

The City of New York

NOVEMBER 2002 FINANCIAL PLAN

Fiscal Years 2003–2006

DETAIL



The City of New York

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November 2002

Financial Plan

Fiscal Years 2003—2006

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The Financial Plan

The City's four-year financial plan sets forth projected revenues and expenses for operations for fiscal years 2003 through 2006 based on Generally Accepted Accounting Principles (GAAP). The total budget is \$43.3 billion for fiscal year 2003 and \$43.7 billion for fiscal year 2004, after implementation of the City's Gap Closing Program. The budgets for 2003 and 2004 are balanced in accordance with GAAP.

The 2003 forecast provides for a general reserve of \$300 million to offset any adverse changes which may arise during the remainder of the fiscal year. In addition, \$804 million of prepayments is provided in the 2003 budget, of which \$273 is included in the 2003 Budget Stabilization Account for the prepayment of fiscal year 2004 Debt Service and \$531 million is included in the Municipal Assistance Corporation (MAC) budget for the prepayment of 2004 MAC debt service. A general reserve of \$300 million is also provided in fiscal years 2004 thru 2006.

Before implementation of the City's Gap Closing Program, projected expenses and revenues result in budget gaps of \$1.1 billion, \$6.4 billion, \$6.7 billion and \$7.0 billion in fiscal years 2003 through 2006, respectively.

To achieve balanced budgets for 2003 and 2004, a gap closing program has been developed to eliminate the projected gaps of \$1.1 billion in 2003 and \$6.4 billion in 2004. The proposed gap closing program includes agency spending reductions and non-tax revenue increases of \$844 million and \$1.1 billion in 2003 and 2004, a property tax increase of 25% effective January 1, 2003 that will generate \$1.1 billion in fiscal year 2003 and \$2.3 billion in fiscal year 2004, savings from initiatives requiring state action of \$1.4 billion and federal action of \$200 million in 2004 and labor productivity actions of \$600 million in 2004.

The recurring savings from implementation of this plan will leave remaining gaps of \$939 million in fiscal year 2005 and \$1.3 billion in fiscal year 2006.

The following tables represent the City's financial plan before implementation of the Gap Closing Program, the Financial Plan Update detailing changes since the 2003 Adopted Budget and the City's financial plan after implementation of the Gap Closing Program.

**Financial Plan Revenues and Expenditures
Before Gap Closing Program**
(\$ in millions)

| | 2003 | 2004 | 2005 | 2006 |
|---|------------------|------------------|------------------|------------------|
| Revenues | | | | |
| Taxes | | | | |
| General Property Tax | \$9,071 | \$9,340 | \$9,727 | \$10,135 |
| Other Taxes | 12,720 | 13,090 | 13,839 | 14,831 |
| Tax Audit Revenue | 426 | 427 | 427 | 427 |
| Miscellaneous Revenues | 4,185 | 3,699 | 3,715 | 3,739 |
| Transitional Finance Authority - 9/11 | 1,500 | — | — | — |
| Unrestricted Intergovernmental Aid | 790 | 580 | 555 | 555 |
| Anticipated Federal & State Aid | 230 | — | — | — |
| Other Categorical Grants | 678 | 411 | 407 | 414 |
| Less: Intra-City Revenue | (1,108) | (1,045) | (1,045) | (1,044) |
| Disallowances Against Categorical Grants | (15) | (15) | (15) | (15) |
| Subtotal: City Funds | \$28,477 | \$26,487 | \$27,610 | \$29,042 |
| Inter-Fund Revenues | 329 | 320 | 320 | 320 |
| Total City Funds & Inter-Fund Revenues | \$28,806 | \$26,807 | \$27,930 | \$29,362 |
| Federal Categorical Grants | 4,939 | 4,205 | 4,181 | 4,178 |
| State Categorical Grants | 8,333 | 8,316 | 8,402 | 8,469 |
| Total Revenues | \$42,078 | \$39,328 | \$40,513 | \$42,009 |
| Expenditures | | | | |
| Personal Service | \$23,348 | \$24,333 | \$25,398 | \$26,576 |
| Other Than Personal Service | 18,469 | 18,408 | 18,759 | 19,118 |
| Debt Service | 2,028 | 3,261 | 3,447 | 3,687 |
| MAC Debt Service | 214 | 531 | 490 | 492 |
| General Reserve | 200 | 200 | 200 | 200 |
| Subtotal | \$44,259 | \$46,733 | \$48,294 | \$50,073 |
| Less: Intra-City Expenses | (1,108) | (1,045) | (1,045) | (1,044) |
| Total Expenditures | \$43,151 | \$45,688 | \$47,249 | \$49,029 |
| Gap To Be Closed - November Plan | \$(1,073) | \$(6,360) | \$(6,736) | \$(7,020) |
| Gap Closing Program | 1,977 | 5,656 | 5,897 | 5,829 |
| Increase General Reserve | (100) | (100) | (100) | (100) |
| Prepayments | (804) | 804 | — | — |
| Remaining Gap | \$— | \$— | \$(939) | \$(1,291) |

