooklyn Bridge, $129.4 million for the Manhattan Bridge, $36.0 million for the Williamsburg Bridge and $7.3 million for the Queensboro Bridge. The Four-Year Plan will complete the commitment for major reconstruction of all four East River Bridges.

Another $1.5 billion is provided in the Four-Year Plan to reconstruct six "poor" and 37 "fair" bridge structures, including the Willis Avenue Bridge over the Harlem River, the Hamilton Avenue Bridge over the Gowanus Canal and six of the Belt Parkway bridges. The Bridge Life Extension program, designed to address the capital needs of bridges before total capital reconstruction becomes necessary, will rehabilitate 14 bridge structures, at a total cost of $325.3 million. All bridge structures currently rated "poor" will be committed for reconstruction by 2008. In addition, $59.5 million is provided to apply protective coating treatments to various highway and waterway bridges to preserve and enhance their condition.

The 2006 Capital Plan for Bridges totals $624.3 million, including $46.6 million for the reconstruction of 14 DOT-owned pedestrian bridges, $56.4 million for the construction of the new East 153rd Street Bridge over Metro-North Railroad, and $38.9 million for the reconstruction of the Grand Concourse Bridge over 161st Street. Additionally, the Plan includes $278.4 million for the reconstruction of 8 "fair" rated bridge structures, including the Woodside Avenue Bridge over the Long Island Rail Road.

Highways

The Ten-Year Plan for Highways totals $3.1 billion and is 95 percent City funded. The Plan provides $1.6 billion for street reconstruction of 222.6 linear miles (722.6 lane miles), and $935.2 million for street and arterial resurfacing of 2,423.8 linear miles (7,950 lane miles). The Plan also provides $130.3 million for the installation of pedestrian ramps at 42,900 corners. Another $327.5 million is allocated for the replacement of 46.7 million square feet of sidewalk, Citywide.

The Four-Year Plan for Highways totals $1.4 billion with 90 percent being City-funded. The Plan provides $735.8 million for street reconstruction of 113.6 linear miles (375.6 lane miles), and $403.0 million for street and arterial resurfacing of 1,097.6 linear miles (3,600 lane miles). This includes 96.0 million in Federal funds that will be provided to reconstruct streets in the World Trade Center area. The Plan also provides $94.8 million for the installation of pedestrian ramps at over 37,215 corners. Another $141.9 million is allocated for the replacement of over 20.2 million square feet of sidewalks, citywide.

The 2006 Capital Plan for Highways totals $407.1 million and includes $312.6 million for the reconstruction or resurfacing 307.7 linear miles (1,109.9 lane miles) of streets, including streets in the Jamaica area of Queens, 86th Street in Brooklyn, and Forest Hill Road in Staten Island.

Traffic

The Ten-Year Plan for Traffic totals $684.0 million, of which 63 percent is City-funded. The Plan provides $242.6 million for signal installations and maintenance, as well as the computerization and modernization of signalized intersections to improve the flow of traffic. The Plan includes $215.8 million for the upgrade and replacement of lampposts and luminaires for lighting and safety, $124.6 million for signal and streetlight work associated with the highway and bridge reconstruction programs, $27.4 million for the installation of approximately 60 million linear feet of thermoplastic markings for traffic control, and $43.6 million for the replacement of 1,000,000 linear feet of electrical distribution systems along the City's streets. In addition, the Plan includes $30.0 million for the rehabilitation of an estimated 16 municipal parking garages and parking lots and the purchase of muni-meters.

The Four-Year Plan for Traffic totals $373.5 million, of which 61 percent is City-funded. The Plan provides $141.7 million for signal installations and maintenance, as well as the computerization and modernization of signalized intersections to improve the flow of traffic. The Plan includes $125.3 million for the upgrade and replacement of lampposts and luminaires for lighting and safety, $48.7 million for signal and streetlight work associated with the highway and bridge reconstruction programs, $11.3 million for the installation of approximately 24 million linear feet of thermoplastic markings for traffic control, and $17.8 million for the replacement of 400,000 linear feet of electrical distribution systems along the City's streets. In addition, the Plan includes $28.7 million for the rehabilitation of an estimated 16 municipal parking garages and parking lots and the purchase of muni-meters.

The 2006 Capital Plan for Traffic totals $170.3 million. This includes $14.0 million for the installation of signals at roughly 200 intersections and $25.3 million for Advanced Traffic Controllers. Additionally, the Plan includes $15 million for the painting of streetlight poles to prevent stray voltage and $20 million for the replacement of incandescent light bulbs in city streetlights with more energy-efficient bulbs and reflectors.

Transit

The Ten-Year Plan for Transit totals $188.0 million, including $174.7 million for Ferries and $13.3 million for Franchise Transit. The Plan for Ferries, which is 90 percent City-funded, includes $120.9 million for the reconstruction and replacement of ferry boats including $5 million for the replacement of the Cosgrove Ferry boat and $10 million for the design of the next generation Barberi Class boat. The Plan also includes $53.8 million for ferry terminal and facility improvements, including $15 million for the reconstruction of Pier 7 Ferry Maintenance Facility and $15 million for the reconstruction of Ferry Racks.

The Four-Year Plan for Transit totals $131.9 million, including $118.6 million for Ferries and $13.3 million for Franchise Transit. The Plan for Ferries, which is 85 percent City-funded, includes $57.7 million for the reconstruction and replacement of ferry boats and $46.5 million for ferry terminal and facility improvements.

The 2006 Capital Plan for Ferries totals $43.2 million, including $9.3 million in operations, security, and safety enhancements recommended by the Global Maritime and Transportation School (GMATS) and the US Coast Guard for the Staten Island Ferry Program. The Plan also includes $12.9 million for dry-docking and maintenance of the Staten Island Ferry fleet.

HOUSING PRESERVATION AND DEVELOPMENT

The Department of Housing Preservation and Development (HPD) is responsible for the preservation, rehabilitation and expansion of New York City's housing stock. HPD serves as a catalyst for private investment in communities with the greatest need. As reflected in the 2006 Executive Budget, the agency will work towards the preservation and development of affordable housing through direct investment and the provision of loans and other forms of financial assistance. The budget is highlighted by "The New Housing Marketplace," a $3 billion plan composed of new programs and the expansion of existing programs. The goal of this initiative is to create or preserve more than 65,000 homes and apartments citywide from 2004 to 2008.

The Mayor, in collaboration with the City Comptroller, recently proposed the creation of a New York City Housing Trust Fund, which would add 3,000 more units to the New Housing Marketplace plan and deepen the affordability of another 1,500. Pending approval from the State, HPD will utilize $130 million in Battery Park City Authority surplus revenue to target otherwise hard-to-reach income groups (below 30% and between 60% and 80% of area median income), at-risk properties, and land for acquisition and development.

HPD also continues to enforce compliance with housing quality standards and maximize neighborhood ownership and management of housing by soliciting local participation in its disposition and development programs. The Office of Housing Operations, the Office of Preservation Services and the Office of Development manage the majority of HPD's programs.

The primary responsibility of the Office of Housing Operations is the maintenance of occupied, privately owned and City owned (*in rem*) buildings. The Division of Property Management manages City owned residential and commercial properties. The Division of Alternative Management Programs designs initiatives to return buildings that are currently in City ownership to responsible private owners. The Division of Tenant Resources provides low income families with housing made affordable through the use of Federal Housing Choice (commonly known as Section 8) vouchers that subsidize monthly rental payments. The Division also provides emergency shelter for households displaced as a result of fire or emergency vacate orders.

The Office of Preservation Services enforces the City's Housing Maintenance Code and assists owners in correcting dangerous code violations. The Division of Code Enforcement responds to tenant complaints and issues violations to owners found noncompliant with the housing code. The Division of Maintenance performs emergency repairs in privately-owned buildings if the owner fails to correct a violation. Each of these divisions has been significantly impacted by the lead paint abatement law, Local Law 1 of 2004. The total cost of this law is estimated at $39 million; this, and the law's operational complexity, may limit HPD's ability to carry out other essential housing functions in the City. Due to the extensive inspection requirements, HPD hired over 300 new housing inspectors, property managers and administrative personnel at an annual cost of approximately $14 million, and trained them to Federal EPA standards. HPD is expected to correct lead paint violations in an abbreviated time frame not only in City owned buildings, but privately owned buildings as well (should the owner not be able to conduct the work himself). In some instances the law requires that intact surfaces be disturbed, potentially exposing households to greater risk than might otherwise have occurred. In addition to the expense budget burden, HPD will incur capital costs of approximately $18 million in 2006 for the provision of rehabilitation loans to private owners to comply with the new law. This limits the amount of structural and systems repairs an owner can afford and, by requiring owners to acquire additional debt, may lead to rising rental costs in an already tight rental housing market.

The Office of Development will continue to provide affordable housing opportunities by promoting the construction of new homes and apartments on formerly City owned vacant land and by reconstructing and selling vacant and occupied buildings. Through various neighborhood initiatives and homeownership programs, the Division of Homeownership helps build new homes, making HPD the most prolific developer of affordable housing in the nation. In order to encourage private construction, rehabilitation, and economic development, the Division of Housing Finance provides loans for multifamily housing development using a variety of tools, including tax incentive programs, low interest loans, and Low Income Housing Tax Credit allocations. The Office also includes the Division of Special Needs Housing which administers the Supportive Housing Loan Program.

The Office of Legal Affairs, the Office of the Special Counsel, the Office of Community Partnerships and the Office of Planning and Intergovernmental Affairs provide support for the above programs.

Financial Review

The Department of Housing Preservation and Development 2006 Executive Budget provides for operating expenses of $526 million, a decrease of $42 million below the amount forecast in 2005. Capital commitments of $365 million are also provided, an increase of $100 million above the 2005 Plan amount.

Revenue Forecast

HPD collects revenue from residential and commercial tenants occupying *in rem* buildings and from the sale of *in rem* buildings back to the private sector. HPD also collects fees for processing tax abatement and exemption applications, multiple dwelling registrations, document searches, and administrative functions. The Department will generate $25.6 million in 2006, $40.5 million less than the amount for 2005. The 2006 decrease is primarily attributable to non-recurring revenue from negotiated land sales and the one-time collection of application fees in 2005.

Expense Budget Highlights

Providing Core Services

The agency will maintain its core services in 2006 including the management of *in rem* property, reduction of lead hazards, enforcement of the housing maintenance code, development of new affordable housing, and preservation of privately owned housing.

- HPD continues to maintain services for the City's stock of occupied *in rem* dwelling units, including emergency repairs, fuel, utilities, and handypersons.

- HPD will continue implementation of Local Law 1 of 2004 to reduce lead hazards within the City's housing stock and within the private housing market.

- Community Development Block Grant (CDBG) funding is maintained for HPD's Emergency Repair Program (ERP) to remove hazardous conditions in private buildings where landlords have been negligent in correcting violations detrimental to life, health and safety.

- HPD administers a portion of New York City's allotment of Federal Section 8 subsidies to eligible New Yorkers. Over $182 million worth of subsidies, serving over 26,000 households, are planned in 2006.

HPD's budgeted headcount of 3,045 positions is funded at $144 million, $47 million of which is City funds. Funding for other than personal services amounts to $382 million, $54 million of which is City funds.

Summary of Agency Financial Data
($000's)

	2004 Actual	2005 Forecast	2006 Preliminary Budget	2006 Executive Budget	Increase/(Decrease) 2005 Forecast	Increase/(Decrease) 2006 Preliminary Budget
Expenditures						
Salary and Wages	$115,577	$148,216	$138,433	$144,345	($3,871)	$5,912
Fringe Benefits	—	—	—	32	32	32
OTPS	303,025	417,244	305,543	381,537	(35,707)	75,994
Total	$418,602	$565,460	$443,976	$525,914	($39,546)	$81,938
Funding						
City	$56,437	$116,026	$99,671	$101,167	($14,859)	$1,496
Other Categorical Grants	990	—	—	—	—	—
IFA	14,178	14,428	14,428	14,428	—	—
State	893	918	893	893	(25)	—
Federal CD	123,080	158,793	146,059	146,182	(12,611)	123
Federal Other	213,323	265,454	173,538	253,863	(11,591)	80,325
Intra-City Other	9,701	9,841	9,387	9,381	(460)	(6)
Total	$418,602	$565,460	$443,976	$525,914	($39,546)	$81,938
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$39,701	$45,170	$49,585	$48,693	$3,523	($892)
Pensions	3,173	8,906	12,836	16,561	7,655	3,725
Other Than Personal Service (OTPS)						
Legal Services	—	5,098	5,099	5,196	98	97
Judgments and Claims	27,211	22,955	24,811	24,811	1,856	—
Debt Service	292,645	376,169	391,477	377,722	1,553	(13,755)
Total Additional Costs	$362,730	$458,298	$483,808	$472,983	$14,685	($10,825)
Funding						
City	341,046	425,701	443,017	429,849	4,148	(13,168)
Non-City	21,684	32,597	40,791	43,134	10,537	2,343
Total Agency Costs (including Central Accounts)						
Salary and Wages	$115,577	$148,216	$138,433	$144,345	($3,871)	$5,912
Fringe Benefits	39,701	45,170	49,585	48,725	3,555	(860)
Pensions	3,173	8,906	12,836	16,561	7,655	3,725
Total PS	$158,451	$202,292	$200,854	$209,631	$7,339	$8,777
OTPS	$303,025	$417,244	$305,543	$381,537	($35,707)	$75,994
Legal Services	—	5,098	5,099	5,196	98	97
Judgments and Claims	27,211	22,955	24,811	24,811	1,856	—
Debt Service	292,645	376,169	391,477	377,722	1,553	(13,755)
Total OTPS	$622,881	$821,466	$726,930	$789,266	($32,200)	$62,336
Total Agency Costs	$781,332	$1,023,758	$927,784	$998,897	($24,861)	$71,113
Less Intra-City	$9,701	$9,841	$9,387	$9,381	($460)	($6)
Net Agency Cost	$771,631	$1,013,917	$918,397	$989,516	($24,401)	$71,119
Funding						
City	397,483	541,727	542,688	531,016	(10,711)	(11,672)
Non-City	374,148	472,190	375,709	458,500	(13,690)	82,791
Personnel (includes FTEs at fiscal year-end)						
City	604	1,013	1,022	1,012	(1)	(10)
Non-City	2,102	2,135	2,136	2,137	2	1
Total	2,706	3,148	3,158	3,149	1	(9)

Programmatic Review

Housing Operations

The Division of Property Management manages City owned (*in rem*) residential and commercial properties until they can be returned to responsible private ownership. In 2006, the Division will maintain an average of approximately 1,150 *in rem* residential units in occupied multiple dwellings and one- and two-family homes. Within Property Services, the Division of Anti-Abandonment (DAA) identifies, monitors and recommends treatment plans for distressed buildings and oversees the work of Neighborhood Preservation Consultants.

The Division of Alternative Management Programs (DAMP) promotes the rehabilitation, management and ownership of occupied City owned buildings by tenant, not-for-profit, and for-profit housing organizations. DAMP also administers the Article 7A Program, which manages and funds necessary repairs for privately owned buildings that have been all but abandoned.

The Division of Tenant Resources develops and coordinates programs designed to enhance the economic self sufficiency of tenants of City owned and City assisted housing. This Division also provides permanent housing assistance to households that have been displaced by fires or emergency vacate orders. The Rent Subsidies unit provides approximately 26,000 low income families with housing made affordable through the use of Federal Section 8 vouchers that subsidize monthly rental payments.

The Division of Architecture, Construction and Engineering (DACE) reviews the contract documents of private architects to ensure conformance to HPD standards and to all zoning and building codes. DACE also monitors ongoing construction work to ensure conformity to contract documents, construction techniques and codes.

Preservation Services

The Division of Code Enforcement enforces compliance with the City's Housing Maintenance Code and the New York State Multiple Dwelling Law and responds to complaints concerning possible housing violations such as the lack of heat, hot water or electricity. This area of HPD will be most affected by the onerous requirements of Local Law 1 in its inspection and repair workload. The Division of Maintenance performs emergency repairs in privately owned buildings in response to emergency violations (including lead paint) issued by code inspectors if the landlord fails to perform the repair. The Division also coordinates major repairs and contracts for improvements in City owned buildings, including lead hazard remediation. In addition, this division is responsible for sealing and demolishing vacant and unsafe buildings.

The Division of Anti-Abandonment conducts site assessments of buildings deemed at risk for abandonment to develop individual treatment plans to address building deficiencies. Building owners are provided information on agency loan programs and education programs. Preventing owner abandonment of privately owned housing stock constitutes a key agency initiative for maintaining affordable, livable housing.

Development

The Office of Development is responsible for HPD's housing production functions. Its Division of Homeownership promotes the construction or renovation of new homes on vacant City owned land. New Construction programs include the Partnership New Homes and New Foundations programs. Existing homes are renovated through the HomeWorks and StoreWorks programs. HPD will also continue the development of long term, large scale projects for both homeowners in selected neighborhoods in Brooklyn, the Bronx, Manhattan and Queens.

The Office of Development's Division of Housing Finance administers multifamily and small building disposition and loan programs. Through these programs, vacant City owned buildings are rehabilitated and returned to the private housing market. This division also coordinates the financing stages of the Third Party Transfer process, which will convey approximately 4,383 units in tax delinquent buildings to responsible new owners between 2006 and 2009. Finally, the Division of Special Needs Housing is responsible for the Supportive Housing Program, which from 2006-2009 will produce approximately 2,127 units of supportive housing for low income New Yorkers with special needs.

Capital Review

The 2006-2009 Four Year Capital Plan for HPD is $1.61 billion, including $1.14 billion in City funding and $467 million in other, primarily Federal, funds. The agency continues to use its City capital sources to leverage State and Federal funds as well as substantial private equity (which does not flow through the City's capital budget).

New Initiatives

HPD works in close collaboration with the Housing Development Corporation (HDC) to meet the goals of the New Housing Marketplace. HDC is a public benefit corporation, created to provide both taxable and tax-exempt financing for affordable housing. Through the issuance of bonds, HDC will invest $500 million in the development of over 17,000 units towards the New Housing Marketplace goal. Low cost financing and, in some cases, direct subsidies will provide for construction of multifamily rental and cooperative housing for low and moderate income households. In addition, HDC will contribute to substantial rehabilitation, conversion, and preservation of Mitchell-Lama and other affordable housing assets.

HPD is significantly expanding the Supportive Housing Loan Program. Supportive housing combines the construction of affordable, permanent housing with such on-site services as medical and mental health care and substance abuse treatment. As part of this program, HPD also addresses the needs of youth aging out of foster care; and develops pilot homeownership plans for formerly homeless families. A total of $201 million will fund over 2,100 supportive housing units to benefit low income households with special needs between 2006 and 2009.

Ongoing Programs

Under the Four Year Plan, the City will continue to pursue the "Building Blocks!" strategy through which the City rehabilitates and sells *in rem* residential buildings to responsible private owners, including tenant cooperatives, not-for-profit organizations, and local entrepreneurs. At the program's inception in 1994, there were 44,000 *in rem* dwelling units; HPD projects that there will only be 1,700 units remaining in HPD management at the end of 2006. A total of $457 million ($353 million in City funds) is provided to fund the occupied *in rem* rehabilitation and disposition programs such as TIL, NRP, NEP, and Neighborhood Homes.

Concurrently, the City will enhance its efforts to prevent abandonment of privately owned buildings and forestall their entry into City ownership by investing a total of $611 million ($497 million in City funds) in programs providing financial and technical assistance to private landlords. The City will combine its current loan programs, such as Participation Loan (PLP), Article 7A (7A), Article 8A (8A), Small Homes Private (SHP), Home Improvement (HIP), and Senior Citizen Home Assistance (SCHAP), with the more recent Third Party Transfer (TPT) Program. Third Party Transfer will allow tax delinquent property to be transferred to responsible new owners without the City ever taking title. The Four Year Plan also includes funds for new construction projects to promote homeownership to families at various income levels. Neighborhood Based Initiatives and the Nehemiah program provide for the construction of one- to three-family homes. These programs form the basis for the new construction projects being built in conjunction with large scale neighborhood redevelopment programs in Brooklyn, the Bronx, Manhattan and Queens. A total of $139 million ($134 million in City funds) will fund new construction projects.

The table below shows capital commitments by Ten Year Plan category over the 2006-2009 period, including actual commitments for 2004.

Capital Commitments

($000's)

	2004 Actual		2005 Plan		2006 Plan		2007 Plan		2008 Plan		2009 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Occupied *In-Rem* Rehab/ Privatization	$90,264	$131,285	$128,934	$217,501	$160,751	$231,169	$53,332	$66,678	$61,000	$71,000	$63,500	$73,500
Vacant *In-Rem* Rehab	3,194	3,194	(1,116)	(1,116)	2,900	2,900	0	0	0	0	0	0
New Construction	8,568	29,228	40,536	84,080	17,235	31,646	37,140	51,188	0	55,000	0	0
Neighborhood Based Housing Investments	21,383	21,383	39,507	39,507	20,977	20,977	55,136	55,136	23,691	23,691	31,035	31,035
Assistance to Private Owners	82,759	88,683	80,058	103,074	123,327	178,690	150,840	221,340	154,910	236,910	123,159	175,159
Low-Income Housing Production	900	900	21,888	23,050	14,021	14,021	629	629	0	0	0	0
Other Housing Support Investment	8,767	8,752	48,200	55,061	25,916	45,916	6,086	6,086	14,462	14,462	8,000	8,000
Total	$215,835	$283,425	$358,007	$521,157	$365,127	$525,319	$303,163	$401,057	$254,063	$401,063	$225,694	$287,694

The $1.6 billion Four Year Plan emphasizes the following goals:

- treatment and disposition of occupied and vacant City owned buildings — rehabilitation and privatization in 2006 of 3,388 units ($234 million total funds, including $164 million in City funds); rehabilitation in the 2006-2009 period ($459 million total funds, including $356 million in City funds).