| Financial Plan Update <i>(\$ in millions)</i> | | | | |
|---|------------------|------------------|------------------|------------------|
| | 2003 | 2004 | 2005 | 2006 |
| Gaps at Adopted (June 2002) | \$- | \$(3,729) | \$(4,224) | \$(4,590) |
| Revenue Changes | | | | |
| Tax Revenues | (697) | (1,067) | (1,092) | (924) |
| Sale of OTB | — | (250) | — | - |
| Other Non-Tax Revenues | (182) | (381) | (327) | (58) |
| Total Revenue Changes | \$(879) | \$(1,698) | \$(1,419) | \$(982) |
| Expenditure Changes | | | | |
| Pension Costs | (64) | (294) | (500) | (747) |
| Debt Service | 97 | (44) | (8) | 10 |
| Fringe Benefit Cost Containment | — | (296) | (291) | (412) |
| Allocation of Early Retirement | (50) | (100) | (100) | (100) |
| Medicaid/Family Health Plus | (28) | (74) | (76) | (77) |
| Judgments and Claims | (12) | (40) | (40) | (40) |
| Agency Expense Changes | (137) | (85) | (78) | (82) |
| Total Expenditure Changes | \$(194) | \$(933) | \$(1,093) | \$(1,448) |
| Gap to be Closed - November Plan | \$(1,073) | \$(6,360) | \$(6,736) | \$(7,020) |
| November Gap Closing Program | | | | |
| Agency Spending Reductions and Non-Tax Revenue Increases | 780 | 1,067 | 1,055 | 1,055 |
| Debt Service Savings | 64 | 41 | 75 | 150 |
| Subtotal: Agency Program | \$844 | \$1,108 | \$1,130 | \$1,205 |
| 25% Mid Year Property Tax Increase | 1,133 | 2,335 | 2,433 | 2,535 |
| State Actions | — | 1,413 | 1,484 | 1,239 |
| Federal Actions | — | 200 | 250 | 250 |
| Labor Productivity Actions | — | 600 | 600 | 600 |
| Total Gap Closing Program | \$1,977 | \$5,656 | \$5,897 | \$5,829 |
| Increase General Reserve | (100) | (100) | (100) | (100) |
| Prepayments | (804) | 804 | — | — |
| Remaining Gap | \$— | \$— | \$(939) | \$(1,291) |

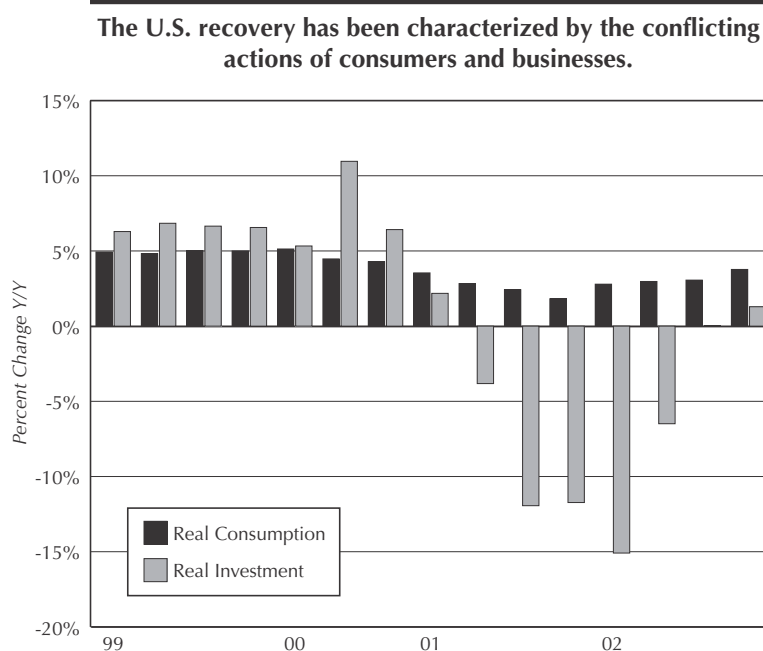
**Financial Plan Revenues and Expenditures
After Gap Closing Program**
(\$ in millions)

| | 2003 | 2004 | 2005 | 2006 |
|---|-----------------|-----------------|-----------------|------------------|
| Revenues | | | | |
| Taxes | | | | |
| General Property Tax | \$10,204 | \$11,675 | \$12,160 | \$12,670 |
| Other Taxes | 12,720 | 14,103 | 14,523 | 15,070 |
| Tax Audit Revenue | 502 | 502 | 502 | 502 |
| Miscellaneous Revenues | 4,229 | 3,733 | 3,745 | 3,767 |
| Transitional Finance Authority - 9/11 | 1,500 | — | — | — |
| Unrestricted Intergovernmental Aid | 790 | 580 | 555 | 555 |
| Anticipated Federal & State Aid | 230 | — | — | — |
| Other Categorical Grants | 716 | 447 | 430 | 431 |
| Less: Intra-City Revenue | (1,104) | (1,037) | (1,034) | (1,033) |
| Disallowances Against Categorical Grants | (15) | (15) | (15) | (15) |
| Subtotal: City Funds | \$29,772 | \$29,988 | \$30,866 | \$31,947 |
| Inter-Fund Revenues | 331 | 320 | 320 | 320 |
| Total City Funds & Inter-Fund Revenues | \$30,103 | \$30,308 | \$31,186 | \$32,267 |
| Federal Categorical Grants | 4,950 | 4,886 | 4,149 | 4,153 |
| State Categorical Grants | 8,296 | 8,547 | 8,637 | 8,706 |
| Total Revenues | \$43,349 | \$43,741 | \$43,972 | \$45,126 |
| Expenditures | | | | |
| Personal Service | \$23,017 | \$23,158 | \$24,183 | \$25,367 |
| Other Than Personal Service | 18,154 | 18,373 | 17,600 | 17,754 |
| Debt Service | 1,964 | 2,947 | 3,372 | 3,537 |
| Budget Stabilization Account & Prepayments | 804 | — | — | — |
| MAC Debt Service | 214 | — | 490 | 492 |
| General Reserve | 300 | 300 | 300 | 300 |
| Subtotal | \$44,453 | \$44,778 | \$45,945 | \$47,450 |
| Less: Intra-City Expenses | (1,104) | (1,037) | (1,034) | (1,033) |
| Total Expenditures | \$43,349 | \$43,741 | \$44,911 | \$46,417 |
| Gap To Be Closed | \$— | \$— | \$(939) | \$(1,291) |

The U.S. Economy

The U.S. economy appears to be at a critical junction in its path towards recovery. Hope for a quick turnaround has faded, the probability of a prolonged period of lackluster growth has increased, and even a relapse into recession cannot be ruled out. This recovery, which follows one of the shallowest recessions in U.S. history, has thus far been characterized by the conflicting actions of consumers and businesses.

Consumers have done their part by continuing to spend, thanks to hefty auto rebates and low interest rates which have allowed families to tap into equity from their homes. GDP growth averaged just over three percent from Q4 2001 through Q3 2002, almost half the rate associated with most recoveries. Excluding autos, GDP grew at a slower 2.6 percent during the same period. Even this modest growth, especially in consumer spending, is remarkable given the plunge in the stock market. The question on everyone's mind is whether consumption will continue to hold up. The recent drop in consumer confidence, the uncertainties posed by the possibility of war with Iraq, and the alarming increase in consumer debt certainly raise concern.