- assistance to private owners — TPT, PLP, 8A, 7A, SHP, HIP and SCHAP programs will allow the rehabilitation of 13,362 units in the private sector in the 2006-2009 period ($812 million total funds, including $552 million in City funds).

- construction of new units — funding for the production of approximately 21,434 homeownership and rental units in the 2006-2009 period ($276 million total funds, including $175 million in City funds) under the homeownership programs, including the large scale neighborhood projects.

- production of supportive housing — funding for the creation of over 2,100 units for homeless and low income single adults and special needs populations in the 2006-2009 period ($200 million total funds, including $52 million in City funds).

DEPARTMENT OF CITYWIDE ADMINISTRATIVE SERVICES

The Department of Citywide Administrative Services (DCAS) is the principal administrative support agency for the City of New York providing City agencies with various services, including personnel, real estate, municipal supply, and facilities management. Services are provided by seven programmatic divisions: the Executive Division, which includes the Office of Citywide Equal Employment Opportunity (OCEEO); the Division of Citywide Personnel Services (DCPS); the Division of Real Estate Services (DRES); the Division of Facilities Management and Construction (DFMC); the Division of Municipal Supply Services (DMSS); the Division of Fiscal Management and Operations (DFMO); and the Division of Administration and Security (DAS).

Financial Review

The 2006 Executive Budget for the Department of Citywide Administrative Services provides $804.0 million, an increase of $36.0 million above the amount forecasted for 2005. This increase is primarily attributable to increases and adjustments in intra-city sales. The $205.2 million DCAS Capital Commitment Plan for 2006 includes $201.1 million for Public Buildings and $4.1 million for Real Property.

Revenue Forecast

In 2006, DCAS will collect $57 million in revenue, $47 million less than the amount forecasted for 2005. The decrease is mainly attributable to one-time revenue collected from property sales, commercial rents, and early mortgage satisfactions in 2005. The Division of Real Estate Services (DRES), the largest revenue generating component of DCAS, will collect $40 million from land sales and rents from commercial properties.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- The 2006 Executive Budget provides total funds of $804.0 million for the Department, of which $539.8 million is for goods and services that agencies purchase from DCAS through intra-city agreements including the following: utilities ($470.9 million), leases ($43.1 million), storehouse supplies ($17.6 million), maintenance and repair of facilities and vehicles ($4.4 million), personnel training ($1.6 million), and other services ($2.2 million).

- The 2006 Executive Budget provides a total of $693.9 million for the Division of Facilities Management and Construction (DFMC). DFMC maintains and operates 54 public buildings, including court facilities. Included in the $693.9 million are intra-city agreements for utilities ($470.9 million), leases ($41.6 million), and building maintenance ($2.5 million). Also included in the $693.9 million is $32.0 million in State funding to provide cleaning services for court facilities.

- The 2006 Executive Budget provides a total of $14.3 million for the Division of Real Estate Services (DRES).

- The 2006 Executive Budget provides a total of $9.6 million for security services in DCAS-managed buildings.

Restructuring and Streamlining

- In an effort to provide agency leadership with a comprehensive picture of performance by division and agency-wide, DCAS is implementing Pbviews, a performance management software program. The program will help managers to access, analyze, and utilize data to make key strategic decisions. Pbviews will be implemented agency-wide during 2006.

- DCAS has invested in a Capital Asset Management System (CAMS), a centralized database of the agency's capital assets. CAMS will codify buildings and systems by location, building type, usage, and gross square footage, allowing DCAS to prepare cost estimates to bring buildings into a state of good repair and compare renovation costs to the overall value of the individual buildings. CAMS will enhance multi-year capital planning by enabling DCAS to project essential renovations based on the condition of various public buildings and determine the impact of various funding strategies on the condition of the buildings. The system will be launched in 2006.

- DCAS continues to work on developing a Space Management System to consolidate, integrate, and update space-utilization information into a centralized database. The program will enable sophisticated planning, analysis, and reporting, allowing the Department to dynamically manage and improve space efficiencies. The pilot phase of the project began in 2005 and will continue through 2006.

- The Department also continues to work on an initiative to build a Computerized Testing Center, allowing DCAS to streamline the development, administration, and rating of competitive civil service examinations. The automation of the exam process will provide additional registration options, user-friendly interfaces, and unofficial results at the conclusion of the exam. Project roll-out will commence in spring 2006.

Summary of Agency Financial Data
($000's)

	2004 Actual	2005 Forecast	2006 Preliminary Budget	2006 Executive Budget	Increase/(Decrease) 2005 Forecast	Increase/(Decrease) 2006 Preliminary Budget
Expenditures						
Salary and Wages	$97,100	$104,211	$105,137	$105,798	$1,587	$661
Fringe Benefits	175	177	177	1,431	1,254	1,254
OTPS	591,475	663,654	645,625	696,794	33,140	51,169
Total	$688,750	$768,042	$750,939	$804,023	$35,981	$53,084
Funding						
City	$136,922	$149,385	$144,741	$151,571	$2,186	$6,830
Other Categorical Grants	53,729	62,034	60,649	69,984	7,950	9,335
IFA	8,884	9,185	8,423	8,585	(600)	162
State	36,388	35,191	26,620	32,048	(3,143)	5,428
Federal CD	176	199	—	—	(199)	—
Federal Other	1,760	2,000	2,000	2,000	—	—
Intra-City Other	450,891	510,048	508,506	539,835	29,787	31,329
Total	$688,750	$768,042	$750,939	$804,023	$35,981	$53,084
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$28,091	$30,561	$33,470	$33,807	$3,246	$337
Pensions	2,671	6,417	10,125	12,578	6,161	2,453
Other Than Personal Service (OTPS)						
Legal Services	—	3,394	3,395	3,460	66	65
Judgments and Claims	209	3,157	3,412	3,412	255	—
Debt Service	116,148	180,793	239,517	245,561	64,768	6,044
Total Additional Costs	$147,119	$224,322	$289,919	$298,818	$74,496	$8,899
Funding						
City	137,798	203,277	273,047	282,436	79,159	9,389
Non-City	9,321	21,045	16,872	16,382	(4,663)	(490)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$97,100	$104,211	$105,137	$105,798	$1,587	$661
Fringe Benefits	28,266	30,738	33,647	35,238	4,500	1,591
Pensions	2,671	6,417	10,125	12,578	6,161	2,453
Total PS	$128,037	$141,366	$148,909	$153,614	$12,248	$4,705
OTPS	$591,475	$663,654	$645,625	$696,794	$33,140	$51,169
Legal Services	—	3,394	3,395	3,460	66	65
Judgments and Claims	209	3,157	3,412	3,412	255	—
Debt Service	116,148	180,793	239,517	245,561	64,768	6,044
Total OTPS	$707,832	$850,998	$891,949	$949,227	$98,229	$57,278
Total Agency Costs	$835,869	$992,364	$1,040,858	$1,102,841	$110,477	$61,983
Less Intra-City	$450,891	$510,048	$508,506	$539,835	$29,787	$31,329
Net Agency Cost	$384,978	$482,316	$532,352	$563,006	$80,690	$30,654
Funding						
City	274,720	352,662	417,788	434,007	81,345	16,219
Non-City	110,258	129,654	114,564	128,999	(655)	14,435
Personnel (includes FTEs at fiscal year-end)						
City	1,248	1,482	1,496	1,481	(1)	(15)
Non-City	711	710	668	714	4	46
Total	1,959	2,192	2,164	2,195	3	31

Programmatic Review

DCAS provides an array of support services to City agencies through the seven divisions described below.

Executive Division

The Executive Division includes the Office of the Commissioner, Office of the First Deputy Commissioner, General Counsel, Public Affairs, Special Events, Management Information Systems, Citywide Occupational Safety and Health (COSH), and the Office of Citywide Equal Employment Opportunity (OCEEO). The Commissioner oversees all agency functions and serves on the boards of the Management Benefits Fund, Deferred Compensation, and the Citywide Blood Program. The Office of the General Counsel provides legal support in areas such as real estate (leasing, acquisitions, and disposals), civil service and employment law, and procurement. COSH is responsible for the oversight of Citywide occupational safety and health issues, and provides related training in conjunction with City agency safety officers.

The Executive Division is also charged with the production and printing of official City publications such as the City Record, the Green Book, and their online counterparts. The City Record Online allows agencies to post electronic versions of their solicitations on the internet which can then be downloaded by interested vendors. In addition, vendors may elect to receive e-mail notification of new solicitations.

Office of Citywide Equal Employment Opportunity

The Office of Citywide Equal Employment Opportunity (OCEEO) monitors compliance with EEO policy. The EEO policy requires agencies to conduct specialized training programs and document workforce composition. City agencies are required to report annually to OCEEO on policy compliance. OCEEO carries out its monitoring function through training initiatives, agency site visits, and personnel interviews.

Division of Citywide Personnel Services

The Division of Citywide Personnel Services (DCPS) is responsible for civil service administration including the classification of positions and salaries, administering examinations, personnel development and training, Citywide redeployment, and other special programs such as the Employee Blood Program, the Urban Fellows Program, Public Service Corps, and the Leadership Institute.

In order to simplify civil service job titles and streamline exam administration, DCPS is continuing to consolidate and reclassify titles with overlapping functions as well as eliminate vacant job titles that are no longer needed. The Division also continues its efforts to consolidate annual civil service examinations for titles that require similar knowledge and skills. DCPS has eliminated 16 competitive civil service titles thus far in 2005. Examinations are administrated by DCPS for City and non-City entities such as the Metropolitan Transportation Authority and the New York City Housing Authority. The preliminary plan for examinations in 2006 includes 100 civil service and 68 license examinations.

DCAS is working with the Department of Information Technology and Telecommunications (DoITT), the Financial Information Services Agency (FISA), and other agencies on the development of the New York Citywide Automated Personnel System (NYCAPS). The system will permit oversight agencies and agency personnel divisions, Citywide, to share and access data easily. It will standardize and simplify workflow and system management resulting in more accurate personnel-related information. DCAS is responsible for change management, functional analysis, and ensuring that the personnel policies, practices, standards, and operating procedures of the City are incorporated into the NYCAPS system.

Division of Real Estate Services

The Division of Real Estate Services (DRES) offers real property services including broker services, site searches, lease services, and property acquisition for client agencies. This Division also provides architectural design and project management services for client agencies in both DCAS-managed and privately owned space.

The Division administers approximately 35 City leases, as well as the leasing of City-owned commercial properties. DRES manages and disposes of City-owned commercial properties acquired through tax foreclosure, condemnation, and the transfer or surrender of City surplus properties.

The Division also audits leases to ensure proper lease billing and management. The Lease Audit Program realizes annual savings averaging $1.3 million in recoveries and credits.

Division of Facilities Management and Construction

The Division of Facilities Management and Construction (DFMC) is responsible for maintaining and operating 54 City-owned public buildings, including the recently completed court facility at 330 Jay Street in Brooklyn. This Division performs technical engineering along with architectural and construction management services to maintain and operate its facilities. DFMC also coordinates with the State Office of Court Administration to ensure proper maintenance of court facilities within the City.

Division of Municipal Supply Services

The Division of Municipal Supply Services (DMSS) is the City's chief procurement entity. DMSS procures, warehouses, and distributes supplies necessary for City agencies to fulfill their missions. Centralized contracting enables the City to utilize economies of scale to purchase various commodities at the most favorable market price. This Division ensures the quality of goods purchased through inspections and operates the Central Storehouse which warehouses over 2,000 different items. DMSS manages the Direct Delivery Program for office supplies for various client agencies. This program delivers office supplies from the vendor directly to City agencies, thereby reducing the waiting period for the receipt of goods and associated overhead costs. This Division is also responsible for the salvaging of surplus property through redistribution to other City agencies and auction.

The Division is continuing to move ahead with its efforts to enhance the procurement process through the development of an internet-enabled procurement application. A software application suite was selected and a requirements definition for the inventory management system was completed in 2005. Evaluation and selection of a systems integrator is planned for 2006.

Division of Fiscal Management and Operations

The Division of Fiscal Management and Operations (DFMO) is responsible for providing the Department with the fiscal management and coordination needed to carry out its mandate. This Division includes the Office of Operations and Strategic Planning, the Capital Budget Office, and the Office of Financial Services, which includes budget control, audits and accounts, and State Court reimbursement. The Office of Energy Conservation (OEC), an office within DFMO, is the City's primary energy management entity. This office develops and reports on the City's annual energy budget.

The Division is responsible for the operation of the official store of the City of New York, the CityStore. The CityStore operates retail locations in the North Lobby of the Manhattan Municipal Building and in the NYC & Company Visitor Information Center in Midtown Manhattan. CityStore is also accessible online through the City's website.

Division of Administration and Security

The Division of Administration and Security (DAS) is responsible for internal administrative support for DCAS including human resources, payroll and timekeeping, training, disciplinary proceedings, labor relations, printing services, communication services, and records management. DAS also coordinates security within the Department, for DCAS-managed facilities, and for some leased facilities. Security responsibilities include risk assessment, security analysis, implementation, and continued evaluation of DCAS facilities.

Capital Review

The 2006-2015 Ten-Year Capital Commitment Plan for the Department is $1,137.8 million, with $205.2 million provided in 2006.

The Department is responsible for capital improvements to all DCAS-managed and client agencies' buildings including office space, warehouses, and courts; oversight and improvements to City-leased properties; and the sale, lease, and acquisition of City-owned nonresidential waterfront and non-waterfront properties. The capital program includes compliance work for public safety and legal mandates, renovation, rehabilitation, construction, design, and outfitting of various sites, including the purchase of furniture. The Department also purchases vehicles and various communications and technological equipment.

The table below shows capital commitments by program area over the 2004-2009 period.

Capital Commitments

($000's)

	2004 Actual		2005 Plan		2006 Plan		2007 Plan		2008 Plan		2009 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Rehabilitation of City-Owned Facilities	$73,232	$73,232	$31,174	$31,174	$86,908	$86,908	$41,461	$41,461	$51,373	$51,373	$52,605	$52,605
Renovation of Other City-Owned Facilities	2,216	2,216	21,816	21,816	8,348	12,179	—	—	—	—	—	—
Rehabilitation of Court Facility System	60,895	61,676	(179)	144	—	—	—	—	—	—	—	—
Legal Mandates and Correction of Unsafe Conditions	11,642	11,642	36,010	36,010	26,890	26,890	14,175	14,175	9,300	9,300	18,926	18,926
Renovation of Leased Space	21,176	21,176	12,641	12,641	21,346	21,346	15,539	15,539	—	—	—	—
Equipment and Interagency Services	1,350	1,350	18,601	18,601	6,346	6,346	2,050	2,050	750	750	1,500	1,500
Communications Equipment	3,654	3,654	3,845	3,845	250	250	250	250	—	—	—	—
Board of Elections	—	—	4,480	4,480	7,118	7,118	—	—	—	—	—	—
Miscellaneous Construction	602	602	58,397	58,397	40,103	40,103	3,250	3,250	—	—	—	—
Acquisition of Real Property	—	—	750	750	—	—	—	—	—	—	—	—
Rehabilitation of Waterfront & Non-Waterfront Properties	2,478	2,563	6,330	6,330	4,071	4,071	5,377	5,377	4,421	4,421	4,592	4,592
TOTAL	$177,245	$178,111	$193,865	$194,188	$201,380	$205,211	$82,102	$82,102	$65,844	$65,844	$77,623	$77,623

The Ten-Year Capital Commitment Plan provides a total of $1,137.8 million, including $1,085.1 million for the renovation, reconstruction, and outfitting of Public Buildings and $52.7 million for Real Property.

Highlights of the Ten-Year Plan include:

- reconstruction and rehabilitation of public buildings and City-owned facilities with the focus on the replacement of mechanical, electrical, plumbing and structural systems ($903.5 million), including the rehabilitation and renovation of the Manhattan Municipal Building and St. Andrew's Plaza ($23.0 million), the Brooklyn Municipal Building ($22.5 million), City Hall ($15.7 million), and Queens Borough Hall ($8.4 million), as well as the completion of the Department of Emergency Management Command Center in Brooklyn ($8.7 million) and the upgrade of electrical systems at 125 Worth Street in Manhattan ($8.1 million).

- legal mandates ($80.2 million), including the repair and replacement of petroleum underground storage tanks ($14.0 million), fire safety improvements ($7.8 million), and compliance with the Americans with Disabilities Act ($3.5 million).

- renovation of leased space ($36.9 million), including the expansion of the Financial Information Services Agency office space in Manhattan ($4.1 million), the relocation of the Department of Buildings' Bronx office ($3.4 million), and the expansion of the Department of Youth and Community Development offices at 156 William Street in Manhattan ($1.6 million).

- equipment and interagency services ($14.1 million), including the upgrade of the Department's Management Information Systems infrastructure ($9.5 million), the continuation of the Space Management System ($0.7 million), and the purchase of vehicles ($0.6 million).

- modernization of the Board of Elections ($7.1 million) for the office and warehouse consolidation in Manhattan.

- miscellaneous construction and the acquisition of real property ($43.4 million), including construction at Seaview Senior Housing in Staten Island ($10.0 million), Cooper Union in Manhattan ($5.5 million), and the South Queens Boys and Girls Club ($1.0 million).

- reconstruction of waterfront properties ($50.9 million) including various pier improvements.

- reconstruction of non-waterfront properties ($1.8 million).

The 2006 Plan provides $205.2 million and includes:

- reconstruction of public buildings and City-owned facilities ($99.1 million), including the rehabilitation and renovation of the Manhattan Municipal Building and St. Andrew's Plaza ($21.0 million), City Hall ($9.3 million), and Queens Borough Hall ($8.4 million), as well as the completion of the Department of Emergency Management Command Center in Brooklyn ($8.7 million) and the upgrade of the electrical systems at 125 Worth Street in Manhattan ($8.1 million).

- legal mandates ($26.9 million), including the repair and replacement of petroleum underground storage tanks ($6.0 million).

- renovation of leased space ($21.3 million), including the expansion of the Financial Information Services Agency office space in Manhattan ($4.1 million) and the relocation of the Department of Buildings' Bronx office ($3.4 million).

- equipment and interagency services ($6.6 million), including the upgrade of the Department's Management Information Systems infrastructure ($2.7 million).

- modernization of the Board of Elections ($7.1 million) for the office and warehouse consolidation in Manhattan.

- miscellaneous construction and the acquisition of real property ($40.1 million), including construction at Seaview Senior Housing in Staten Island ($10.0 million), Cooper Union in Manhattan ($2.5 million), and the South Queens Boys and Girls Club ($1.0 million).

- reconstruction of waterfront properties ($3.1 million).

- reconstruction of non-waterfront properties ($0.9 million).

DEPARTMENT OF INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS

The Department of Information Technology and Telecommunications (DoITT) provides Citywide coordination and technical expertise in the development and use of voice, video and data technologies in City services and operations. DoITT's Commissioner directs the development of information technology (IT) strategies as the City's Chief Information Officer and the chair of the Technology Steering Committee. DoITT also provides infrastructure support for data processing and communications services to numerous City agencies, researches and manages IT projects, manages the City's television and radio networks, NYC TV Media Group, and administers the City's cable television, public pay telephone and high capacity telecommunications franchises. In addition, DoITT is the managing agency of the City's 311 Citizen Service Center.

Financial Review

DoITT's 2006 Executive Budget provides for an operating budget of $269.2 million, an increase of $29.8 million over the amount forecasted for 2005. The change is primarily attributable to additional funds allocated to the Emergency Communications Transformation Program and reductions in intra-city sales.

Revenue Forecast

The Department collects revenue from cable television and high capacity telecommunications franchises, public pay telephone franchises, recovery of overpayments of City telephone billings, and international programming fees for use of the City's NYC TV cable television network. The Department will generate $105.7 million in revenue for 2006, $2.3 million less than the amount forecasted for 2005. The decrease is attributable to one-time revenue from the reconciliation of telecommunication billings in 2005.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- the Department's 2006 Executive Budget includes $100.5 million for services that DoITT purchases on behalf of client agencies, including telecommunications, data and consultant services.

- the Department's 2006 Executive Budget provides $35.5 million for the 311 Citizen Service Center. The Service Center provides the public with access to non-emergency City services through one phone number, 24 hours a day, seven days a week.

- the Department's 2006 Executive Budget provides $36.7 million for the Information Utility Division. This Division is responsible for the Data Center operations and fiber optic network that provide data processing and networking services to over 60 City agencies, 24 hours a day, seven days a week.

- the Department's 2006 Executive Budget provides $4.5 million for the administration of the City's five cable channels, a broadcast station, and a radio station on the NYC TV Media Group network. The City produces programming designed to inform the public on City affairs.

Summary of Agency Financial Data

The following table compares the 2006 Executive Budget with the 2006 Preliminary Budget, the 2005 forecast and actual expenditures for 2004.

Summary of Agency Financial Data
($000's)

	2004 Actual	2005 Forecast	2006 Preliminary Budget	2006 Executive Budget	Increase/(Decrease) 2005 Forecast	Increase/(Decrease) 2006 Preliminary Budget
Expenditures						
Salary and Wages	$36,912	$57,098	$59,974	$62,694	$5,596	$2,720
Fringe Benefits	—	—	—	—	—	—
OTPS	164,468	182,251	206,647	206,486	24,235	(161)
Total	$201,380	$239,349	$266,621	$269,180	$29,831	$2,559
Funding						
City	$82,440	$112,088	$155,262	$156,635	$44,547	$1,373
Other Categorical Grants	953	1,917	1,121	1,356	(561)	235
IFA	696	8,029	5,581	9,326	1,297	3,745
State	—	70	—	—	(70)	—
Federal CD	1,396	1,364	1,064	1,364	—	300
Federal Other	—	454	—	—	(454)	—
Intra-City Other	115,895	115,427	103,593	100,499	(14,928)	(3,094)
Total	$201,380	$239,349	$266,621	$269,180	$29,831	$2,559
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$8,832	$11,877	$13,327	$13,772	$1,895	$445
Pensions	1,013	3,746	5,363	7,175	3,429	1,812
Other Than Personal Service (OTPS)						
Legal Services	—	1,135	1,135	1,156	21	21
Judgments and Claims	—	—	—	—	—	—
Debt Service	—	—	—	—	—	—
Total Additional Costs	$9,845	$16,758	$19,825	$22,103	$5,345	$2,278
Funding						
City	8,582	15,508	18,681	20,882	5,374	2,201
Non-City	1,263	1,250	1,144	1,221	(29)	77
Total Agency Costs (including Central Accounts)						
Salary and Wages	$36,912	$57,098	$59,974	$62,694	$5,596	$2,720
Fringe Benefits	8,832	11,877	13,327	13,772	1,895	445
Pensions	1,013	3,746	5,363	7,175	3,429	1,812
Total PS	$46,757	$72,721	$78,664	$83,641	$10,920	$4,977
OTPS	$164,468	$182,251	$206,647	$206,486	$24,235	($161)
Legal Services	—	1,135	1,135	1,156	21	21
Judgments and Claims	—	—	—	—	—	—
Debt Service	—	—	—	—	—	—
Total OTPS	$164,468	$183,386	$207,782	$207,642	$24,256	($140)
Total Agency Costs	$211,225	$256,107	$286,446	$291,283	$35,176	$4,837
Less Intra-City	$115,895	$115,427	$103,593	$100,499	($14,928)	($3,094)
Net Agency Cost	$95,330	$140,680	$182,853	$190,784	$50,104	$7,931
Funding						
City	91,022	127,596	173,943	177,517	49,921	3,574
Non-City	4,308	13,084	8,910	13,267	183	4,357
Personnel (includes FTEs at fiscal year-end)						
City	641	932	929	911	(21)	(18)
Non-City	73	130	59	125	(5)	66
Total	714	1,062	988	1,036	(26)	48

Programmatic Review

DoITT takes a lead role advancing technology projects and programs designed to enhance service delivery to the public and facilitate efficient intra-city operations. These components include the 311 Citizen Service Center, the Emergency Communications Transformation Program (ECTP), a Citywide Broadband Mobile Network, the Channel 16 Radio Network, NYC.gov, the NYC TV Media Group, and various initiatives to help streamline agency operations.

311 Citizen Service Center

The 311 Citizen Service Center is the City's premier access to government information and non-emergency services via one central phone number. Trained customer service representatives are available 24 hours a day, seven days a week, and offer services in over 170 languages. DoITT continues to leverage new tools that enhance the functionality of the 311 Citizen Service Center and improve the service delivery of City agencies.

Emergency Communications Transformation Program

The Emergency Communications Transformation Program (ECTP) continues to be an archetype of DoITT's mission of improving government efficiency through technology, while also serving as a necessary vehicle for enhancement of public safety. In conjunction with the NYPD and FDNY, DoITT is working to develop an integrated 911 dispatch system that will bolster the City's critical emergency response capabilities. This project includes the development of a consolidated dispatch system, an upgraded telecommunications infrastructure, and redundant call-taking and dispatch centers. In 2006, the Department plans to complete the first phase of renovations on the Public Safety Answering Center (PSAC).

Citywide Broadband Mobile Network

DoITT is spearheading the City's effort to build a Citywide broadband mobile wireless network for the exclusive use of public safety and public service agencies. Once completed the network will provide for the transmission of broadband applications such as video feeds, large graphics files, wireless call box alarms, traffic control signals, automatic vehicle location (AVL) data, and biological, chemical and radiological monitoring data. This network will provide beneficial resources to public safety agency personnel that will greatly improve their execution of specific job functions. In 2006, DoITT plans to complete a pilot study in limited geographic areas and commence Citywide implementation.

Channel 16 Radio Network

Channel 16 will be a Citywide radio network infrastructure that enables public safety agencies in the New York metropolitan area to communicate during emergencies. Once executed this project will meet the Citywide mission critical communication needs of public safety agencies and enhance Citywide interoperability. Implementation will begin in 2006.

NYC.gov

NYC.gov, the City's official website, provides New Yorkers with an easy-to-use source of government services and information. Recent developments include the deployment of an e-mail campaign tool to increase the number of NYC.gov registrants, an events calendar, and access to a content management tool for City agencies. In 2006, the Department will focus on implementing a new search engine, developing subscription e-mail service capabilities, and enhancing its online photo gallery.

NYC TV Media Group

DoITT is the managing agency of the NYC TV Media Group that includes a broadcast TV station, a broadcast radio station, and five cable channels – reaching over 7 million homes in New York, New Jersey, and Connecticut. In 2006, NYC TV will continue to produce NYC-themed original programming designed to showcase New York City neighborhoods, arts, culture, history, and diverse communities.

Streamlining Agency Operations

DoITT will continue to leverage its data center, fiber optic network and other resources in order to provide cost savings to City agencies in need of Internet access, data center hosting and management, e-mail, security and firewall solutions, disaster recovery sites, wireless solutions, and remote access. The DoITT Capital Plan for 2006-2009 includes $63.8 million for infrastructure improvements associated with these Citywide initiatives.

ECONOMIC DEVELOPMENT

Since 1992, two organizations, the Department of Small Business Services (SBS) and the Economic Development Corporation (EDC), have administered the City's economic development programs. SBS also administers the City's adult workforce development programs as a result of its merger with the Department of Employment in 2004. In addition, SBS provides administrative support to the Mayor's Office of Film, Theatre and Broadcasting (Film Office). In order to facilitate comprehensive service delivery to businesses, both SBS and EDC are located at 110 William Street, while the Film Office is located in the Midtown Entertainment District.

SBS provides services primarily to small businesses in New York City by overseeing the City's Business Improvement Districts, providing technical assistance in procurement, contracting and local commercial development, and increasing opportunities for minority- and women-owned businesses. SBS also assists small businesses in their interactions with other City agencies to facilitate the delivery of City services and utilities. Within the workforce development division, SBS provides job training and placement services to jobseekers and businesses through its One-Stop Centers and contracted service providers.

EDC serves as the City's corporate attraction and retention arm. In addition, EDC undertakes financing initiatives and generates commercial and industrial projects in conjunction with private developers. Waterfront, maritime, and inter-modal transportation development are also under EDC's purview.

Financial Review

The 2006 Executive Budget for Economic Development provides $88.1 million in operating expenses at SBS and $4.8 million in operating expenses at EDC, with Federal funds of $63.4 million and City funds of $29.5 million. This represents an overall increase of $5.2 million for SBS above the amount forecast in 2005. The SBS operating budget includes allocations for NYC & Company (formerly known as the New York Convention and Visitors Bureau), the NYC Empowerment Zone, the Film Office, and other SBS programs such as the Commercial Revitalization program and the Vendor/Micro-Enterprise Division. EDC funds the majority of its operating budget through the management of its real estate portfolio.

City funded capital commitments of $1.2 billion are forecast in the 2006-2009 capital plan. Of this amount, $1.16 billion reflect Mayoral commitments. The remaining $40 million reflect Elected Officials commitments. The amount of total City funded capital commitments for the 2006-2009 plan represents an increase of $549 million over the amount of commitments forecast in the 2005-2008 plan.

Revenue Forecast

The Department of Small Business Services collects revenue from the rental and sale of commercial, industrial, maritime and market properties administered by EDC, and other miscellaneous fees. The 2006 revenue estimate for Economic Development is $21.4 million.

Expense Budget Highlights

- the Workforce Development Division runs the City's One-Stop Centers and other employment services and training programs in Queens, Upper Manhattan, Brooklyn, the Bronx and recently opened a center in Staten Island. The 2006 budget includes $56.5 million in federal funds for all Adult and Dislocated Worker job training programs.

- the Neighborhood Development Division develops and promotes Business Improvement Districts (BIDs) and Local Development Corporations (LDCs). The Business Services Division coordinates the small business assistance, incentives, vendor and microenterprise programs. The Economic and Financial Opportunity Division focuses on outreach and technological assistance to certify minority- and women-owned businesses for government contracts. The Executive Budget for 2006 provides $5.1 million in City and Federal funds to run these programs with a staff of 45 full-time people.

- through a contract with SBS, NYC & Company will receive $6 million in City funding in 2006 for its work to promote the City as the country's premier tourist destination and convention center.

- in 1995, portions of Upper Manhattan and the South Bronx were designated an Empowerment Zone (EZ), entitling the City to an additional $100 million in Federal aid over ten years. Both the City and New York State have committed funds matching the Federal investment. These funds facilitate economic development initiatives by local businesses and community-based organizations. In 2002, program funding was extended from 2005 to 2009.

Summary of Agency Financial Data
($000's)

	2004 Actual	2005 Forecast	2006 Preliminary Budget	2006 Executive Budget	Increase/(Decrease) 2005 Forecast	Increase/(Decrease) 2006 Preliminary Budget
Expenditures						
Salary and Wages	$11,859	$17,607	$14,032	$14,212	($3,395)	$180
Fringe Benefits	—	271	93	93	(178)	—
OTPS	100,418	118,760	78,022	78,620	(40,140)	598
Total	$112,277	$136,638	$92,147	$92,925	($43,713)	$778
Funding						
City	$36,452	$31,381	$28,092	$28,819	($2,562)	$727
Other Categorical Grants	395	813	496	496	(317)	—
IFA	—	—	—	—	—	—
State	32	962	—	—	(962)	—
Federal CD	5,988	8,957	6,097	6,097	(2,860)	—
Federal Other	67,298	92,639	56,702	56,753	(35,886)	51
Intra-City Other	2,112	1,886	760	760	(1,126)	—
Total	$112,277	$136,638	$92,147	$92,925	($43,713)	$778
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$3,335	$3,920	$4,199	$4,199	$279	$—
Pensions	326	886	1,358	1,679	793	321
Other Than Personal Service (OTPS)						
Legal Services	—	4,291	4,292	4,374	83	82
Judgments and Claims	29	10	11	11	1	—
Debt Service	37,235	45,628	110,979	113,241	67,613	2,262
Total Additional Costs	$40,925	$54,735	$120,839	$123,504	$68,769	$2,665
Funding						
City	40,404	53,461	117,608	120,429	66,968	2,821
Non-City	521	1,274	3,231	3,075	1,801	(156)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$11,859	$17,607	$14,032	$14,212	($3,395)	$180
Fringe Benefits	3,335	4,191	4,292	4,292	101	—
Pensions	326	886	1,358	1,679	793	321
Total PS	$15,520	$22,684	$19,682	$20,183	($2,501)	$501
OTPS	$100,418	$118,760	$78,022	$78,620	($40,140)	$598
Legal Services	—	4,291	4,292	4,374	83	82
Judgments and Claims	29	10	11	11	1	—
Debt Service	37,235	45,628	110,979	113,241	67,613	2,262
Total OTPS	$137,682	$168,689	$193,304	$196,246	$27,557	$2,942
Total Agency Costs	$153,202	$191,373	$212,986	$216,429	$25,056	$3,443
Less Intra-City	$2,112	$1,886	$760	$760	($1,126)	$—
Net Agency Cost	$151,090	$189,487	$212,226	$215,669	$26,182	$3,443
Funding						
City	76,856	84,842	145,700	149,248	64,406	3,548
Non-City	74,234	104,645	66,526	66,421	(38,224)	(105)
Personnel (includes FTEs at fiscal year-end)						
City	103	109	104	104	(5)	—
Non-City	146	154	144	142	(12)	(2)
Total	249	263	248	246	(17)	(2)

Programmatic Review

Department of Small Business Services

The Department of Small Business Services makes it easier for companies to form, do business and grow by providing direct assistance to business owners, fostering neighborhood development in commercial districts, promoting financial and economic opportunity among minority- and women-owned businesses, preparing New Yorkers for jobs and linking employers to a skilled and qualified workforce.

Neighborhood Development

- This division assists business communities in establishing and operating Business Improvement Districts (BIDs) and by issuing Commercial Revitalization (CR) grants to Local Development Corporations and other neighborhood organizations. In 2005, four new BIDs have formed, bringing the citywide total to 51. Collectively, the network of BIDs provides $78 million in supplemental services to clean, maintain and enhance commercial corridors. More than $5 million in CR grants are contracted to over 60 LDCs throughout the five boroughs in six major project categories: Business Attraction & Retention, BID Planning; Storefront Improvement Program; Technical Assistance; Commercial Development – Real Estate; Commercial Revitalization Planning; and Pilot Promotion.

NYC Business Solutions

- NYC Business Solutions is the direct business assistance component of SBS, which reaches business owners and entrepreneurs through its centers, now open in the South Bronx, Upper Manhattan, Queens, Downtown Brooklyn, Lower Manhattan and Staten Island. In 2005, NYC Business Solutions has logged more than 10,000 service requests in the categories of start-up, financing, regulations, incentives, workforce, real estate, procurement, marketing and others.

- through outreach and technical assistance services, the Business Outreach Team (BOT) formerly known as the City Business Assistance Program and Emergency Response Unit, helps businesses interact with other City agencies and resolve obstacles to doing business efficiently. BOT staff advise businesses about local stoop-line, sanitation and vending regulations. The unit coordinates graffiti removal projects and helps merchants conform to the zero-visibility rule, which prohibits sidewalk merchandise display. Additionally, BOT works with the Mayor's Office of Emergency Management to assist businesses affected by disasters. It provides updates on building re-openings, facilitates the resolution of matters affecting day-to-day business operations, and compiles evidence to support business claims for assistance. In 2005 BOT assisted more than 2,000 businesses. Since 2002, it has responded to 93 emergencies and helped more than 860 businesses impacted by them. BOT also provides Business Emergency Grants to assist with recovery.

- the Business Incentives Unit coordinates the Lower Manhattan Energy Program (LMEP), which offers utility credits for up to 12 years. To date, 45 office towers with approximately 1,180 commercial tenants have received LMEP benefits. The Energy Cost Savings Program, which helps businesses in other NYC areas, approved 58 projects affecting 6,319 jobs and more than $9 million in annual savings in 2005.

- the Vendor/Microenterprise Unit conducted courses attended by 1,354 individuals in the first three quarters of 2005. Classes are given in five locations around the City and offered in business basics, computer applications, and technical assistance.

Economic and Financial Opportunity

- the Economic and Financial Opportunity Division enables small, minority- and women-owned businesses to grow and actively participate in the City's procurement process. It provides personal outreach, registration, and technological assistance to connect businesses with new opportunities. In 2005, SBS certified more than 300 firms as minority- and women-owned enterprises.

Workforce Development

- the Workforce Development Division provides employment services to the City's adult private-sector workforce. Funds for these programs are provided through the federal Workforce Investment Act (WIA). Through partnerships with private employers, SBS trains and places New Yorkers; employers cover 50 percent of the cost of these training programs.

- the One-Stop system is the centerpiece of the adult workforce system. In 2005 SBS operated four Workforce 1 Career Centers and opened a fifth in the St. George section of Staten Island. Two additional centers operated by the City University of New York will open their campuses at LaGuardia Community College in Western Queens and CUNY on the Concourse in the Bronx in 2006. These centers provide job search, training and placement opportunities for all New Yorkers. They also provide universal access to Individual Training Accounts (ITAs), which customers can use to pay for training at schools throughout the City. As of March 2005, there were 16,024 customers active in the One-Stop system. During the past year, more than 4,300 individuals have been placed in jobs with over 2,000 businesses.

- training providers serve dislocated workers and special adult populations through targeted outreach and occupational skills training. These programs have served 4,500 New Yorkers in 2005.

Mayor's Office of Industrial and Manufacturing Businesses

- created in January 2005, the Mayor's Office of Industrial and Manufacturing Businesses coordinates a series of initiatives designed to help retain and grow New York City's industrial job base. The Office marshals the resources of key City agencies to address the main concerns of the industrial and manufacturing sector: protecting industrial space, lowering costs, and creating a friendlier business environment. It is projected that by the end of the calendar year, 14 Industrial Business Zones will be created to encourage manufacturing and industrial growth.

New York City Economic Development Corporation

EDC works with the private and public sectors to revitalize businesses, create jobs and generate revenue for the City. EDC also manages and develops City-owned commercial, industrial, and waterfront properties, including marine terminals, public markets, rail yards and industrial parks.

The financing arm of EDC includes several small business lending, guarantee and bond programs. The purpose of these programs is to create jobs and retain and expand businesses through financial assistance offered at market or below market rates. EDC also contracts with the New York City Industrial Development Agency (IDA) to provide financing for industrial expansion projects.

- in the first quarter of 2005, EDC (through IDA) financed over $565 million to secure business commitments representing 1,799 jobs retained.

- during 2005 IDA financing provided assistance for two not-for-profit organizations, a foster care service provider in the Bronx and an independent K-12 school in Manhattan expected to create 130 new jobs and spur $60 million in private investment.

- in conjunction with the Department of Information Technology and Telecommunications (DoITT) and SBS, EDC produced "Telecommunications and Economic Development in New York City: a Plan for Action." The plan recommends 21 specific initiatives for the City to improve the City's telecommunications infrastructure and stimulate growth of new telecommunications businesses.

Under its contract with SBS, EDC acts as a managing agent for City-sponsored projects funded primarily through the capital budget, as described below.

Capital Review

The primary goal of the Four Year Capital Plan is to encourage development in order to create and retain jobs in New York City, to bolster the City's tax base, and to maintain city-owned facilities in a state of good repair. The 2006-2009 Four-Year Plan totals $1.202 billion.

The following chart shows Capital plan commitments by major function over the 2004-2009 period. Actual commitments are provided for 2004.

Capital Commitments

($000's)

	2004 Actual		2005 Plan		2006 Plan		2007 Plan		2008 Plan		2009 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Commercial Development	$76,025	$77,945	$152,590	$238,069	$142,892	$142,892	$434,580	$434,580	$4,454	$4,454	$3,368	$3,368
Industrial Development	22,046	22,046	62,739	62,739	73,626	73,626	26,665	26,665	21,659	21,659	6,596	6,596
Market Development	11,420	11,420	3,853	3,853	8,585	8,585	1,450	1,450	3,061	3,061	3,388	3,388
Neighborhood Revitaliz'n	359	359	10,914	11,064	10,825	13,625	10,000	10,000	20,000	20,000	23,378	23,378
Port Development	28,647	28,647	88,727	127,108	53,112	53,112	59,392	59,392	48,093	48,093	10,903	10,903
Rail Development	1,156	2,266	44,237	64,340	23,050	23,050	0	0	0	0	0	0
Waterfront Development	54,521	55,765	61,113	78,960	26,205	26,755	26,165	26,165	10,087	10,087	12,632	12,632
Aviation	0	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous	12,135	22,120	37,433	43,354	60,425	83,815	45,449	45,449	29,431	29,431	2,900	2,900
Total	$206,309	$220,568	$461,606	$629,487	$398,720	$425,460	$603,701	$603,701	$136,785	$136,785	$63,165	$63,165

Highlights of the 2006-2009 Four Year Capital Plan are:

Economic and Port Development

- expansion of the Javits Center ($350 M)
- rehabilitation and expansion of the City's cruise ship terminals ($138.6 M)
- redevelopment of the Atlantic Yards ($100 M)
- development and infrastructure improvements at the Brooklyn Navy Yard ($68 M)
- infrastructure improvements at Staten Island Homeport ($52.4 M)
- redevelopment of Downtown Brooklyn ($52 M)
- redevelopment of Coney Island waterfront and neighborhood ($50 M)
- improvement of intermodal transportation and neighborhood connections at Jamaica Center ($28 M)
- implementation of the Hunts Point Vision Plan in the Bronx ($26 M)
- reactivation and extension of the Staten Island Railroad ($23 M)
- redevelopment of the 125th Street Corridor ($18 M)

- development of the Brooklyn Academy of Music Cultural District ($19 M)
- development of infrastructure at Queens West ($14 M)
- renovation of the Apollo Theater ($9 M)

LIBRARIES

The City of New York funds three independently operated public library systems, each administered by a distinct and separate board of trustees. The Queens Borough Public Library is comprised of 62 branches and a Central Library. The Brooklyn Public Library oversees the operation of 58 branches, a Business Library and a Central Library. The New York Public Library manages a three-borough library system: the Bronx with 34 branches, Manhattan with 39 branches and Staten Island with 12 branches. It also oversees four Research Libraries: the Humanities and Social Sciences Library, the Library for the Performing Arts at Lincoln Center, the Schomburg Center for Research in Black Culture, and the Science, Industry, and Business Library.