Although consumer spending to date has held up, investment spending has been declining for most of the last two years. Businesses are still dealing with the excesses of the late 1990s. Capacity utilization rates are at historically low levels, about 76 percent on average, with some high-tech sectors below 50 percent. Corporate profits have started to rebound but not at the double-digit rates typical of previous recoveries. Combine these factors with the geopolitical situation and it is not surprising to see why businesses have been reluctant to increase payrolls in the current year. As of November, total employment in the U.S. was down 0.4

percent on a year-over-year basis. The growth in GDP during this weak recovery has stemmed from productivity gains, as a repeat of the jobless recovery of the early 1990s appears increasingly likely.

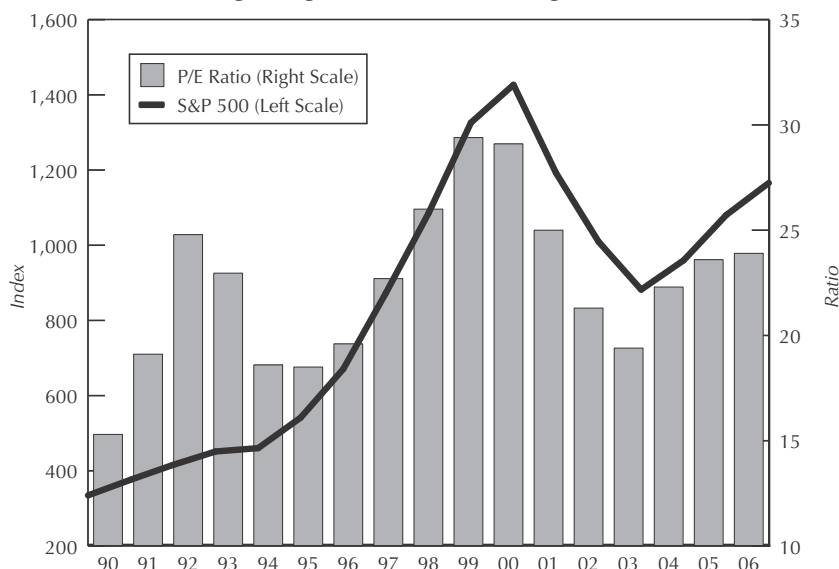
Although most recent monthly indicators continue to be mixed and the geopolitical environment extremely uncertain, the consensus remains that there is still sufficient strength to keep the economy growing in 2002-2003. The hope of a quick and robust turnaround that many anticipated at the beginning of the year has, however, faded. Real GDP is expected to barely rise in the fourth quarter of 2002, resulting in

growth of only 2.3 percent for the year. Growth then begins to pick up only slightly in 2003, to 3.0 percent. Consumption spending, projected at 3.1 percent and 2.9 percent, respectively, in 2002 and 2003 will continue to be the engine of growth along with continued stimulus from federal government spending. The federal deficit is forecast to reach almost \$200 billion by 2003. Business investment slumps further in 2002, by an estimated 5.3 percent. Although the latest GDP figures have shown that investment in producer durables, which includes computers and office equipment, may have finally reached bottom in the third quarter of 2002, investment in new plants and structures continues to plummet at double-digit rates. Moreover, residential investment, which has held up remarkably well in the downturn, is also showing signs of slowing. As the recovery takes hold in the second half of next year, investment finally picks up, growing at a modest 3.8 percent rate in 2003.

In the out years, 2004-2006, Real GDP growth is forecast to be quite modest at around 3 percent. Employment gains are expected to be very contained with growth averaging only 1½ percent per year from 2003-2006, similar to the 1992-1995 period. Productivity gains continue to be a bright spot in the outlook, with increases in output per hour of about two percent allowing for healthy wage rate increases of around four percent and helping to keep inflation subdued.

The continued strength in productivity aside, this forecast is a departure from the heydays of the late 1990s, when GDP growth averaged almost 4½ percent per year from 1996-2000 and investment spending grew at double-digit rates. Perhaps the most significant difference is the outlook for the S&P 500 index. The current forecast assumes that after a decline of 40 percent in 2000 through 2003, the S&P 500 will average annual gains of over 8 percent in 2004-2006, somewhat below the historical trend, with P/E ratios consequently falling back to the low 20s.¹

The P/E Ratio remains in the low 20s as the S&P begins a gradual ascent, starting in 2003.

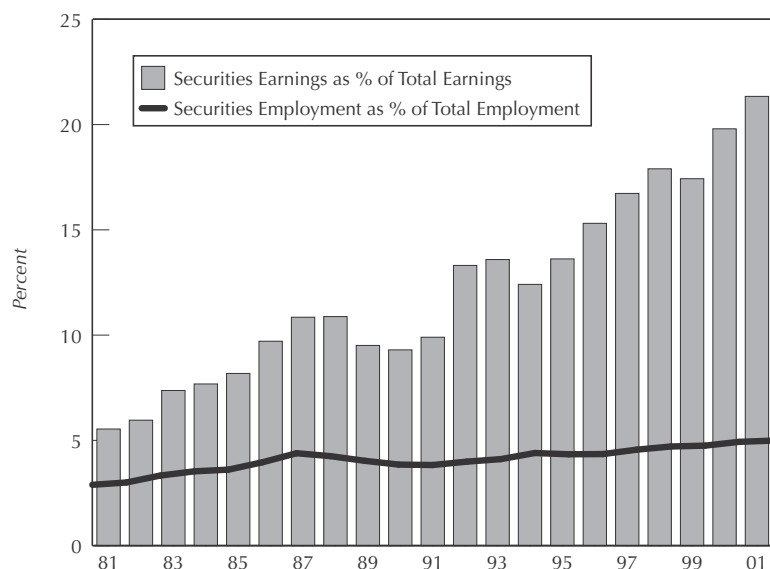


1) PE Ratio is based on S&P 500 operating earnings.

The New York City Economy

After four years of record employment and income growth, the national recession and the terrorist attack of September 11 combined to stall New York City's economy. Most regional economists believed that the City would begin to recover by the end of 2002. But the plunge in the stock market and the ensuing profit squeeze on Wall Street, which resulted in thousands of additional layoffs in the securities sector, destroyed any hopes of a speedy recovery in the City.

Over the past 20 years the City's reliance on the securities industry has grown considerably. In 1980, securities accounted for 5 percent of total earnings. By 2001 the share had increased to over 20 percent.



The stock market woes have a widespread impact on the City. During the boom years of 1995-2000, with the stock market climbing on average over 20 percent each year, profits on Wall Street reached record levels. In 1999, NYSE (New York Stock Exchange) member firms earned \$16.3 billion, surpassed the next year by even higher profits of \$21 billion. From 1995-2000, the securities industry accounted for almost 35 percent of the City's wage earnings (the aggregate wages of all workers in the City) growth, and its share of overall earning rose from 14 percent to 20 percent. This is particularly impressive given that this sector accounts for only five percent of employment.

Since the bursting of the bubble all major revenue streams on Wall Street have dried up. NYSE member-firm profits dropped by fifty percent in 2001 to \$10.4 billion and profits are expected to fall another 20 percent to \$8 billion in 2002, before rebounding slightly to \$10.8 billion in 2003. In order to offset the sharp drop in revenues, Wall Street firms have had to reduce expenses dramatically, cutting bonuses and staff. In 2002, the securities sector is estimated to shed over 16,000 jobs, almost ten percent of the sub-sector's employment. The reduction in wage compensation has been even more drastic.

The FIRE (finance, insurance and real estate) bonus pool, the total amount of bonus paid to all employees, plunged by an estimated 22 percent to \$19 billion in 2001, and is slated to fall another 25 percent in 2002, to \$14 billion.¹ As a result, the overall FIRE average wage is forecast to decline by 4.3 percent in 2002 and remain flat in 2003. Growth outside of FIRE averages over 2 percent in 2002, and 2.8 percent in 2003. Overall wage earnings fall by 2.6 percent in 2002 and post modest growth in 2003. This will be the first time since 1991 that overall wage earnings in the City posts a decline.

Because of their disproportionately high contribution to total city earnings and the secondary spending induced by these incomes, the losses on Wall Street have ripple

¹) Bonus pool figures are estimated by OMB.

effects on the rest of the economy.² These losses, together with the fallout from the dot-com bust and a devastated tourism industry, cause the City's employment situation to deteriorate through the second quarter of 2003.