Financial Review

The 2006 Executive Budget for Libraries provides total operating funds of $71.9 million. This represents a decrease of $217.6 million from the 2005 forecast of $289.5 million because of $151.9 million in prepayments to all three library systems in 2005 for 2006. Additionally, this decrease does not take into account the $112.5 million that was prepaid to all three library systems in 2004 for 2005. Factoring out both prepayments, the 2005 forecast of $250.1 million will decrease by $26.3 million in the 2006 Executive Budget. The Executive Budget also provides for City funded capital commitments of $109.4 million in 2006.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

After accounting for a number of technical changes, the major substantive revision is that the Executive Budget restores $6.8 million in programmatic funding to the Libraries.

The partial prepayment of the 2005 subsidy in 2004 to all three library systems increased the 2004 budget by $112.5 million and decreased the 2005 budget by a commensurate $112.5 million. Likewise, the partial prepayment of the 2006 subsidy in 2005 to all three library systems increased the 2005 budget by $151.9 million and decreased the 2006 budget by a commensurate $151.9 million. The prepayment will not affect library service in 2006, but rather accelerates the receipt of 2006 subsidies to each of the library systems.

In 2006, there will be an operating subsidy totaling $71.9 million: $20.1 for Queens Borough Public Library, $20.2 million to Brooklyn Public Library, $26.6 million to The New York Public Library, and $5.0 million to New York Research Libraries. The 2005 forecast of $289.5 million includes $77.3 million for Queens Borough Public Library; $81.4 million to Brooklyn Public Library; $109.8 million to The New York Public Library; and $21.0 million to New York Research Libraries.

However, adjusting for both prepayments, the City's programmatic operating subsidies for 2005 total $250.1 million: $66.8 million for Queens Borough Public Library; $70.3 million to Brooklyn Public Library; $94.8 million to The New York Public Library; and $18.2 million to New York Research Libraries. Similarly, the adjusted 2006 subsidies total $223.8 million: $60.5 million for Queens Borough Public Library; $63.0 million to Brooklyn Public Library; $84.4 million to The New York Public Library; and $15.9 million to New York Research Libraries.

- days and hours of branch service remain a priority for the three Library systems: each branch currently provides at least 5 days of service per week.

- adjusting for the prepayment of subsidies for both 2005 and 2006, the City's 2006 subsidy to Queens Borough Public Library will be reduced by $6.3 million from the 2005 forecast of $66.8 million.

- adjusting for the prepayment of subsidies for both 2005 and 2006, the City's 2006 subsidy to Brooklyn Public Library will be reduced by $7.3 million from the 2005 forecast of $70.3 million.

- adjusting for the prepayment of subsidies for both 2005 and 2006, the City's 2006 subsidy to The New York Public Library will be reduced by $10.4 million from the 2005 forecast of $94.8 million.

- adjusting for the prepayment of subsidies for both 2005 and 2006, the City's 2006 subsidy to New York Research Libraries will be reduced by $2.3 million from the 2005 forecast of $18.2 million.

Summary of Agency Financial Data
($000's)

	2004 Actual	2005 Forecast	2006 Preliminary Budget	2006 Executive Budget	Increase/(Decrease) 2005 Forecast	Increase/(Decrease) 2006 Preliminary Budget
Expenditures						
Salary and Wages	$—	$—	$—	$—	$—	$—
Fringe Benefits	—	—	—	—	—	—
OTPS	241,790	289,474	212,256	71,877	(217,597)	(140,379)
Total	$241,790	$289,474	$212,256	$71,877	($217,597)	($140,379)
Funding						
City	$241,790	$289,474	$212,256	$71,877	($217,597)	($140,379)
Other Categorical Grants	—	—	—	—	—	—
IFA	—	—	—	—	—	—
State	—	—	—	—	—	—
Federal CD	—	—	—	—	—	—
Federal Other	—	—	—	—	—	—
Intra-City Other	—	—	—	—	—	—
Total	$241,790	$289,474	$212,256	$71,877	($217,597)	($140,379)
Additional Costs Centrally Funded						
Other Than Personal Service (OTPS)						
Fringe Benefits	$677	$826	$999	$999	$173	$—
Pensions	8,081	10,562	24,963	16,252	5,690	(8,711)
Legal Services	—	68	68	70	2	2
Judgments and Claims	83	52	56	56	4	—
Debt Service	13,651	23,606	25,456	24,558	952	(898)
Total Additional Costs	$22,492	$35,114	$51,542	$41,935	$6,821	($9,607)
Funding						
City	22,384	34,652	50,290	40,757	6,105	(9,533)
Non-City	108	462	1,252	1,178	716	(74)
Total Agency Costs (including Central Accounts)						
Fringe Benefits	$677	$826	$999	$999	$173	$—
OTPS	241,790	289,474	212,256	71,877	(217,597)	(140,379)
Pensions	8,081	10,562	24,963	16,252	5,690	(8,711)
Legal Services	—	68	68	70	2	2
Judgments and Claims	83	52	56	56	4	—
Debt Service	13,651	23,606	25,456	24,558	952	(898)
Total OTPS	$264,282	$324,588	$263,798	$113,812	($210,776)	($149,986)
Total Agency Costs	$264,282	$324,588	$263,798	$113,812	($210,776)	($149,986)
Less Intra-City	$—	$—	$—	$—	$—	$—
Net Agency Cost	$264,282	$324,588	$263,798	$113,812	($210,776)	($149,986)
Funding						
City	264,174	324,126	262,546	112,634	(211,492)	(149,912)
Non-City	108	462	1,252	1,178	716	(74)
Personnel (includes FTEs at fiscal year-end)						
City	—	—	—	—	—	—
Non-City	—	—	—	—	—	—
Total	—	—	—	—	—	—

* *The 2006 Executive Budget provides an estimated 3,707 full-time and full-time equivalent positions, which are funded with City subsidies.*

Programmatic Review

The three library systems will continue to provide services throughout the five boroughs at existing branches and the following recently reopened libraries:

- the Corona Branch Library in Queens will reopen in May 2005 following an expansion, interior rehabilitation and ADA compliance renovations.

- the Mapleton, Mill Basin and Williamsburg Branches in Brooklyn have reopened this year after extensive rehabilitation.

- the new Bronx Library Center will open in January 2006.

- the Great Kills Branch Library in Staten Island will reopen in the fall of 2005 after a major rehabilitation to public spaces and ADA compliance renovations.

- the Columbus Branch Library in Manhattan will open in the fall of 2005 following an extensive renovation.

The three library systems will continue to provide a variety of community programming:

- Queens Borough Public Library's New American Program offers programs for multicultural/multilingual audiences on topics related to assimilation. The Library offers a variety of presentations celebrating the literary, performing, and folk arts of immigrants, while also offering free lectures and workshops in the most widely spoken immigrant languages of Queens.

- Brooklyn Public Library's specialized programs include resources for children with special needs, adult literacy courses, English for Speakers of Other Languages and services for the aging. The Library has increased multicultural programs this year, offering a variety of special events to the diverse ethnic communities in the borough.

- New York Public Library's Toddler Time, Story Hour and Picture Book Hour provide literacy outreach to children ages 2 through 12 years, in addition to adult literacy courses and English for Speakers of Other Languages.

- all three library systems have well-developed computer systems that provide the public with free of charge Internet access and basic PC software applications. The libraries have also implemented interactive reference services that allow patrons to search the reference database and send reference inquiries to professional librarians.

- the three library systems, with support from the Wallace Foundation, have launched a Learning in Libraries initiative to increase Out of School Time library services for children in the City. This includes increased access to homework help, fun reading programs, and enhanced library collections designed to support children in their learning.

Capital Review

The 2006-2015 Ten-Year Capital Commitment Plan totals $145.8 million, of which 97 percent is City-funded. The Ten-Year Plan provides $42.2 million for Queens Borough Public Library, $44.5 million for Brooklyn Public Library, $49.4 million for The New York Public Library, and $9.8 million for New York Research Libraries. The table below reflects capital commitments by program area over the FY 2006-2009 period totaling $124.9 million, of which 96 percent is City funded.

Capital Commitments

($000's)

Funds	2004 Actual City Funds	2004 Actual All Funds	2005 Plan City Funds	2005 Plan All Funds	2006 Plan City Funds	2006 Plan All Funds	2007 Plan City Funds	2007 Plan All Funds	2008 Plan City Funds	2008 Plan All Funds	2009 Plan City Funds	2009 Plan All
Brooklyn Public Library	3,081	3,081	25,220	25,220	31,797	35,797	792	792	804	804	835	835
New York Public Library	62,230	62,311	9,385	9,454	40,983	40,983	250	250	—	—	—	—
New York Research Library	1,341	1,341	13,562	13,737	8,500	8,500	1,262	1,262	—	—	—	—
Queens Public Library	3,149	3,149	18,906	18,906	28,124	28,124	6,300	6,300	349	349	876	876
Total	69,801	69,882	67,073	67,317	109,404	113,404	8,604	8,604	1,153	1,153	1,711	1,711

While some projects have been delayed or reduced in scope due to prior fiscal constraints, several major renovations took place in 2005. Other major projects will be undertaken in 2006. The 2006-2015 Ten-Year Capital Commitment Plan includes the following highlights:

Queens Borough Public Library:

- construction of the new Children's Library and Discovery Center at the Central Library in Jamaica, which encompasses a two-story, 14,000 square foot library for children, and includes planned interactive science exhibits and programs to develop information literacy skills ($13.3 million, including $95,000 for a fire alarm system, in addition to $1.1 million for 2005).
- replacement of the Glen Oaks Branch Library ($5.7 million, in addition to $623,000 in 2005).
- expansion of the Elmhurst Branch Library ($4.2 million, in addition to $211,000 in 2005).
- enlargement of the Jackson Heights Branch Library ($3.0 million, in addition to $1.3 million in 2005).
- expansion of the East Elmhurst Branch Library ($2.8 million).
- replacement of heating systems in multiple branches of the Queens Borough Public Library system ($2.6 million).
- roof replacement in multiple branches ($2.2 million).
- replacement of air conditioning systems at various branches ($1.7 million).
- construction of a new Cambria Heights Branch Library ($1.2 million, in addition to $1.2 million in 2005).
- ADA compliance renovations at multiple branches ($1.0 million, in addition to $337,000 in 2005).

Brooklyn Public Library:

- extensive renovations at the Brooklyn Central Library, which include a new auditorium, a new front plaza, and major systems upgrade ($14.6 million, which includes $4.0 million in non-City funds, in to addition $17.4 million in 2005).
- design and construction of a new Visual and Performing Arts Library ($6.0 million).

- rehabilitation and expansion of the Kings Highway Branch Library ($4.4 million, in addition to $552,000 in 2005).

- rehabilitation and expansion of the Fort Hamilton Branch Library ($3.2 million).

- rehabilitation of the Macon Branch Library and Bedford-Stuyvesant Historical Center ($1.9 million, in addition to $35,000 in 2005).

- renovation and rehabilitation of the Park Slope Branch Library, which will include new HVAC ($1.5 million, in addition to $203,000 in 2005).

- rehabilitation of the Saratoga Branch Library ($1.2 million, in addition to $118,000 in 2005).

The New York Public Library, which includes projects in Manhattan ($10.6 million), the Bronx ($17.0 million), Staten Island ($9.9 million) and funding for projects in all three boroughs ($11.9 million):

- acquisition and renovation of the Kingsbridge Branch Library in the Bronx ($7.7 million, in addition to $50,000 in 2005).

- renovation and expansion of the Stapleton Branch Library in Staten Island ($4.7 million, in addition to $108,000 in 2005).

- boiler replacement, new windows and second floor renovation at the Woodstock Branch Library in the Bronx ($4.7 million, in addition to $364,000 in 2005).

- construction of a new branch at Mariners Harbor in Staten Island ($4.0 million).

- extensive renovation and ADA compliance work at the St. Agnes Branch Library in Manhattan ($3.2 million, in addition to $18,000 in 2005).

- complete renovation and wheelchair access at the Jefferson Market Branch Library in Manhattan ($1.8 million, in addition to $83,000 in 2005).

- new branch feasibility study and acquisition of the new Rossville Branch Library in Staten Island ($616,000).

- community room renovation and site improvements at the Pelham Bay Branch Library in the Bronx ($527,000).

New York Research Libraries:

- renovation of the Schomburg Center for Research in Black Culture ($4.4 million, in addition to $7.0 million in 2005, which includes $175,000 in non-City funds).

- restoration and renovation of the Humanities and Social Sciences Library including HVAC, emergency façade stabilization and main stacks ($5.3 million, in addition to $3.1 million for 2005).

THE DEPARTMENT OF CULTURAL AFFAIRS

The Department of Cultural Affairs (DCA) is responsible for sustaining and promoting the cultural quality of life throughout the City. DCA achieves these goals by providing financial and technical support to over 1,000 museums, performing arts institutions, gardens, zoos and other cultural organizations, while also providing legal, construction, and managerial support services.

The City supports operations at 34 City-owned cultural institutions, which include world-renowned organizations such as the Metropolitan Museum of Art, the Wildlife Conservation Society, the American Museum of Natural History, the Brooklyn Academy of Music, Carnegie Hall, Lincoln Center for the Performing Arts, the Brooklyn Museum of Art, and The New York Botanical Garden. The Cultural Institutions Group (CIG) also includes a number of outstanding smaller and mid-sized institutions such as the American Museum of the Moving Image, New York Hall of Science, Wave Hill, Museum of the City of New York, Brooklyn Children's Museum, City Center Theater, and Staten Island Botanical Garden. DCA supports capital construction and improvement projects at other distinguished cultural institutions, such as the Alvin Ailey Dance Foundation, the Society for the Preservation of Weeksville and Bedford-Stuyvesant History, and Jazz at Lincoln Center.

DCA provides program grants and support services to more than 600 arts-related organizations citywide, with recipients as diverse as the African Film Festival, Brooklyn Youth Chorus Academy, Harlem Arts Alliance, Jose Limon Dance Foundation, Manhattan Theater Club, Metropolitan Opera Guild, Museum of Modern Art, New York Youth Symphony, Sculpture Center, Staten Island Ballet, Studio in a School and the West Indian American Carnival Association.

Financial Review

The Department of Cultural Affairs' 2006 Executive Budget provides for operating expenses of $105.4 million, a decrease of $18.5 million from the 2005 forecast. It also provides for City funded capital commitments of $208.7 million in 2006.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

The major substantive revision is, after accounting for technical changes, that the Executive Budget restores $2.7 million in programmatic funding to the Department of Cultural Affairs.

- the City will provide $89.8 million, including $31.0 million in energy subsidies, to the City's 34 Cultural Institutions (CIGs). The City allocation to the cultural institutions will be reduced by a net $11.7 million from the 2005 forecast of $101.5 million. The net reduction is derived by taking the total reduction figure of $19.2 million (which includes $13.8 million in one time funding) and adding in $7.5 million in increases (technical and other adjustments). The budget also continues the $2.0 million supplemental enhancement to institutions added in the January Plan for 2005 and the out-years.

- the City will provide $11.6 million in program grants to various cultural organizations citywide. The City allocation to these cultural programs will be reduced by $6.6 million from the 2005 forecast of $18.3 million. Of this reduction, $5.0 million can be attributed to one time items and other adjustments in 2005. Another $1.2 million is a result of one time restorations to 2005.

- the Executive Budget contains $3.9 million in operating funds for the Department of Cultural Affairs' staff, rent, supplies and equipment.

Summary of Agency Financial Data
($000's)

	2004 Actual	2005 Forecast	2006 Preliminary Budget	2006 Executive Budget	Increase/(Decrease) 2005 Forecast	Increase/(Decrease) 2006 Preliminary Budget
Expenditures						
Salary and Wages	$2,349	$2,719	$2,443	$2,689	($30)	$246
Fringe Benefits	—	37	—	—	(37)	—
OTPS	115,792	121,099	98,694	102,675	(18,424)	3,981
Total	$118,141	$123,855	$101,137	$105,364	($18,491)	$4,227
Funding						
City	$117,153	$122,175	$100,647	$104,874	($17,301)	$4,227
Other Categorical Grants	56	152	—	—	(152)	—
IFA	56	55	55	55	—	—
State	—	173	—	—	(173)	—
Federal CD	177	260	241	241	(19)	—
Federal Other	43	—	—	—	—	—
Intra-City Other	656	1,040	194	194	(846)	—
Total	$118,141	$123,855	$101,137	$105,364	($18,491)	$4,227
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$543	$579	$629	$658	$79	$29
Pensions	4,851	5,578	6,131	7,254	1,676	1,123
Other Than Personal Service (OTPS)						
Legal Services	—	20	20	21	1	1
Judgments and Claims	41	21	23	23	2	—
Debt Service	27,632	48,910	46,346	44,709	(4,201)	(1,637)
Total Additional Costs	$33,067	$55,108	$53,149	$52,665	($2,443)	($484)
Funding						
City	32,819	54,118	50,845	50,497	(3,621)	(348)
Non-City	248	990	2,304	2,168	1,178	(136)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$2,349	$2,719	$2,443	$2,689	($30)	$246
Fringe Benefits	543	616	629	658	42	29
Pensions	4,851	5,578	6,131	7,254	1,676	1,123
Total PS	$7,743	$8,913	$9,203	$10,601	$1,688	$1,398
OTPS	$115,792	$121,099	$98,694	$102,675	($18,424)	$3,981
Legal Services	—	20	20	21	1	1
Judgments and Claims	41	21	23	23	2	—
Debt Service	27,632	48,910	46,346	44,709	(4,201)	(1,637)
Total OTPS	$143,465	$170,050	$145,083	$147,428	($22,622)	$2,345
Total Agency Costs	$151,208	$178,963	$154,286	$158,029	($20,934)	$3,743
Less Intra-City	$656	$1,040	$194	$194	($846)	$—
Net Agency Cost	$150,552	$177,923	$154,092	$157,835	($20,088)	$3,743
Funding						
City	149,972	176,293	151,492	155,371	(20,922)	3,879
Non-City	580	1,630	2,600	2,464	834	(136)
Personnel (includes FTEs at fiscal year-end)						
City	44	50	43	46	(4)	3
Non-City	2	3	3	3	—	—
Total	46	53	46	49	(4)	3

* *The 2006 Executive Budget provides an estimated 1,512 full-time and full-time equivalent positions, which are funded with City subsidies.*

Programmatic Review

- DCA continues to work towards increasing attendance and revenue at cultural organizations in all five boroughs. As part of Cool New York – an initiative aimed at expanding borough tourism and attracting visitors during the post-holiday season, the time of year when attendance is typically at its lowest – DCA, in collaboration with the Department of Information, Technology, and Telecommunications, launched a searchable online database that lists events occurring throughout the City's non-profit cultural community. This year's Cool New York coincided with the two-week period of Christo and Jeanne-Claude's *The Gates* in Central Park. *The Gates* attracted over four million visitors to New York City and generated an estimated $254 million in economic activity.

- the Cultural Development Fund (CDF) awards program grants on a competitive basis. In 2005, close to 380 groups received awards averaging $4,700. In 2006, $1.6 million is allocated for the CDF.

- the Materials for the Arts program, in cooperation with the Department of Sanitation and the Department of Education, provides donated equipment and supplies to arts organizations, arts education programs in the public schools, and other City agencies. In calendar year 2004, donated materials were valued at $4.4 million.

- the Community Arts Development Program awards federal grants to arts groups serving low- and moderate-income neighborhoods. In 2006, approximately $241,000 will be available in Federal funding.

- DCA administers the Percent for Art program which oversees commissions for public works of art as part of City construction projects. Ten projects will be completed during 2005. Eight projects will be completed in 2006.

Capital Review

The 2006-2015 Ten-Year Capital Commitment Plan for the Department of Cultural Affairs totals $480.6 million, of which 96 percent is City-funded. The table below reflects capital commitments over the 2006-2009 period totaling $331.0 million, of which 97 percent is City-funded.