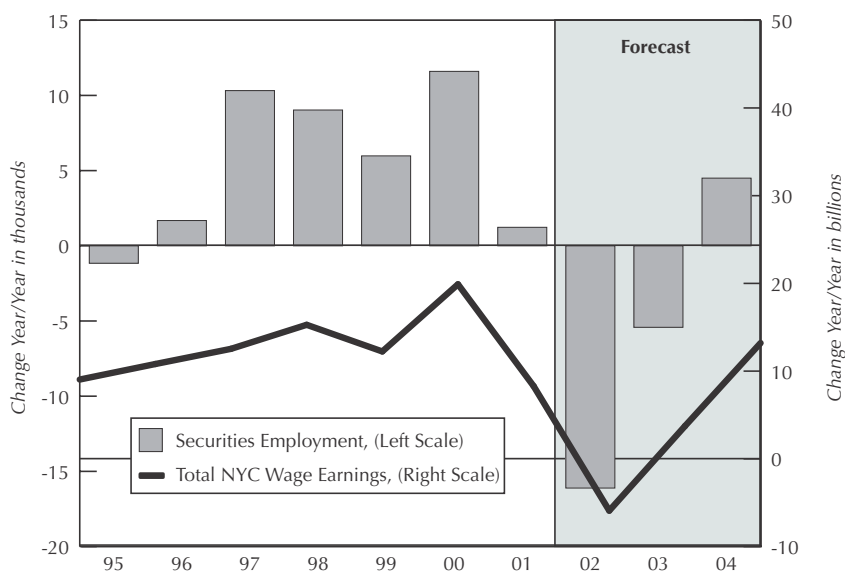
After the sudden loss of 70,000 private sector jobs in the fourth quarter of 2001, the City is forecast to shed another 25,000 jobs by the fourth quarter of the current year, reversing almost all of the gains recorded in 2000. Since the City is not expected to stabilize before the middle of next year, private sector employment shows losses of 7,000 jobs for 2003.

The majority of the job losses in 2002 come from the FIRE and service sectors. Of the 25,000 FIRE sector jobs slashed from the payroll, 16,000 are in the securities industry, while banking losses make up the difference. An additional 5,000 jobs are expected to be cut in the securities sector and approximately 3,000 more in banking in 2003 before the FIRE sector begins to stabilize. Of the 32,000 service sector jobs cut in 2002, nearly all are in the business service sector, which includes computer services, help supply services, and advertising. Business services are expected to remain flat in 2003, with the rest of the service sector eking out a meager 4,000 job increase.

Job losses also persist in the remaining sectors of the economy. Trade contracts by 9,000 jobs in 2002 before rebounding slightly in 2003. Manufacturing, which has been losing jobs for more than ten years, is expected to shed 10,000 jobs in 2002, and 8,000 in 2003. A slowdown in new real estate projects results in a loss of 1,000 construction jobs in 2002 and little growth in 2003. TCPU (transportation, communications, and public utilities) loses 7,000 jobs in 2002, and remains flat in 2003.

Given this employment outlook, demand for office space is expected to remain soft. Although the Downtown commercial real estate market has historically been weaker and more volatile than the Midtown market, the September 11 disaster and the loss of FIRE sector jobs have made the relative divergence more acute. Vacancy rates Downtown soar to 16 percent in 2002, up from 4.6 percent in 2001, peaking at almost 20 percent in 2003 before easing slightly in the out years. With plenty of space available, asking rents fall by almost 10 percent in 2002 and by an additional 5 percent in 2003. As the heart of the City's real estate market, the diverse, centrally located Midtown market has been able to withstand much of the brunt of the weakened employment environment. Vacancy rates hit

The job losses and a reduction of bonus payouts on Wall Street have severely impacted the City's economy.



2) With an average wage of over \$200,000, it has been estimated that each securities job is indirectly responsible for almost two additional jobs in the City.

9 percent in 2002, and climb to 10 percent in 2003, before leveling off at approximately 8.5 percent thereafter. Midtown asking rents fall just over 5 percent in 2002 and stay essentially flat in 2003.³

3) Office market data are compiled using statistics published by Cushman & Wakefield.