Capital Commitments

($000's)

	2004 Actual		2005 Plan		2006 Plan		2007 Plan		2008 Plan		2009 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Department of Cultural Affairs	98,485	100,565	316,501	318,673	208,671	217,915	70,099	70,099	39,062	39,062	3,904	3,904
Total	98,485	100,565	316,501	318,673	208,671	217,915	70,099	70,099	39,062	39,062	3,904	3,904

Highlights of the 2006-2015 Ten-Year Capital Strategy include:

- renovation of the shark exhibit ($23.8 million in 2006-2009, in addition to $6.2 million in 2005), construction of a beluga whale facility ($2.7 million in 2006-2009), and other various projects ($1.3 million in 2006-2015, in addition to $6.0 million in 2005) at the New York Aquarium.

- assorted projects at the New York Botanical Garden including improvements to parking areas and roads ($4.5 million in 2006-2015), construction of a new museum building ($2.0 million in 2006-2009), and other various improvements ($2.7 million in 2006-2015, in addition to $11.8 million in 2005).

- expansion of the Queens Museum of Art ($24.9 million in 2006-2009).

- reconstruction of the reptile wing at the Staten Island Zoo ($6.2 million in 2006, in addition to $8.2 million in 2005).

- funding for climate control projects at the Brooklyn Museum of Art ($13.6 million in 2006-2009, in addition to $8.2 million in 2005).

- spalling repair and other improvements at the New York Hall of Science ($7.1 million in 2006-2015, in addition to $4.9 million in 2005).

- facility modernization, infrastructure upgrades, and upgrades of the Genomic and Ornithology Departments for the American Museum of Natural History ($24.5 million in 2006-2015, in addition to $21.2 million in 2005).

- site-wide circulation work ($2.2 million in 2006), restoration of the music hall ($3.1 million in 2006 added to $383,000 in 2005) and various other improvements ($1.4 million in 2006-2015, in addition to $2.0 million in 2005) at the Snug Harbor Cultural Center.

- upgrade of the co-generation facility ($3.0 million for 2006, added to $300,000 in 2005) and upgrade of transportation facilities ($5.1 million for 2006) at the Bronx Zoo.

- expansion and modernization of the Museum of the City of New York ($14.8 million in 2006-2015, in addition to $4.1 million in 2005).

- construction of a Welcome Garden entrance ($4.5 million in 2006, in addition to $1.4 million in 2005) and design of an administration building ($3.4 million in 2005) for the Queens Botanical Garden.

- various improvements to the Metropolitan Museum of Art and the Cloisters, including HVAC and lighting work ($6.4 million in 2006-2015, in addition to $18.0 million in 2005).

- construction of a new Visitor Center at the Cherry Esplanade at the Brooklyn Botanic Garden ($4.8 million in 2006, in addition to $10.0 million in 2005).

- improvements to buildings at the Snug Harbor Cultural Center for the Staten Island Institute of Arts and Sciences ($5.1 million in 2006-2015, in addition to $3.4 million in 2005).

- construction and reconstruction of facilities for the New York Shakespeare Festival ($7.4 million in 2006-2015, in addition to $6.8 million in 2005).

- various improvements at the Jamaica Center for Arts and Learning (in addition to $4.7 million in 2005, $3.5 million in 2006-2015).

- various improvements ($4.3 million in 2006-2015) at the Staten Island Historical Society.

- reconstruction, waterproofing, improvements, and roof repair at the City Center Theater ($3.0 million in 2006-2015, in addition to $8.3 million in 2005).

- ADA compliance work ($3.3 million in 2006) at Wave Hill.

- construction relating to the Brooklyn Children's Museum's masterplan project ($5.4 million in 2006, in addition to $8.8 million in 2005).

- site acquisition and construction of a new facility for the Museum of African Art ($3.0 million in 2006, in addition to $1.0 million in 2005).

- funding for redevelopment projects at Lincoln Center for the Performing Arts ($205.8 million in 2006-2015, in addition to $27.3 million in 2005).

- exterior improvements and construction of a visitor center at P.S. 1 ($4.9 million in 2006-2015, in addition to $1.2 million in 2005).

- exterior rehabilitation of the Guggenheim Museum ($2.5 million in 2006, in addition to $2.0 million in 2005).

- restoration of the historic Hunterfly Houses and other construction at the Society for the Preservation of Weeksville ($10.1 million in 2006, in addition to $553,000 in 2005).

- rehabilitation of the Harvey Theater and Opera House ($543,000 in 2006, in addition to $11.3 million in 2005) at the Brooklyn Academy of Music.

- construction of a new TKTS booth at Father Duffy Square ($4.1 million in 2006).

CITY UNIVERSITY OF NEW YORK

The City University of New York (CUNY) includes ten senior colleges, six community colleges, one technical school, the Graduate Center, a law school, and an affiliated medical school. CUNY also sponsors Hunter Campus Schools. The CUNY colleges, some of which date back to the nineteenth century, were federated in 1961. The University is governed by a 17-member Board of Trustees. Ten members are appointed by the Governor with the advice and consent of the New York State Senate, five are appointed by the Mayor, and two (the chairpersons of the Faculty and Student Senates) serve as ex-officio members.

CUNY is the largest municipal university system in the United States and ranks third in number of students among the public university systems in the nation. In 2005 CUNY will serve approximately 217,400 students in degree programs with approximately 143,700 in the senior colleges and 73,700 in the community colleges. In addition, CUNY will serve approximately 247,700 non-degree students. Similar levels of enrollment are anticipated in 2006.

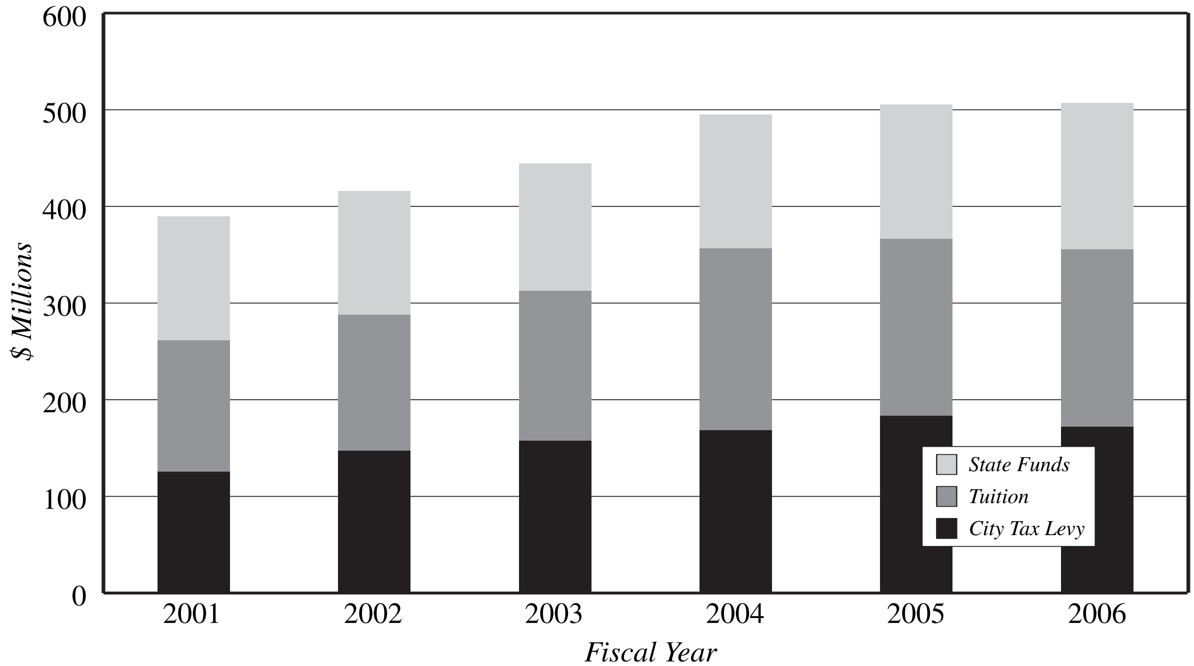
Financial Review

The City University of New York's 2006 Executive Budget is $533.0 million, a net decrease of $60.0 million from the 2005 forecast of $593.0 million. The largest part of this year to year decrease of $40.8 million is due to a decline in Intra-City funds in 2006 from $47.9 million to $7.1 million. The change also includes a decrease of $31.3 million in City funds, a decrease of $500,000 in Federal-Other funds, a decrease in Other Categorical funds of under $200,000 and an increase of $12.8 million in the 2006 State aid funds. The community college impact of these changes is a $53.1 million decrease, from $539.1 million in 2005 to $486.0 million in 2006. Funding for the Senior and Community College Merit Scholarship Program as well as other funded initiatives in 2005 have not been base lined in 2006.

Revenue Forecast

Four major sources of revenue fund the CUNY expense budget: State aid; tuition, fees and miscellaneous income; City tax levy funds; and other categorical grants. The 2006 Executive Budget appropriates $188.2 million in State aid for CUNY. This funding level is a $12.8 million increase from the 2005 forecast of $175.4 million. The other major source of 2006 revenue, namely tuition, fees and miscellaneous income, is projected at $180.8 million, which is the same as the forecast level for 2005 and is subject to enrollment change. The 2006 Executive Budget, including pension contributions budgeted separately, provides $185.3 million of City tax levy funds. This is $29.2 million less than the 2005 Forecast of $214.5 million. Other Categorical funds, which consist of non-governmental grants, are $2.6 million in 2006 a decrease of $200,000 from the funding of $2.8 million forecast for 2005. These funds were previously included in City funds along with tuition and miscellaneous fees. Intra-City funding is $7.1 million in 2006 a decrease of $40.8 million from approximately $47.9 million in 2005 million. Federal – Other funds, supporting the Invest program, decreased by $500,000 due to the elimination of this 2005 funding source from the 2006 budget.

COMMUNITY COLLEGE FUNDING 2001-2006



* *Funding which supports senior college and Hunter Campus Schools activities is not included here. City tax levy includes pension contributions which are budgeted in the Pension Agency. Tuition includes Tuition and Fees, Miscellaneous Revenues, Adult Continuing Education fees and Other Categorical funds. The 2005 amounts are as per the Executive forecast.*

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- an increase of $2.7 million in tax levy for anticipated energy needs at the CUNY community colleges and Hunter Campus Schools.

- an increase of approximately $2.4 million, of which $1.2 million is tax levy and $1.2 million is State aid, to provide for additional temporary replacement space for the borough of Manhattan Community College's Fiterman Hall, which was destroyed on September 11.

- an increase of $1.2 million in tax levy for fringe benefit increases associated with increases in collective bargaining.

The following table compares the 2006 Executive Budget with the 2006 Preliminary Budget.

Summary of Agency Financial Data
($000's)

	2004 Actual	2005 Forecast	2006 Preliminary Budget	2006 Executive Budget	Increase/(Decrease) 2005 Forecast	Increase/(Decrease) 2006 Preliminary Budget
Expenditures						
Salary and Wages	$299,380	$304,729	$299,904	$305,103	$374	$5,199
Fringe Benefits	59,202	54,756	47,265	47,671	(7,085)	406
OTPS	186,089	233,563	173,590	180,295	(53,268)	6,705
Total	$544,671	$593,048	$520,759	$533,069	($59,979)	$12,310
Funding						
City	$353,139	$366,399	$332,310	$335,060	($31,339)	$2,750
Other Categorical Grants	1,639	2,839	2,839	2,670	(169)	(169)
IFA	—	—	—	—	—	—
State	140,199	175,432	178,471	188,200	12,768	9,729
Federal CD	—	—	—	—	—	—
Federal Other	671	500	—	—	(500)	—
Intra-City Other	49,023	47,878	7,139	7,139	(40,739)	—
Total	$544,671	$593,048	$520,759	$533,069	($59,979)	$12,310
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$5,989	$7,226	$8,651	$8,651	$1,425	$—
Pensions	20,424	28,895	28,982	31,002	2,107	2,020
Other Than Personal Service (OTPS)						
Legal Services	—	345	345	351	6	6
Judgments and Claims	806	1,000	1,000	1,000	—	—
Debt Service	23,782	43,250	41,418	41,134	(2,116)	(284)
Total Additional Costs	$51,001	$80,716	$80,396	$82,138	$1,422	$1,742
Funding						
City	49,849	80,588	79,985	81,752	1,164	1,767
Non-City	1,152	128	411	386	258	(25)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$299,380	$304,729	$299,904	$305,103	$374	$5,199
Fringe Benefits	65,191	61,982	55,916	56,322	(5,660)	406
Pensions	20,424	28,895	28,982	31,002	2,107	2,020
Total PS	$384,995	$395,606	$384,802	$392,427	($3,179)	$7,625
OTPS	$186,089	$233,563	$173,590	$180,295	($53,268)	$6,705
Legal Services	—	345	345	351	6	6
Judgments and Claims	806	1,000	1,000	1,000	—	—
Debt Service	23,782	43,250	41,418	41,134	(2,116)	(284)
Total OTPS	$210,677	$278,158	$216,353	$222,780	($55,378)	$6,427
Total Agency Costs	$595,672	$673,764	$601,155	$615,207	($58,557)	$14,052
Less Intra-City	$49,023	$47,878	$7,139	$7,139	($40,739)	$—
Net Agency Cost	$546,649	$625,886	$594,016	$608,068	($17,818)	$14,052
Funding						
City	402,988	446,987	412,295	416,812	(30,175)	4,517
Non-City	143,661	178,899	181,721	191,256	12,357	9,535
Personnel (includes FTEs at fiscal year-end)						
City	6,443	6,598	6,602	6,605	7	3
Non-City	7	5	5	5	—	—
Total	6,450	6,603	6,607	6,610	7	3

Programmatic Review

The Executive Budget continues City support for CUNY's efforts to raise and maintain high standards and to create a flagship academic environment. Assisted by additional revenues, generated through increases in enrollment, CUNY will continue to recruit more full-time faculty to improve disciplinary strength and increase the ratio of full-time to adjunct faculty in its schools. Also, CUNY will continue to improve its facilities and incorporate advanced technology and communications to support its curriculum. In the 2006 Executive budget the City matched all State capital appropriations affording CUNY an unprecedented opportunity to enhance its facilities. Included in this budget are funds to rebuild Fiterman Hall at the Borough of Manhattan Community College, funds for the Academic Building I at Medgar Evers College, funds for the North Instructional Building at the Bronx Community College, funds to renovate, rehabilitate and preserve CUNY facilities including Health and Safety projects, a CUNY Business Incubator Network, the upgrade of electrical and mechanical equipment as well as the purchase of new computer and laboratory equipment.

CUNY continues its initiative to attract the City's brightest high school graduates for their college education through its CUNY-wide Honors College. This program seeks to attract students with a record of academic achievement and high SAT test scores. Selected students receive free tuition, a laptop computer and up to a $7,500 academic spending account. These students work with CUNY's most distinguished faculty and receive special attention and academic support throughout their college careers.

Program Highlights

CUNY is expected to engage in numerous independent and collaborative programs, including:

- CUNY/Department of Education Partnerships - CUNY maintains a number of successful collaborative programs with the New York City Department of Education. The College Now/College Tomorrow program expects to register over 57,000 students in approximately 40,000 separate activities (including college credit courses, skill development courses and workshops and various enrichment activities). This program operates in all seventeen undergraduate colleges and instructs students at high schools and in the colleges, helping ninth through twelfth graders acquire skills necessary to graduate, pass Regents and college entrance examinations, and ultimately succeed in college. In addition, the University's campuses are home to the Middle College High School Program, which operates thirteen affiliated high schools at Brooklyn, City, Lehman, York and Medgar Evers colleges, and Hostos, Bronx, LaGuardia, and Kingsborough community colleges. The program operates alternative high schools within college settings for especially talented students as well as for students identified as being at high risk of dropping out.

- Language Immersion Program - This program provides up to 900 hours of classroom work over three or four annual cycles to immigrant students who require better knowledge of English to be more effective students. The program serves over 2,900 immigrants at nine locations.

- Workforce Development Initiative (WDI) - This program promotes and supports small businesses by retraining and upgrading employee skills, meeting qualified teacher shortages, preparing undergraduates for skill-shortage occupations, creating jobs, providing for economic development, and performing labor market research, planning and coordination.

- Adult Literacy Program - This program is budgeted at $3.0 million in 2006. It will help approximately 10,000 students meet program and employment requirements in the labor market, including English-as-a-Second-Language education.

- Child Care - This program provides child care in 17 centers throughout CUNY. The program serves approximately 2,400 children and provides early child care, infant/toddler care, training for families and early childhood education.

Capital Review

The City University of New York's 2006-2015 Ten-Year Capital Strategy totals $352.0 million to upgrade and maintain the community college physical plant ($311.9 million in City funds and $40.1 million in State funds). This is an increase of $195.2 million over the previous Ten-Year Capital Strategy of $156.8 million. The 2006-2009 Four-Year Capital Plan totals $287.5 million ($275.4 million in City funds and $12.1 million in State funds) and is an increase of $184.5 million over the previous Four-Year Capital Plan. City funds in the 2006-2009 Four-Year Capital Plan fully match the $240.2 million in State appropriations for the community college allowing CUNY the opportunity to enhance its facilities.

All community college capital projects approved by the City are eligible for an equal amount of State matching funds. The State provides its 50 percent share for such projects either through its annual State budget appropriation or the sale of bonds by the New York State Dormitory Authority. State matching funds from annual budget appropriations are reflected in the City's capital plan, however, any State match provided through the independent sale of DASNY bonds is not represented in the City's capital plan.

The major elements of the Four-Year Capital Plan include:

- design and construction of new buildings ($163.9 million); including Fiterman Hall at Borough of Manhattan Community College ($63.0 million), Academic Building I at Medgar Evers College ($62.1 million), and North Instructional Building at Bronx Community College ($29.7 million).

- renovation and rehabilitation of Center III at LaGuardia Community College ($24.2 million).

- purchase of new computer, laboratory and other equipment to replace obsolete ones and to furnish new classrooms and laboratories ($18.6 million).

- Health and Safety projects ($11.9 million); including fire alarm systems and emergency phone stations.

- emergency first response program at Borough of Manhattan Community College ($10.7 million).

- CUNY Small Business Incubator Network ($7.5 million).

- facilities preservation and ADA compliance ($7.0 million).

The table below shows capital commitments by program area over the 2004-2009 period. In addition to the 2006-2009 Four-Year Capital Plan program listed above, this table includes significant projects funded in 2005. These 2005 projects total $113.6 million and include the following: $17.0 million for the replacement of Fiterman Hall and $3.0 million for the student lounge expansion at Borough of Manhattan Community College, $8.5 million for the North Instructional Building at Bronx Community College, $6.5 million for the Academic Building I and $4.7 million for the modular units at Medgar Evers College, and $5.9 million for the Center III renovations at LaGuardia Community College.

Capital Commitments

($000's)

	2004 Actual		2005 Plan		2006 Plan		2007 Plan		2008 Plan		2009 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
New School Construction	$0	$0	$36,391	$43,504	$125,448	$125,448	$11,521	$11,615	$20,113	$20,113	$6,511	$6,741
Renovation/Rehabilitation of Roofs, Classrooms, etc	8,572	8,909	39,763	40,427	17,628	17,705	17,988	20,274	17,776	20,068	23,252	25,690
Purchase & Installation of EDP and Other Equipment	7,961	8,133	24,612	25,908	6,353	6,392	427	439	455	455	11,170	11,265
Electrical, Mechanical & HVAC	272	273	3,294	3,294	163	347	1,287	2,574	1,656	2,312	2,468	2,899
Other Projects	1,537	1,971	433	520	4,255	4,394	1,633	2,121	2,323	3,131	3,021	3,547
Total	$18,342	$19,286	$104,493	$113,653	$153,847	$154,286	$32,856	$37,023	$42,323	$46,079	$46,422	$50,142

PENSIONS AND OTHER FRINGE BENEFITS

Pension Overview

The Executive Budget for 2006 provides for $4,762 million in City pension contributions, an increase of $1,375 million from the amount forecast for 2005. As listed on the table below, of the total amount for 2006, $4,665 million represents contributions to the City's five actuarial retirement systems, $55 million represents contributions to pension systems covering certain non-City employees of the City University, the library system, day care centers, and certain cultural institutions, and $42 million represents, primarily, supplemental payments to widows and widowers of uniformed employees who were killed in the line of duty.

Pension Expenditures and Funding Sources
($000's)

			2006		Increase/(Decrease)	
	2004 Actual	2005 Forecast	Preliminary Budget	Executive Budget	2005 Forecast	Preliminary Budget
Expenditures						
Personal Service						
• City Actuarial	$2,359,614	$3,296,690	$3,793,476	$4,665,476	$1,368,786	$872,000
• Non-City	37,534	48,593	61,145	54,657	6,064	(6,488)
• Non-Actuarial	47,322	41,877	39,609	41,485	(392)	1,876
Total	$2,444,470	$3,387,160	$3,894,230	$4,761,618	$1,374,458	$867,388
Funding						
City	$2,263,064	$3,210,906	$3,720,743	$4,582,755	$1,371,849	$862,012
State	42,781	37,724	34,957	40,333	2,609	5,376
Federal	2,525	2,525	2,525	2,525	—	—
Intra-City Other	136,100	136,005	136,005	136,005	—	—
Total	$2,444,470	$3,387,160	$3,894,230	$4,761,618	$1,374,458	$867,388

The City's five actuarial retirement systems are the New York City Employees' Retirement System, the New York City Teachers' Retirement System, the New York City Police Pension Fund, the New York City Fire Pension Fund, and the Board of Education Retirement System. As of June 2004 these systems covered approximately 618,000 employees, retirees and beneficiaries of the City, the Department of Education, and certain independent agencies. Each system is governed by a board of trustees and functions in accordance with applicable state and local laws. Required contributions are made on a statutory basis based on actuarial valuations of liabilities and assets. The funding assumptions have been approved by the trustees as recommended by the City Actuary, and the statutory interest rate assumption for all five systems is eight percent.

These systems provide "defined" retirement benefits (as well as death and disability benefits) to members based on, or defined by, final pay times years of service. Benefit formulas vary by system and by entry date of pension membership, better known as tiers. Benefit payments are financed with employee and employer contributions, as well as pension asset investment income. In defined benefit plans, employer contributions make up for shortfalls in investment income, while excess investment returns reduce employer contributions.

Starting in the mid 1970s the State legislature instituted new tiers that were expected to provide less costly benefits than provided for under Tier 1. A notable feature of Tier 1 is that it provides civilian employees at age

55 having 25 years of service, a retirement benefit of 55 percent of final pay. Commencing in 1973 with Tier 2, benefits were reduced for new members. Tier 2 members could still retire at age 55, but their benefits would be subject to statutory reductions. Following Tier 2 was Tier 3 in 1976. However, in 1983, Tier 4 virtually replaced Tier 3. Tier 4 provided unreduced pensions which would only begin at age 62, as opposed to the earlier age 55 under Tier 1. Reforms also came to uniformed police and fire pensions under Tier 2 which provided for, among other things, a 20 year service, half-pay pension based on a final three year average pay, as opposed to the Tier 1 final year salary basis.

Throughout the 1980s, the 1990s and up to the present, there have been numerous and significant benefit improvements enacted through state legislation. For example, in 1998, the vesting period for civilians was reduced from 10 years to 5 years (Chapter 389), and the service fraction was raised to two percent at 20 years of service as opposed to waiting until 25 years of service (Chapter 266). In 2000, associated with ratified labor settlements, civilian Tier 1 and 2 members receive an additional two years of service credit (Chapter 126), and employee contributions were completely removed for basic Tier 3 and 4 members having 10 years of membership service. Also, in 2000, Tier 4 members were enabled to retire prior to age 62, but not before age 55, provided they have met the minimum service requirements. Their benefits, like in Tier 2, would be subject to statutory reductions (Chapter 553). Tier 1 police and fire members will receive additional Increased Take Home Pay (Chapter 373), while Tier 2 police and fire members will have their pensions based on a final one year average salary; an improvement from a final three year average (Chapter 372).

In addition to a number of other ad-hoc legislative efforts to increase certain retirees' benefits to be more in line with inflation, in 2000, under Chapter 125, significant upward cost of living adjustments (COLAs) were granted to the pensions of existing retirees. Also the legislation built in permanent annual automatic COLAs to be based on actual future inflation. The significant increased cost of this legislation is being phased-in over a number of years.

Other Fringe Benefits

The City provides a number of fringe benefits to its employees, retirees and eligible dependents. Contribution levels and terms of coverage are governed by various contractual, legal and collective bargaining provisions.

The City's basic Health Insurance program provides comprehensive major medical and hospitalization benefits to its members. In addition, the City makes annual contributions to union-administered Welfare Funds, which typically provide supplemental health insurance benefits to their members. Annual contributions conform to collective bargaining and labor agreements.

The City also participates in federal Social Security and makes the required employer contributions on behalf of covered employees. Under state Worker's Compensation, the City provides statutory wage-replacement and medical benefits to employees who sustain on the job injuries, and under Unemployment Benefits, provides up to 26 weeks of wage-replacement benefits, up to statutory maximum levels. The City also separately provides medical benefits to uniformed employees of the Police, Fire and Sanitation departments who are injured in the line of duty.

In general, the City's Miscellaneous Expense Budget contains the fringe benefit appropriations on behalf of employees and retirees of the mayoral agencies. Separate allocations are included in the Department of Education, the City University system, the Health and Hospitals Corporation, and the various other covered organizations, libraries and cultural institutions, for the fringe benefit costs of their active and retired employees.

The following table sets forth the fringe benefit amounts carried in the Miscellaneous Budget for 2005 and 2006.

Fringe Benefits

($ 000's)

	2005 Forecast	2006 Executive	Increase/ (Decrease)
Workers' Compensation	$ 127,896	$ 141,697	$ 13,801
Health Insurance Plans	1,593,995	1,804,966	210,971
Social Security Contributions	705,129	715,849	10,720
Unemployment Insurance Benefits	33,000	33,500	500
Supplementary Employee Welfare Benefits	461,200	474,007	12,807
Workers' Compensation - Other	44,000	45,000	1,000
Total	$2,965,220	$3,215,019	$249,799
Funding			
City	$2,797,363	$3,061,198	$263,835
Other Categorical	17,297	9,085	(8,212)
State	42,040	42,021	(19)
Interfund Agreements	2,450	2,450	—
Federal	106,070	100,265	(5,805)
• CD	28,000	28,000	—
• Other	78,070	72,265	(5,805)
Total	$2,965,220	$3,215,019	$249,799

JUDGMENTS AND CLAIMS

The Executive Budget for 2006 provides an appropriation of $631 million for Judgments and Claims. These expenditures represent the City's costs for tort and contract liability and are projected to reach $763 million by 2009. Tort expenditures cover both personal injury and property damage claims, and account for approximately 98 percent of total costs. These projections incorporate a substantial amount of claims cost attributed to the Health and Hospitals Corporation for which the Corporation will reimburse the City. These amounts are estimated at $190 million in 2006 through 2009.

The Office of Management and Budget (OMB) employs various statistical methods and financial models to estimate claims costs. In addition, OMB consults the Law Department to provide cost estimates for cases that are expected to settle for $1 million or greater. These are mainly serious personal injury cases that have been in litigation or on appeal for a considerable period of time. These cases represent a significant portion of total tort costs, but their relatively small volumes do not lend themselves to statistical analysis. Historical claim data contained on the Comptroller's Omnibus Automated Image Storage and Information System (OAISIS) are analyzed to determine annual settlement volumes and average cost per claim. Total costs are the product of the volume and average cost projections.

Analysis of Agency Budgets: Covered Organizations

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION

The New York City Health and Hospitals Corporation (HHC) provides comprehensive medical, mental health, and substance abuse services to New York City residents, regardless of their ability to pay. Through its seven regional health care networks, HHC operates eleven acute care hospitals, four long-term care facilities, six diagnostic and treatment centers, a certified home health program, and more than 100 community-based primary care, dental, and child health clinics throughout the five boroughs. In addition, MetroPlus, the wholly-owned HHC health maintenance organization, provides care to more than 225,000 New Yorkers. HHC also provides emergency and inpatient services to New York City's correctional facilities' inmate population and conducts mental health evaluations for the family courts in the Bronx, Brooklyn, Queens, and Manhattan.

HHC is the nation's largest public hospital system operating 4,592 inpatient beds and 2,831 nursing facility beds. In 2004, at HHC facilities there were more than 216,000 patient discharges, 4,850,000 clinic visits and more than 1,017,000 emergency room visits. In 2004, HHC facilities served more than 1,270,000 million people, of which more than 434,800, or 34 percent, lacked any form of health insurance.

Financial Review

The 2004 combined operating and capital ending cash balance was $255 million as reported in the New York City Financial Plan; a $342 million combined operating and capital ending cash balance is projected for 2005. Total expenses in the 2006 Executive Budget are projected at $4.7 billion, and total revenue is projected at $4.2 billion. The Corporation has cost containment and revenue enhancement initiatives of $450 million that will substantially reduce the operating deficit. Revenue derived from third party payors is projected to be $3.7 billion. City support for HHC in 2006, excluding the City portion of Medicaid and debt service payments, is anticipated to be $4 million after a prepayment of $172 million in 2005. This funding provides for the treatment of prisoners and uniformed services personnel at HHC facilities, care for the uninsured and all payments associated with intra-city agreements with City agencies. The City will make payments of $774 million for the local share of HHC's Medicaid collections and bad debt and charity care pool payments.

HHC is scheduled to pay the City $190 million for malpractice settlements in 2006. This payment is consistent with the agreement entered into with the City. The City makes debt service payments on behalf of the Corporation, in exchange for the Corporation assuming full responsibility for malpractice costs up to an annual limit.

Expense Budget Highlights

HHC has undertaken several actions in 2005 to reduce expenses, generate revenue and achieve efficiencies:

- HHC is upgrading and centralizing its dietary operations to better provide high quality meals and realize operating efficiencies. To this end, HHC entered into a long-term partnership with leading healthcare industry food service providers to enhance operations and increase quality. Partner organizations will invest approximately $15 million in 2005 to improve and upgrade equipment at the Kings County Cook Chill facility and at all hospital and long term care kitchens. Annual savings from the fully implemented initiative are estimated at between $10 to $15 million.

- the eCommerce initiative modernizes purchasing and inventory operations throughout the Corporation. The fully implemented initiative will automate the catalog, requisition and purchase order functions while enhancing the ability to manage inventory and purchasing. eCommerce pilot projects were recently completed at Bellevue Hospital and HHC's Central Office and will roll out to all facilities in calendar year 2005.

- the Value Analysis Project improves facility financial operations. The project brings together hospital finance staff with industry experts to identify and implement revenue enhancement projects and improve existing processes.

- commercial advertising in HHC's public spaces will generate approximately $5 million in annual revenue. HHC and a contract partner will sell and install commercial advertising at HHC's facilities. All advertisers must adhere to HHC determined standards of appropriateness. The Department of Health and Mental Hygiene and HHC have a reserve of 25 percent of advertising of space to promote public health messages.

Access to Care

HHC continues to maintain its commitment to providing high quality health care to all patients. The Corporation is making significant progress toward increasing patients' timely access to affordable care, while simultaneously improving hospital operations.

- the Ambulatory Care Restructuring Initiative (ACRI) is a complete re-engineering of outpatient visit procedures from the patient appointment process to the procedural flow of medical visits. ACRI's goal is to provide patients appointment availability within three business days and reduce visit time at medical clinics to less than 60 minutes. Currently 44 out of 51 large primary care clinics have completed redesign initiatives reducing the average length of medical visits by more than one hour.

- access to high quality care regardless of ability to pay is the cornerstone of HHC's mission. For individuals who are not eligible for public health insurance HHC developed HHC Options, a financial assistance program. HHC Options fee-scales patient charges to a level commensurate with a patient's ability to pay.

Medical Initiatives and Quality Reviews

Providing high quality medical care, improving patient outcomes through the development of effective treatment protocols and improving the health outcomes of communities through public health awareness initiatives demonstrate HHC's commitment to providing the highest level of medical care possible.

- the Corporation is in the process of developing disease specialized patient registries to manage care more effectively. A patient registry is a key element of modern chronic illness management, it provides timely data support to patient care teams responsible for the health outcomes of their patients. In addition, the registry's management tools allow facilities to review thousands of medical files to identify individuals in need of clinical interventions.

- HHC's cancer screening initiative continues to grow. In 2004, HHC screened more than 79,000 women for breast cancer and performed nearly 10,000 colonoscopies. An increase of more than 7,000 breast screenings and 5,000 colonoscopies over 2003.

- the Federal Center for Medicare and Medicaid (CMS) Services conducted a nationwide survey of 4,200 hospitals using 2004 discharge data to measure quality indicators for three common clinical conditions: heart attack, heart failure and pneumonia. HHC hospitals outperformed hospitals throughout the country in 11 of 15 categories.

- the April issue of Consumer Digest named HHC's Coney Island Hospital, Harlem Hospital and the Lincoln Medical and Mental Health Center among the "50 Exceptional U.S. Hospitals" for hospital safety.

- the Corporation's commitment to service excellence is confirmed by the receipt of accreditation, with full standards compliance, from the Joint Commission on the Accreditation of Healthcare Organizations (JCAHO) for the five facilities that were surveyed in 2004.

- the Consumer Case Management Program continues to improve treatment adherence and reduce emergency room and inpatient utilization among consumers of behavioral health services. The program uses peer counselors to serve as case managers and role models for patients at four outpatient clinics.

- continued development of Assertive Community Treatment teams (ACT) capacity. ACT teams focus on improving patient compliance with adherence to administration of psychotropic medications and expanding the use of cognitive behavioral therapy.

- greater use of buprenorphine to augment treatment options of patients addicted to opiates and pain-killers. Buprenorphine is a new pharmacological treatment that lowers patient risks of overdose and abuse. In addition, HHC is using an evidence-based treatment approach to addiction known as contingency management that employs positive reinforcement to encourage treatment program participation in chemical dependency programs.

Capital Projects

The City funded 2006 – 2015 Ten-Year Capital Strategy totals $951.3 million, of which $857.4 million will be committed in the 2006 – 2009 Four-Year Plan. The Corporation's capital strategy to modernize and improve its facilities is driven by the significant changes occurring in the health care industry. To maintain and improve the Corporation's standing in the increasingly competitive hospital industry modern, efficient and well designed patient and clinical spaces are a necessity. Capital investment ensures that HHC will remain a leader in providing modern, high quality and cost effective patient care while fulfilling its mission of treating all New Yorkers, regardless of their ability to pay.

Over the next year, four hospitals will open five major new facilities; Bellevue Hospital Center's ambulatory care building, Jacobi Medical Center's acute care facility, Coney Island Hospital's new bed tower, and Kings County Hospital Center will open an emergency and diagnostic center and a new ambulatory care building in the spring 2006.

Additional highlights of HHC's City funded Capital Plan include the following projects in construction or development:

- consolidation and modernization of the Harlem Hospital Center campus, budgeted at $225 million, will increase hospital beds, create of a more unified, patient friendly and efficient campus, and preserve existing murals and viable facilities that are important to the local community. Ground breaking is scheduled for October of 2005.

- unification of the majority of behavioral health services on the Kings County Hospital Center campus in a single building. Budgeted at $140 million, the groundbreaking is scheduled for the spring of 2005.

- a $101 million modernization of patient care spaces at Gouverneur Healthcare Services.

- HHC is committed to working with New York City Department of Housing Preservation and Development (HPD) to make senior citizen housing on the campus of Sea View Hospital Rehabilitation Center and Home a reality.

- significant support for ongoing maintenance and equipment upgrades. The plan includes $80 million for improvements and an expansion of HHC's emergency power systems, $69 million for Local Law 11 compliance with building façade preservation, $15 million for remediation and replacement of aging underground liquid fuel storage tanks and $14 million for replacement of air handling equipment at Woodhull Medical and Mental Health Center.

NEW YORK CITY TRANSIT

New York City Transit (NYCT) operates the most extensive public transportation system in the nation, serving over 2.17 billion subway and bus passengers in calendar year 2004 with over 1.4 billion passengers riding the subway system. NYCT has been a component of the Metropolitan Transportation Authority (MTA) since the Authority's inception in 1968. The MTA is a New York State public authority responsible for coordinating and implementing a mass transportation program for New York City and the seven adjacent counties. The MTA Board also oversees the development of NYCT's operating budget and coordinates its capital expenditures. NYCT is divided into several operating departments, most notably the Department of Subways, Department of Buses and the newly created MTA Bus Company which is beginning operations in areas currently served by New York City's Franchise Bus System.

The NYCT's subway system operates 24 hours a day, 7 days a week, on 685 miles of track extending over 238 directional route-miles, serving 468 stations throughout the Bronx, Brooklyn, Manhattan, and Queens. The bus system consists of a fleet of 4,400 buses on 207 local and 36 express routes in all five boroughs. System expansions currently being considered by NYCT include the long-planned Second Avenue Subway and the westward extension of the #7 train to the Jacob Javits Convention Center. New York City has provided $60 million towards the design of the No. 7 Line Extension in FY05. If completed, these would be the most significant system expansions since the completion of the IND subway lines in the mid-1940s.

The Staten Island Railway (SIR) is also a subsidiary of the MTA. SIR operates a 14-mile rapid transit line which links 23 communities on Staten Island and provides a vital and convenient connection to the Staten Island Ferry. SIR serves approximately 3.4 million passengers per year.

Financial Review

The City's financial plan includes $251.2 million for NYCT in fiscal year 2006. As NYCT operates on a calendar year (CY) basis, the financial plan below is presented in that format. The plan for CY 2005 incorporates the following key elements:

- CY 2005 fare revenue is projected to be $2.7 billion, a 6.2 percent increase over the CY 2004 total. This change is driven by the recent NYCT subway and bus fare increase effective February 27, 2005. The fare increase changed the price of the 7-day and 30-day Unlimited Ride MetroCards to $24 from $21 and $76 from $70 respectively, while express bus fare increased $1 to $5. NYCT projects that CY 2005 ridership will increase by 1.2 percent.

- tax revenues dedicated for NYCT's use are projected to total $1.4 billion; $532.9 million from the regional Metropolitan Mass Transportation Operating Assistance Account (MMTOA), $468.9 million from the State "Lock Box" Petroleum Business Tax, $232.6 million from the Urban Mass Transportation Operating Assistance Account (Urban Account), and $116.2 million from Mortgage Recording Tax transfers.

- the City's contribution to NYCT's operating budget for CY 2005 totals $251.2 million, including $158.2 million in operating assistance, $45.0 million for student fare discounts, $29.7 million for the Paratransit program, $13.8 million for elderly and disabled fare discounts and $4.5 million for Transit Police.

Based on recent financial reports, NYCT closed CY 2004 with a cash surplus of $366.0 million. Despite this, NYCT has projected substantial budget shortfalls over the next four years which are expected to be offset by gap-closing actions.

New York City Transit Financial Plan

($ in millions)

	Calendar Years (1)				
	2004A	2005E	2006E	2007E	2008E
REVENUES					
Subway / Bus Fare Revenue	$2,549.2	$2,707.9	$2,760.9	$2,791.1	$2,817.2
Other Operating Revenue	123.1	87.1	90.1	90.5	90.9
Transit Tax Revenue	1,437.0	1,365.9	1,374.9	1,432.5	1,447.9
City Subsidies	246.0	251.2	257.2	264.3	272.8
State Subsidies	203.2	203.2	203.2	203.2	203.2
TBTA Surplus Transfer	148.6	138.8	143.3	126.3	113.5
Capital Reimbursement	764.4	723.4	714.4	720.7	732.9
TOTAL REVENUES	$5,471.5	$5,477.5	$5,544.0	$5,628.6	$5,678.4
EXPENSES					
Salaries & Wages	$2,413.2	$2,435.5	$2,461.8	$2,509.8	$2,546.8
Fringes	1,055.1	1,226.5	1,368.3	1,453.9	1,524.5
OTPS	787.5	892.8	860.0	884.8	859.8
Paratransit Expenses	135.1	166.2	193.8	226.8	264.5
Transit Police	4.3	4.5	4.4	4.4	4.6
Capital Expenses	760.1	723.4	714.4	720.7	732.9
Debt Service	398.3	505.6	608.9	695.5	766.9
Depreciation (2)	891.8	981.6	1,086.5	1,191.3	1,292.5
TOTAL EXPENSES	$6,445.4	$6,936.1	$7,298.1	$7,687.2	$7,992.5
OTHER ACTIONS					
Balance before Adjustments	$(973.9)	$(1,458.6)	$(1,754.1)	$(2,058.6)	$(2,314.1)
Gap-Closing Actions (3)	56.0	16.7	506.0	807.5	983.8
Cash Flow Adjustments (4)	323.4	173.2	82.7	59.8	37.8
Depreciation Adjustment	891.8	981.6	1,086.5	1,191.3	1,292.5
Net Cash from Prior Year	68.7	366.0	78.9	0.0	0.0
SURPLUS/(DEFICIT)	$366.0	$78.9	$0.0	$0.0	$0.0

(1) All Financial Plan figures were provided by NYCT in February 2005 and April 2005. Because the MTA operates on a Calendar Year basis (January-December) that is not directly comparable to the City's Fiscal Year (July-June), this table shows CY 2004 Actuals and CY 2005-2008 estimates (E).

(2) As of February 2004, NYCT now includes Depreciation in its Financial Plan.

(3) Gap-closing actions include items available to offset out-year expense gaps, including use of cash reserves, expense reductions, fare increases and increased subsidies,.

(4) Cash flow adjustments include Operating, Subsidy and Debt Service Cash Flow adjustments.

The City currently manages the subsidized franchise bus program which includes express bus service between The Bronx and Manhattan and local and express bus service in Brooklyn and Queens. This franchise bus service is partially supported by subsidies provided by the City. The City is currently finalizing agreements with private bus companies with the goal of transitioning to MTA bus service in the areas served by the seven City's franchised bus companies. The MTA Bus Company, a newly established MTA subsidiary, has already commenced service in the area served by two of the companies, Liberty Lines Express in The Bronx and Queens Surface Corporation in Queens.

City Subsidies

The City's contribution to New York City Transit's operating budget for CY 2005 will total $251.2 million. The City continues to provide $45.0 million to subsidize the transport of school children. The City also subsidizes the elderly and disabled reduced-fare program ($13.8 million) and the paratransit program ($29.7 million). In addition, the City match of State "18b" operating assistance, in the amount of $158.2 million, supports a portion of NYCT's overall operating costs and another $4.5 million is used to fund costs associated with the Transit Police. In CY 2005, the City is also providing approximately $77.3 million directly to the MTA to maintain Long Island Railroad and Metro-North Commuter Railroad stations in the five boroughs and for operating assistance for the commuter railroads as part of the local match of State "18b" aid.

The following chart summarizes the City's subsidies to NYCT for CY 2005:

City Subsidies to NYCT, CY 2005
($ in millions)

• Elderly and Disabled Subsidy	$13.8
• School Fare Subsidy	45.0
• Operating Assistance	158.2
• Police Reimbursement	4.5
• Paratransit	29.7
TOTAL	$251.2

Capital Review

The City's four-year Capital Plan totals $268.0 million: $266.2 million for NYCT and an additional $1.8 million for Staten Island Railway. The ten-year Capital Plan totals $723.3 million: $718.5 for NYCT and an additional $4.8 million for Staten Island Railway. These funds will be used to support NYCT's most essential work: bringing the entire mass transit system to a state of good repair, maintaining that level on a normal replacement cycle, and helping expand the transit system. City capital funds are used in conjunction with other sources (Federal, State, and Private) towards NYCT's Capital Program. In addition to the City's contribution to NYCT and SIR, $206.2 million is provided for bus purchases for the MTA Bus Company. To supplement that, the MTA is reallocating $322 million from its 2000-2004 Capital Program.

The City's ten-year Plan for NYCT and SIR includes the following key elements:

- funds to help provide for various NYCT infrastructure improvements, system enhancements, and bus and subway car upgrades, $318.5 million (includes $106.2 million in FY2006-2009).

- funds for NYCT trackwork, $350.0 million (includes $140 million in FY2006-2009).

- funds for the NYCT rapid and surface transit revolving funds, $50.0 million (includes $20 million in FY2006-2009).

- funds for SIR's track replacement and infrastructure programs, including improvements at the St. George Station and Ferry Terminal, $4.8 million (includes $1.8 million in FY2006-2009).

The table below outlines the City's Capital Commitments to NYCT and SIR for the 2004-2009 period:

Capital Commitments

($000's)

	2004 Actual		2005 Plan		2006 Plan		2007 Plan		2008 Plan		2009 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Infrastructure	39,000	38,990	84,295	84,295	27,787	27,787	27,423	27,423	25,327	25,327	25,694	25,694
Trackwork	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000
Revolving Fund	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
SIRTOA	600	600	961	961	450	450	447	447	440	440	442	442
Miscellaneous	850	850	450	450	17,880	182,012	2,275	24,160	0	0	0	0
No. 7 Line Extension	0	0	59,714	59,714	0	0	0	0	0	0	0	0
Total	$80,450	$80,440	$185,420	$185,420	$86,117	$250,249	$70,145	$92,030	$65,767	$65,767	$66,136	$66,136

Appendix

EXHIBIT 1
EXPENDITURE ASSUMPTIONS

Personal Service

The expenditures for personal services in the Executive Budget for 2006 and the three-year projections are as follows:

($ in millions)

	2006	2007	2008	2009
Salaries and Wages	$17,180	$17,177	$17,130	$17,127
Pensions	4,762	5,018	4,911	4,783
Other Fringe Benefits	5,552	5,811	6,154	6,477
Reserve for Collective Bargaining				
Department of Education	189	189	189	189
Other	402	652	927	1,202
Reserve Subtotal	591	841	1,116	1,391
Total	$28,085	$28,847	$29,311	$29,778

Salaries and Wages

The baseline projections for salaries and wages reflect all personnel costs associated with current and projected headcount levels. Excluded from these projections is the cost of collective bargaining for unsettled unions which is contained in the Reserve for Collective Bargaining.

Pensions and Other Fringe Benefits

Pension expenses for 2006 through 2009 are based on draft actuarial valuation estimates and are reflective of revised funding assumptions that follow, principally, the recommendations of an independent consultant.

These estimates also incorporate the costs of lower than expected investment returns from recent prior years, offset somewhat by a positive return in 2004. The costs of annual investment losses or gains are phased-in over subsequent five year periods. In addition, consistent with State law, the cost of funding a portion of retiree benefit increases are being phased-in over a ten year period.

Total pension expenses for the four years are as follows:

($ in millions)

	2006	2007	2008	2009
City Actuarial Systems	$4,665	$4,919	$4,807	$4,677
Non-City Systems	55	56	59	60
Non-Actuarial Systems	42	43	45	46
Total	$4,762	$5,018	$4,911	$4,783

Social Security cost estimates reflect the projected tax rates and wage ceilings issued by the Social Security Administration as well as planned payroll adjustments. Unemployment Insurance costs are consistent with the statutory maximum weekly benefit levels and planned payroll adjustments. Workers' Compensation costs are consistent with the compensation rate schedule mandated by State law and the projected growth in medical costs. Health Insurance estimates reflect current levels of coverage based on the latest population and premium data available from the City health insurance providers. Out-year projections reflect anticipated increases in hospital and medical trends.

Reserve for Collective Bargaining

The Reserve for Collective Bargaining contains funding for the cost of collective bargaining consistent with the DC37 settlement, as well as small amounts for the 2000-2002 round. The funding for the new round of bargaining is sufficient to pay for a $1,000 one-time lump sum upon settlement and a 3.0 percent wage increase on the first day of the second year. As with the DC37 settlement, any wage increase(s) beyond that would have to be funded entirely from productivity.

The reserve also contains City funds for a 1.25 percent wage increase for employees in the years beyond the current (2002-2005) round of bargaining. In all cases, contracts which are settled, or unsettled, are assumed to be settled on the same terms as the DC37 settlement.

Other Than Personal Service

The following items are included in this category:

($ in millions)

	2006	2007	2008	2009
Administrative OTPS	$11,255	$11,245	$11,306	$11,417
Public Assistance	2,408	2,353	2,353	2,353
Medical Assistance	5,024	5,172	5,319	5,458
Health & Hospitals Corporation	105	261	248	241
Covered Agency Support & Other Subsidies	2,010	2,379	2,451	2,526
City and MAC Debt Service	1,586	4,171	4,527	4,880
Pay-As-You-Go Capital	200	200	200	200
General Reserve	300	300	300	300
Total	$22,888	$26,081	$26,704	$27,375

Administrative OTPS

Administrative OTPS costs in each agency's baseline four-year financial plan include the ongoing cost of existing programs, planned increases or decreases from PEG initiatives and other adjustments. For 2007 through 2009, the financial plan includes a Citywide appropriation to provide for an increase in OTPS costs resulting from inflation. The inflation adjustment represents a yearly 2.5 percent increase from 2007 through 2009.

Energy

Energy costs in each agency, with the exception of HPD, are held constant for 2006 through 2009. The financial plan includes a Citywide appropriation to provide for the changing cost of energy for 2007 through 2009. Price and usage changes for HPD's *In-Rem* Program are budgeted in HPD's four-year plan. The *In-Rem* Program is expected to incur no energy cost in 2008 and 2009. As reflected in the following table, all energy costs are expected to increase through 2007. The expected decrease in energy costs in 2008 is mainly due to lower natural gas prices.

Energy Cost Comparison
($ in millions)

Estimate as of:	2005	2006	2007	2008
2005 Adopted Budget	$599	$602	$597	$601
2006 Executive Budget	654	715	724	711
Difference	$55	$113	$127	$110

The cost of gasoline and fuel oil is expected to increase in 2006, then decrease by $5 million by 2009. The cost of heat, light and power is expected to increase through 2007 followed by decreases in 2008 and 2009. The annual cost projections are as follows:

Energy Costs
($ in millions)

	2005	2006	2007	2008	2009
Gasoline	$53	$61	$59	$57	$56
Fuel Oil	60	70	70	69	70
HPD-*In Rem*	3	3	1	—	—
HPD-Emergency Repair	4	3	3	—	—
Heat, Light and Power	534	578	591	585	579
Total	$654	$715	$724	$711	$705

Leases

In each agency the cost of leases is budgeted at a constant level from 2006 through 2009. A citywide adjustment for 2007 through 2009 provides for the increasing cost of leases based on a three percent annual inflator and the annualization of 2006 adjustments, as well as known future leases, where applicable.

In total the four-year plan includes $562 million for leases in 2006, $600 million in 2007, $621 million in 2008 and $642 million in 2009. Of these amounts the citywide adjustment is $26 million, $43 million, and $61 million respectively in 2007 through 2009.

Public Assistance

In 2006, an average of 437,371 persons are projected to receive public assistance, an increase of 6,343 from the projected 2005 average.

Medical Assistance

The financial plan for Medical Assistance assumes growth of 2.1 percent for 2006 and 3.1 percent is expected for 2007 (excluding expenditures for the Health and Hospitals Corporation and Medicaid administrative costs). Growth rates are inclusive of the recently passed State budget for State fiscal year 2005-2006 which imposes limits on locality's expenditures for Medicaid.

Health and Hospitals Corporation

Revenue and expenditure projections for 2006 through 2009 include assumptions related to actual collections experience, the impact of rates by third party payors, and collections performance through a variety of revenue enhancement efforts. Corporation revenue increases are reliant on Medicaid receipts, which continue to grow steadily. Expenditure increases are driven by growth in pension and health insurance costs.

Covered Agency Support and Other Subsidies

Included in this category are the contributions made by the City to the Transit Authority, Housing Authority, Libraries, and various Cultural Institutions. Also included in this category are the estimated projections for the cost of Judgments and Claims.

General Reserve

The general reserve is projected at $300 million for 2006 through 2009 to provide for uncontrollable increases in expenditures as well as shortfalls in revenues. To allow for any further uncertainties which may occur in the future, the general reserve has been increased above the mandated amount of $100 million.

Debt Service

Debt Service projections cover payments of debt service on currently outstanding City and Conduit debt as well as future issuances in accordance with the 2005-2009 financing program (See Financing Program). Actual debt service payments in these years will be affected by the timing of bond sales and by market conditions. Estimates of City debt service costs on debt to be issued are based on estimates of the periods of probable usefulness of the capital assets for which the debt will be issued.

In November 2004, the Sales Tax Asset Receivable Corporation sold $1.8 billion of tax exempt fixed rate bonds and $682 million of taxable fixed rate bonds. The end result is the relief from approximately $500 million of annual MAC debt service expense from 2004 through 2008. However, City debt service estimates below includes State oversight charges retained by MAC.

Below are the detailed estimates for debt service for 2005-2009:

($ in millions)

	2005	2006	2007	2008	2009
Long-Term Funded Debt	$2,008	$1,322	$3,732	$4,040	$4,407
Short-Term Debt	—	31	75	75	75
Conduit Debt	209	223	354	402	398
Budget Stabilization Account[1]	1,704	—	—	—	—
Total City Debt Service	$3,921	$1,576	$4,161	$4,517	$4,880
MAC Funding	128	10	10	10	—
Total Debt Service	$4,049	$1,586	$4,171	$4,527	$4,880

(1) Amounts in the Budget Stabilization Account are used to prepay the succeeding year's debt service.

EXHIBIT 2

FISCAL YEAR 2006 EXECUTIVE BUDGET AND PROJECTIONS, FISCAL YEAR 2006 THROUGH FISCAL YEAR 2009

($ in thousands)

			Fiscal Year 2005						
Dept. No.	Agency	FY 2004 Actual Expenditures	Executive Budget	8 Month Actuals July-Feb.	Forecast	FY 2006 Executive Budget	FY 2007 Estimate	FY 2008 Estimate	FY 2009 Estimate
002	Mayoralty	$72,938	$71,858	$50,985	$81,886	$73,840	$73,584	$73,105	$73,105
003	Board of Elections	68,059	74,994	52,276	68,291	77,884	68,884	68,884	68,884
004	Campaign Finance Board	14,196	10,915	4,625	8,967	74,997	8,091	8,091	8,091
008	Office of the Actuary	3,594	4,731	3,078	4,784	4,731	4,731	4,731	4,731
010	President,Borough of Manhattan	3,723	3,175	2,443	3,925	3,343	3,121	3,121	3,121
011	President,Borough of the Bronx	5,078	4,607	3,588	5,753	4,757	4,491	4,491	4,491
012	President,Borough of Brooklyn	4,840	4,175	2,988	5,391	4,379	3,926	3,926	3,926
013	President,Borough of Queens	4,817	4,039	3,276	5,049	4,106	3,685	3,685	3,685
014	President,Borough of S.I.	3,770	3,167	2,253	4,027	3,265	3,127	3,127	3,127
015	Office of the Comptroller	55,546	53,838	35,650	58,882	60,950	61,039	60,739	60,947
017	Dept. of Emergency Management	7,580	4,643	6,345	21,425	4,798	5,294	5,294	5,294
021	Tax Commission	1,956	2,402	1,390	2,405	2,325	2,325	2,325	2,325
025	Law Department	108,604	109,434	73,801	119,944	116,352	109,183	109,183	109,183
030	Department of City Planning	19,446	17,770	13,439	25,203	19,817	19,612	19,612	19,612
032	Department of Investigation	19,588	19,480	13,653	20,452	19,742	19,742	19,742	19,742
035	NY Public Library - Research	17,367	16,116	8,944	20,969	4,989	15,891	15,892	15,892
037	New York Public Library	91,647	85,547	47,297	109,771	26,558	84,212	84,252	84,252
038	Brooklyn Public Library	68,381	63,362	36,920	81,398	20,183	62,928	62,962	62,962
039	Queens Borough Public Library	64,395	59,816	35,064	77,336	20,147	60,590	60,673	60,673
040	Department of Education	13,148,111	13,025,848	7,850,887	13,768,948	14,071,459	14,165,168	14,226,794	14,335,241
042	City University	544,671	504,156	320,660	593,048	533,069	530,258	530,043	530,060
054	Civilian Complaint Review Bd.	10,075	8,962	6,508	9,734	8,897	8,862	8,862	8,862
056	Police Department	3,582,185	3,473,165	2,315,407	3,678,508	3,516,174	3,542,166	3,545,090	3,545,173
057	Fire Department	1,183,699	1,132,536	788,694	1,235,569	1,180,071	1,186,582	1,186,346	1,185,743
068	Admin. for Children Services	2,257,324	2,126,996	1,798,434	2,317,326	2,154,654	2,104,636	2,104,273	2,104,273
069	Department of Social Services	6,647,547	6,858,734	5,058,402	7,211,791	7,205,601	7,353,945	7,504,117	7,649,684
071	Dept. of Homeless Services	673,801	704,820	586,207	723,431	706,284	683,459	683,458	683,429
072	Department of Correction	833,348	823,362	532,235	828,775	800,004	792,085	792,121	792,228
073	Board of Correction	855	803	535	925	853	853	853	853
094	Department of Employment	2,327	—	8	—	—	—	—	—
095	Citywide Pension Contributions	2,444,470	3,376,228	2,078,477	3,387,160	4,761,617	5,017,902	4,910,797	4,782,981
098	Miscellaneous	5,181,711	5,329,600	3,508,331	6,973,192	5,272,872	5,919,052	6,502,646	7,099,721
099	Debt Service	3,480,006	2,108,740	1,800,000	3,921,292	1,575,886	4,160,841	4,517,284	4,880,150
100	M.A.C. Debt Service	501,534	—	111,000	127,667	10,000	10,000	10,000	—
101	Public Advocate	2,069	1,712	1,986	3,220	1,897	1,897	1,897	1,897
102	City Council	46,465	45,824	31,184	47,836	47,411	46,518	46,518	46,518
103	City Clerk	2,998	2,904	1,898	3,086	3,040	3,040	3,040	3,040
125	Department for the Aging	228,593	214,400	221,593	233,836	218,762	210,672	210,672	210,672
126	Department of Cultural Affairs	118,141	104,026	99,290	123,855	105,364	105,039	105,039	105,039
127	Financial Info. Serv. Agency	35,386	37,352	28,743	39,674	48,971	44,875	42,356	42,356
130	Department of Juvenile Justice	93,009	100,646	49,768	100,346	99,345	98,395	98,395	98,395
131	Office of Payroll Admin.	7,201	11,496	7,258	10,408	11,749	10,667	10,667	10,667
132	Independent Budget Office	2,422	2,669	1,715	2,745	2,776	2,746	2,746	2,746
133	Equal Employment Practices Com	478	508	354	612	711	711	711	711
134	Civil Service Commission	461	571	311	582	597	597	597	597
136	Landmarks Preservation Comm.	3,128	3,248	2,225	4,010	3,571	3,571	3,571	3,571

EXHIBIT 2

FISCAL YEAR 2006 EXECUTIVE BUDGET AND PROJECTIONS, FISCAL YEAR 2006 THROUGH FISCAL YEAR 2009

($ in thousands)

Dept. No.	Agency	FY 2004 Actual Expenditures	Fiscal Year 2005 Executive Budget	Fiscal Year 2005 8 Month Actuals July-Feb.	Fiscal Year 2005 Forecast	FY 2006 Executive Budget	FY 2007 Estimate	FY 2008 Estimate	FY 2009 Estimate
138	Districting Commission	4	—	—	—	—	—	—	—
156	Taxi & Limousine Commission	23,170	23,404	16,613	26,829	25,989	25,338	25,338	25,338
226	Commission on Human Rights	7,243	6,888	4,853	7,014	6,804	6,804	6,804	6,804
260	Youth & Community Development	244,445	169,416	189,783	256,554	228,998	230,636	230,911	230,911
312	Conflicts of Interest Board	1,438	1,354	940	1,492	1,351	1,351	1,351	1,351
313	Office of Collective Barg.	1,552	1,555	1,162	1,614	1,626	1,626	1,626	1,626
499	Community Boards (All)	11,964	12,384	7,928	12,617	12,633	12,633	12,633	12,633
781	Department of Probation	79,283	73,627	50,568	80,707	79,526	78,979	78,979	78,979
801	Dept. Small Business Services	112,278	87,683	96,029	136,638	92,925	87,898	87,898	87,898
806	Housing Preservation & Dev.	418,601	449,012	339,496	565,460	525,914	523,799	523,689	522,561
810	Department of Buildings	57,894	57,929	38,960	64,463	77,931	69,422	68,135	66,570
816	Dept Health & Mental Hygiene	1,470,613	1,364,818	1,182,180	1,537,523	1,527,183	1,494,034	1,510,259	1,526,123
819	Health and Hospitals Corp.	1,106,142	1,085,068	647,952	1,134,696	878,363	1,046,674	1,030,642	1,017,451
826	Dept of Environmental Prot.	709,230	764,367	517,523	765,382	809,533	791,724	786,888	786,948
827	Department of Sanitation	998,001	1,065,935	784,972	1,047,379	1,071,064	1,108,041	1,107,802	1,108,247
829	Business Integrity Commission	4,383	5,089	3,178	5,215	5,561	5,561	5,561	5,561
836	Department of Finance	220,634	193,631	130,711	205,867	199,990	201,223	201,292	201,292
841	Department of Transportation	501,650	509,036	387,784	574,526	545,245	543,217	543,217	543,217
846	Dept of Parks and Recreation	261,617	255,045	187,237	282,335	266,772	264,796	258,309	258,309
850	Dept. of Design & Construction	82,565	87,413	58,198	93,437	100,268	98,254	94,254	88,254
856	Dept of Citywide Admin Srvces	688,750	733,492	639,908	768,042	804,023	799,617	798,403	798,396
858	D.O.I.T.T.	201,380	236,761	166,560	239,349	269,180	288,242	285,272	285,207
860	Dept of Records & Info Serv.	4,160	3,783	3,019	4,250	3,956	3,956	3,956	3,956
866	Department of Consumer Affairs	14,628	15,044	9,825	16,480	14,120	14,221	14,221	14,221
901	District Attorney - N.Y.	78,878	62,640	52,057	81,121	68,341	64,182	64,182	64,182
902	District Attorney - Bronx	43,410	37,148	26,599	44,730	40,309	37,836	37,836	37,836
903	District Attorney - Kings	69,994	63,406	44,794	73,019	68,067	64,489	64,489	64,489
904	District Attorney - Queens	38,351	32,584	25,998	39,685	35,450	33,391	33,391	33,391
905	District Attorney - Richmond	6,897	5,538	3,873	6,935	6,054	5,682	5,682	5,682
906	Off. of Prosec. & Spec. Narc.	15,510	13,147	10,056	15,331	13,862	13,571	13,571	13,571
941	Public Administrator - N.Y.	964	996	742	1,040	1,020	1,020	1,020	1,020
942	Public Administrator - Bronx	320	331	199	338	338	338	338	338
943	Public Administrator- Brooklyn	403	460	234	465	465	465	465	465
944	Public Administrator - Queens	344	359	223	363	363	363	363	363
945	Public Administrator -Richmond	234	252	174	282	282	282	282	282
	Prior Payable Adjustment	(311,507)	—	—	(200,000)	—	—	—	—
	General Reserve	—	—	—	40,000	300,000	300,000	300,000	300,000
	Energy Adjustment	—	—	—	—	—	10,903	2,475	(3,160)
	Lease Adjustment	—	—	—	—	—	25,669	43,331	61,476
	OTPS Inflation Adjustment	—	—	—	—	—	52,842	107,007	162,526
	TOTAL EXPENDITURES	$48,832,963	$48,032,970	$33,230,453	$54,004,612	$50,972,304	$54,928,072	$56,014,600	$57,152,964
	LESS: INTRA-CITY EXPENDITURES	1,213,004	1,133,011	472,229	1,288,570	1,248,409	1,249,207	1,248,825	1,249,290
	NET TOTAL EXPENDITURES	$47,619,959	$46,899,959	$32,758,224	$52,716,042	$49,723,895	$53,678,865	$54,765,775	$55,903,674

EXHIBIT 3
ACTUAL REVENUE

	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004
Taxes:				
Real Property	$8,245	$8,761	$10,063	11,582
Personal Income	5,746	4,539	4,463	5,984
General Corporation	1,735	1,330	1,237	1,540
Banking Corporation	424	320	213	415
Unincorporated Business	820	790	832	908
Sales and Use	3,662	3,360	3,535	4,018
Commercial Rent	377	380	397	426
Real Property Transfer	473	425	513	767
Mortgage Recording	407	477	526	817
Utility	300	258	295	291
Cigarette	28	27	158	138
Hotel	242	184	192	216
All Other	350	382	365	487
Tax Audit Revenue	401	485	571	576
Total Taxes	23,210	21,718	23,360	28,165
Miscellaneous Revenues:				
Licenses, Franchises, Etc.	338	356	357	374
Interest Income	245	81	43	30
Charges for Services	439	461	501	592
Water and Sewer Charges	843	858	846	885
Rental Income	154	115	109	108
Fines and Forfeitures	495	485	548	697
Miscellaneous	1,109	1,383	2,244	684
Intra-City Revenue	1,330	1,390	1,110	1,213
Total Miscellaneous	4,953	5,129	5,758	4,583
Unrestricted Intergovernmental Aid:				
Federal Revenue Sharing	-	-	-	-
N.Y. State Per Capita Aid	$327	$328	$400	$327
Other Federal and State Aid	307	338	1,043	636
Total Unrestricted Intergovernmental Aid	634	666	1,443	963
Other Categorical Grants	492	615	1,006	956
Transfers from Capital Fund:				
Inter Fund Agreements	284	305	301	328
Provision for Disallowance of Categorical Grants	(46)	0	(47)	(27)
Less Intra-City Revenue	(1,330)	(1,390)	(1,110)	(1,213)
Total City Funds	28,197	27,043	30,711	33,755
Federal Categorical Grants:				
Community Development	250	281	226	240
Welfare	2,339	2,541	2,550	2,448
Education	1,227	1,364	1,595	1,770
Other	734	1,911	1,247	957
Total Federal Grants	4,550	6,097	5,618	5,415
State Categorical Grants:				
Welfare	1,581	1,585	1,576	1,724
Education	5,388	5,592	5,834	5,873
Higher Education	129	129	133	139
Department of Health and Mental Hygiene	349	434	416	377
Other	321	290	358	342
Total State Grants	7,768	8,030	8,317	8,455
Total Revenues	$40,515	$41,170	$44,646	$47,625

EXHIBIT 4

REVENUE ESTIMATES

($ in Millions)

	Fiscal Year 2005 8 Months Actual	Fiscal Year 2005 Forecast	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009
Taxes:						
Real Property	10,771	11,501	12,326	13,061	14,021	14,695
Personal Income	4,258	5,872	5,991	4,895	5,050	5,465
General Corporation	860	1,844	1,908	2,052	2,091	2,249
Banking Corporation	292	506	497	496	456	452
Unincorporated Business	565	1,115	1,077	1,123	1,156	1,212
Sale and Use	2,725	4,326	4,345	4,470	4,418	4,655
Commercial Rent	218	445	456	466	480	493
Real Property Transfer	564	1,008	593	608	595	609
Mortgage Recording	774	1,152	634	584	554	554
Utility	181	305	306	309	312	314
Cigarette	74	123	120	118	114	112
Hotel	128	254	267	277	291	306
All Other	178	446	419	394	396	395
Tax Audit Revenue	223	525	512	509	509	509
Tax Reduction Program	0	(23)	(235)	(177)	(17)	(38)
State Tax Relief Program	597	784	748	760	777	823
Total Taxes	22,408	30,183	29,964	29,945	31,203	32,805
Miscellaneous Revenue:						
Licenses, Franchises, Etc.	267	376	379	371	373	370
Interest Income	70	131	142	115	123	134
Charges for Services	344	580	530	512	512	512
Water and Sewer Charges	648	931	998	1,001	1,017	1,037
Rental Income	869	939	176	180	178	170
Fines and Forfeitures	496	732	692	691	691	690
Miscellaneous	1,034	1,189	599	343	342	344
Intra-City Revenue	396	1,289	1,249	1,249	1,249	1,249
Total Miscellaneous	4,124	6,167	4,765	4,462	4,485	4,506
Unrestricted Intergovernmental Aid:						
N.Y. State Per Capita Aid	0	327	327	327	327	327
Other Federal and State Aid	134	235	235	235	235	235
Total Unrestricted Intergovernmental Aid:	134	562	562	562	562	562
Anticipated State and Federal Aid:						
Anticipated State Aid	0	0	0	0	0	0
Anticipated Federal Aid	0	0	50	0	0	0
Total Anticipated Aid	0	0	50	0	0	0
Other Categorical Grants	386	856	923	927	932	938
Inter Fund Agreements	0	358	364	355	343	343
Reserve for Disallowance of Categorical Grants	0	(15)	(15)	(15)	(15)	(15)
Less: Intra-City Revenue	(396)	(1,289)	(1,249)	(1,249)	(1,249)	(1,249)
Total City Funds	26,656	36,822	35,364	34,987	36,261	37,890

REVENUE ESTIMATES

($ in Millions)

	Fiscal Year 2005 8 Months Actual	Fiscal Year 2005 Forecast	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009
Federal Categorical Grants:						
Community Development	154	328	269	247	247	247
Welfare	885	2,357	2,101	2,030	2,029	2,029
Education	650	1,928	1,808	1,808	1,808	1,808
Other	368	1,260	903	773	764	763
FEMA Insurance	1,000	1,000	0	0	0	0
Total Federal Grants	3,057	6,873	5,081	4,858	4,848	4,847
State Categorical Grants:						
Welfare	682	1,809	1,816	1,868	1,868	1,868
Education	3,333	6,181	6,516	6,549	6,607	6,643
Higher Education	37	175	188	188	188	188
Department of Health and Mental Hygiene	96	439	431	435	439	444
Other	123	417	328	321	319	321
Total State Grants	4,271	9,021	9,279	9,361	9,421	9,464
TOTAL REVENUE	33,984	52,716	49,724	49,206	50,530	52,201

EXHIBIT 5
FULL-TIME and PART-TIME POSITIONS (FTEs)
City Funds

	12/31/01 Actual [1][5]	3/31/05 Actual [5]	6/30/06 Executive Budget
MAYORAL AGENCIES:			
Uniformed Forces:			
Police -Uniform [2]	39,297	36,086	34,824
-Civilian	14,166	14,457	15,374
Fire -Uniform	11,113	11,414	11,186
-Civilian	4,491	4,339	4,457
Sanitation -Uniform	7,810	7,413	7,638
-Civilian	2,053	1,813	1,954
Correction -Uniform	9,874	8,571	8,525
-Civilian	1,488	1,226	1,392
Subtotal	*90,292*	*85,319*	*85,350*
Health and Welfare:			
Social Services	13,293	11,801	11,333
Admin. for Children's Services	8,232	6,099	6,546
Homeless Services	2,081	2,223	2,292
Health & Mental Hygiene	4,398	4,283	5,200
Subtotal	*28,004*	*24,406*	*25,371*
Other Mayoral:			
Housing Preservation and Development	645	611	1,012
Environmental Protection	376	410	435
Finance	2,685	2,285	2,402
Transportation	2,498	2,015	2,256
Parks	6,231	4,265	5,114
Citywide Administrative Services	1,296	1,220	1,481
All Other Mayoral	13,776	13,002	13,902
Subtotal	*27,507*	*23,808*	*26,602*
EDUCATION:			
Dept. of Education -Pedagogical	95,407	88,911	89,991
-Non-Pedagogical	22,174	22,833	22,609
City University -Pedagogical	4,273	4,342	4,168
-Non-Pedagogical	2,299	2,466	2,437
Sub-Total	*124,153*	*118,552*	*119,205*
Total	269,956	252,085	256,528
COVERED ORGANIZATION AND NON-CITY EMPLOYEES SUBSTANTIALLY BY CITY SUBSIDIES [3]:			
Health and Hospital Corp.	37,941	38,254	37,657
Housing Authority	—	—	—
Libraries	4,428	4,074	3,707
Cultural Institutions[4]	1,728	1,863	1,512
School Construction Authority	933	507	453
New York City Employees Retirement System	368	404	362
Economic Development Corporation	344	371	388
Teachers Retirement System	308	329	382
Police Pension Fund	66	124	124
All Other	155	171	181
Sub-total	*46,271*	*46,097*	*44,766*
Total	316,227	298,182	301,294

[1] Adjusted for transfers.
[2] Police Department uniform headcount will be at 37,038 with the swearing in of attrition replacement recruit classes July 1, 2005 and January 1, 2006.
[3] Includes non-city employees substantially paid by city subsidies. For these agencies the December 2001 data reflects staffing as of February 2002.
[4] Includes only those employees of the Cultural Institutions Group paid by city fund subsidies.
[5] Includes restatements for positions formerly funded under vendor contracts and for Education part-time positions not previously included in the city headcount.

EXHIBIT 5A
FULL-TIME and PART-TIME POSITIONS (FTEs)
Total Funds

	12/31/01 Actual [1][5]	3/31/05 Actual[5]	6/30/06 Executive Budget
MAYORAL AGENCIES:			
Uniformed Forces:			
Police -Uniform [2]	39,297	36,086	34,824
-Civilian	14,779	14,766	15,586
Fire -Uniform	11,120	11,423	11,195
-Civilian	4,495	4,343	4,475
Sanitation -Uniform	7,957	7,560	7,791
-Civilian	2,265	1,983	2,187
Correction -Uniform	10,617	9,309	9,261
-Civilian	1,603	1,356	1,507
Subtotal	*92,133*	*86,826*	*86,826*
Health and Welfare:			
Social Services	16,836	15,229	15,567
Admin. for Children's Services	8,286	6,448	6,640
Homeless Services	2,090	2,253	2,293
Health & Mental Hygiene	5,442	5,638	6,248
Subtotal	*32,654*	*29,568*	*30,748*
Other Mayoral:			
Housing Preservation and Development	2,720	2,647	3,149
Environmental Protection	5,760	5,970	6,297
Finance	2,685	2,285	2,414
Transportation	4,415	4,166	4,390
Parks	6,630	4,690	5,604
Citywide Administrative Services	1,879	1,915	2,195
All Other Mayoral	18,103	17,053	17,811
Subtotal	*42,192*	*38,726*	*41,860*
EDUCATION:			
Dept. of Education -Pedagogical	112,810	109,910	110,954
-Non-Pedagogical	25,442	25,548	25,298
City University -Pedagogical	4,273	4,347	4,173
-Non-Pedagogical	2,300	2,468	2,437
Sub-Total	*144,825*	*142,273*	*142,862*
Total	311,804	297,393	302,296
COVERED ORGANIZATIONS AND NON-CITY EMPLOYEES SUBSTANTIALLY BY CITY SUBSIDIES [3]:			
Health and Hospital Corp.	37,941	38,254	37,657
Housing Authority	14,863	13,359	13,619
Libraries	4,428	4,074	3,707
Cultural Institutions[4]	1,728	1,863	1,512
School Construction Authority	933	507	453
New York City Employees Retirement System	368	404	362
Economic Development Corporation	344	371	388
Teachers Retirement System	308	329	382
Police Pension Fund	66	124	124
All Other	155	176	186
Sub-total	*61,134*	*59,461*	*58,390*
Total	372,938	356,854	360,686

[1] Adjusted for transfers.
[2] Police Department uniform headcount will be at 37,038 with the swearing in of attrition replacement recruit classes July 1, 2005 and January 1, 2006.
[3] Includes non-city employees substantially paid by city subsidies. For these agencies the December 2001 data reflects staffing as of February 2002.
[4] Includes only those employees of the Cultural Institutions Group paid by city fund subsidies.
[5] Includes restatements for positions formerly under vendor contracts and for Education part-time positions not previously included in the city headcount.

EXHIBIT 6

FY 2006 EXECUTIVE BUDGET
CITY GAP CLOSING PROGRAM - 5 YEAR VALUE
(City $ in 000's)

	2005	2006	2007	2008	2009
MAYORAL AGENCIES:					
Uniformed Forces:					
Police	$135,498	$130,658	$79,452	$79,452	$79,452
Fire	15,782	37,244	18,399	18,399	18,399
Correction	19,211	44,915	40,070	40,570	41,820
Sanitation	34,460	47,596	4,472	4,472	4,128
Health and Welfare:					
Admin. for Children's Services	17,572	34,734	34,734	34,734	34,734
Social Services	10,000	16,229	15,352	15,353	15,352
Homeless Services	11,500	7,500	6,276	6,276	6,276
Health & Mental Hygiene	8,734	15,904	15,904	15,904	15,904
Youth & Community Dev.	1,233	3,363	2,243	2,243	2,243
Other Mayoral:					
Housing Preservation & Dev.	19,250	7,500	7,500	7,500	7,500
Finance	18,084	3,600	—	—	—
Transportation	22,509	13,220	4,135	4,135	4,135
Parks & Recreation	8,844	11,137	4,093	2,240	2,240
Citywide Admin. Services	14,060	—	—	—	—
Other	68,927	51,818	36,460	36,459	36,460
MAJOR ORGANIZATIONS:					
Department of Education	—	—	—	—	—
Health and Hospitals Corp.	7,500	11,400	11,400	11,400	11,400
CUNY	—	—	—	—	—
OTHER:					
Miscellaneous	244	1,177	521	740	1,001
Procurement Savings	—	36,990	36,990	36,990	36,990
Subtotal Agency Programs	**$413,408**	**$474,985**	**$318,001**	**$316,867**	**$318,034**
CITYWIDE INITIATIVES:					
State Actions	23,000	316,889	374,716	442,786	732,690
Federal Actions	—	50,000	—	—	—
MAC Debt & Debt Service	10,171	85,369	876	722	—
Asset Sales	84,745	—	—	—	—
Tax Reduction Program	(23,000)	(235,000)	(177,000)	(17,000)	(38,000)
Total Program	**$508,324**	**$692,243**	**$516,593**	**$743,375**	**$1,012,724**

Technical Note: 1) Gap closing program includes initiatives from the May 5, 2005 Executive Budget and the January 27, 2005 Financial Plan.

EXHIBIT 6A

FY 2006 EXECUTIVE BUDGET
CITY GAP CLOSING PROGRAM – 5 YEAR VALUE
(City $ in 000's)

	2005	2006	2007	2008	2009
OTHER:					
Mayoralty	$4,718	$811	$712	$712	$712
Emergency Management	300	59	—	—	—
Tax Commission	20	—	—	—	—
Law Department	11,842	5,428	2,308	2,308	2,308
City Planning	313	—	—	—	—
Investigation	17,597	—	—	—	—
New York Research Library	539	484	484	484	484
New York Public Library	2,816	2,570	2,570	2,570	2,570
Brooklyn Public Library	2,087	1,904	1,904	1,904	1,904
Queens Borough Public Library	1,976	1,798	1,798	1,798	1,798
Civilian Complaint Review Bd.	394	444	444	444	444
Board of Correction	28	—	—	—	—
Department for the Aging	—	1,772	1,772	1,772	1,772
Cultural Affairs	3,700	3,107	3,107	3,107	3,107
FISA	3,322	—	—	—	—
Juvenile Justice	724	1,396	1,396	1,396	1,396
Payroll Administration	1,000	—	—	—	—
Human Rights	85	170	170	170	170
Conflicts of Interest	46	46	46	46	46
Probation	1,772	3,369	3,369	3,369	3,369
Small Business Services	3,100	—	—	—	—
Environmental Protection	1,413	1,150	1,150	1,150	1,150
Business Integrity Commission	154	324	325	324	325
DOITT	6,942	5,633	—	—	—
DORIS	110	163	163	163	163
Subtotal	$64,998	$30,628	$21,718	$21,717	$21,718
OTHER ELECTED:					
BP - Manhattan	$115	$185	$—	$—	$—
BP - Bronx	164	265	—	—	—
BP - Brooklyn	150	232	—	—	—
BP - Queens	143	215	—	—	—
BP - Staten Island	116	185	—	—	—
Comptroller	1,242	3,774	2,624	2,624	2,624
DA - Manhattan	581	4,765	3,535	3,535	3,535
DA - Bronx	336	2,746	2,037	2,037	2,037
DA - Brooklyn	595	4,894	3,631	3,631	3,631
DA - Queens	308	2,519	1,869	1,869	1,869
DA - Staten Island	53	419	311	311	311
Prosec. & Spec. Narc.	126	991	735	735	735
Subtotal	$3,929	$21,190	$14,742	$14,742	$14,742
Total Other	**$68,927**	**$51,818**	**$36,460**	**$36,459**	**$36,460**

Technical Note: 1) Gap closing program includes initiatives from the May 5, 2005 Executive Budget and the January 27, 2005 Financial Plan.

EXHIBIT 6B

FY 2006 EXECUTIVE BUDGET
CITY GAP CLOSING PROGRAM - BY EXPENSE AND REVENUE

(City $ in 000's)

	Expense	Revenue	Total
MAYORAL AGENCIES:			
Uniformed Forces:			
Police	$125,288	$5,370	$130,658
Fire	31,160	6,084	37,244
Correction	49,133	(4,218)	44,915
Sanitation	42,879	4,717	47,596
Health and Welfare:			
Admin. for Children's Services	34,734	—	34,734
Social Services	16,229	—	16,229
Homeless Services	7,500	—	7,500
Health & Mental Hygiene	12,704	3,200	15,904
Youth & Community Dev.	3,363	—	3,363
Other Mayoral:			
Housing Preservation & Dev.	2,900	4,600	7,500
Finance	—	3,600	3,600
Transportation	7,345	5,875	13,220
Parks & Recreation	2,047	9,090	11,137
Citywide Admin. Services	—	—	—
Other	39,300	12,518	51,818
MAJOR ORGANIZATIONS:			
Department of Education	—	—	—
Health and Hospitals Corp.	11,400	—	11,400
CUNY	—	—	—
OTHER:			
Miscellaneous	1,177	—	1,177
Procurement Savings	36,990	—	36,990
Subtotal Agency Programs	**$424,149**	**$50,836**	**$474,985**
CITYWIDE INITIATIVES:			
State Actions	86,889	230,000	316,889
Federal Actions	—	50,000	50,000
MAC Debt and Debt Service	52,467	32,902	85,369
Tax Reduction Program	—	(235,000)	(235,000)
Total Program	**$563,505**	**$128,738**	**$692,243**

Technical Note: 1) Gap closing program includes initiatives from the May 5, 2005 Executive Budget and the January 27, 2005 Financial Plan.

EXHIBIT 7

FY 2006 CITY GAP CLOSING PROGRAMS
SINCE JANUARY 2002
(City $ in 000's)

	Expense	Revenue	Total
MAYORAL AGENCIES:			
Uniformed Forces:			
Police Department	$397,042	$115,295	$512,337
Fire Department	145,697	18,270	163,967
Department of Correction	225,123	(1,043)	224,080
Department of Sanitation	95,174	25,337	120,511
Health and Welfare:			
Admin. For Children's Services	294,205	1,828	296,033
Department of Social Services	116,674	—	116,674
Department of Homeless Services	102,763	—	102,763
Department of Health and Mental Hygiene	136,912	6,200	143,112
Other Mayoral:			
Libraries	54,570	—	54,570
Department for the Aging	67,050	—	67,050
Department of Cultural Affairs	35,610	—	35,610
Housing Preservation and Development	19,544	9,070	28,614
Department of Environmental Protection	(1,169)	10,022	8,853
Department of Finance	17,674	98,450	116,124
Department of Transportation	37,045	60,755	97,800
Department of Parks and Recreation	20,408	28,203	48,611
Department of Citywide Administrative Services	17,172	9,781	26,953
Other	282,089	34,670	316,759
ELECTED OFFICIALS:			
Office of the Mayor	13,050	2,033	15,083
City Council	1,424	—	1,424
Public Advocate	1,064	—	1,064
Office of the Comptroller	7,277	6,774	14,051
Borough of Presidents	11,348	2,034	13,382
District Attorneys	55,576	—	55,576
MAJOR ORGANIZATIONS:			
Health and Hospitals Corporation	42,380	—	42,380
Department of Education	865,580	—	865,580
City University	25,453	—	25,453
Subtotal	**$3,086,735**	**$427,679**	**$3,514,414**
Debt Service	202,626	32,902	235,528
Total Program	**$3,289,361**	**$460,581**	**$3,749,942**

recycled paper