November 2002 Forecast
Forecasts of Selected United States and New York City Economic Indicators
Calendar Years 2001-2006

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 1970-2000* |
|--|--------|--------|--------|--------|--------|--------|------------|
| NATIONAL ECONOMY | | | | | | | |
| Real GDP | | | | | | | |
| Billions of 1996 Dollars | 9,215 | 9,429 | 9,710 | 10,064 | 10,365 | 10,662 | |
| Percent Change | 0.3 | 2.3 | 3.0 | 3.7 | 3.0 | 2.9 | 3.2 |
| Non-Agricultural Employment | | | | | | | |
| Millions of Jobs | 131.9 | 130.8 | 132.4 | 135.2 | 137.2 | 138.6 | |
| Change from Previous Year | 0.2 | -1.1 | 1.6 | 2.8 | 2.0 | 1.4 | |
| Percent Change | 0.2 | -0.8 | 1.2 | 2.1 | 1.5 | 1.0 | 2.1 |
| Consumer Price Index | | | | | | | |
| All Urban (1982-84=100) | 177.1 | 180.2 | 185.8 | 191.0 | 196.2 | 201.6 | |
| Percent Change | 2.8 | 1.8 | 3.1 | 2.8 | 2.7 | 2.8 | 5.1 |
| Wage Rate | | | | | | | |
| Dollars Per Year | 37,526 | 38,415 | 39,776 | 41,323 | 42,931 | 44,633 | |
| Percent Change | 2.2 | 2.4 | 3.5 | 3.9 | 3.9 | 4.0 | 5.3 |
| Personal Income | | | | | | | |
| Billions of Dollars | 8,685 | 8,946 | 9,348 | 9,872 | 10,395 | 10,946 | |
| Percent Change | 3.3 | 3.0 | 4.5 | 5.6 | 5.3 | 5.3 | 7.9 |
| Before-tax Corporate Profits | | | | | | | |
| Billions of Dollars | 670 | 662 | 771 | 874 | 858 | 885 | |
| Percent Change | -14.3 | -1.2 | 16.4 | 13.3 | -1.8 | 3.1 | 8.2 |
| Unemployment Rate | | | | | | | |
| Percent | 4.8 | 5.9 | 5.9 | 5.3 | 5.0 | 5.0 | 6.3 (avg) |
| 10-Year Treasury Bond Rate | | | | | | | |
| Percent | 5.0 | 4.6 | 4.6 | 5.7 | 6.0 | 6.3 | 8.2 (avg) |
| Federal Funds Rate | | | | | | | |
| Percent | 3.9 | 1.6 | 1.7 | 3.3 | 4.2 | 5.0 | 7.4 (avg) |
| NEW YORK CITY ECONOMY | | | | | | | |
| Real Gross City Product** | | | | | | | |
| Billions of 1996 Dollars | 413 | 402 | 400 | 414 | 430 | 449 | |
| Percent Change | -2.7 | -2.5 | -0.5 | 3.6 | 3.8 | 4.4 | 3.0 |
| Non-Agricultural Employment | | | | | | | |
| Thousands of Jobs | 3,702 | 3,620 | 3,616 | 3,659 | 3,699 | 3,738 | |
| Change from Previous Year | -18.7 | -83.0 | -13.3 | 52.1 | 40.7 | 39.0 | |
| Percent Change | -0.5 | -2.2 | -0.4 | 1.4 | 1.1 | 1.1 | -0.02 |
| Consumer Price Index | | | | | | | |
| All Urban NY-NJ Area (1982-84=100) | 187.1 | 191.6 | 197.8 | 203.8 | 210.2 | 216.9 | |
| Percent Change | 2.5 | 2.4 | 3.2 | 3.0 | 3.2 | 3.2 | 5.1 |
| Wage Rate | | | | | | | |
| Dollars Per Year | 60,605 | 60,384 | 61,479 | 64,206 | 67,644 | 71,446 | |
| Percent Change | 4.3 | -0.4 | 1.8 | 4.4 | 5.4 | 5.6 | 6.5 |
| Personal Income | | | | | | | |
| Billions of Dollars | 312 | 314 | 322 | 340 | 359 | 383 | |
| Percent Change | 3.6 | 0.8 | 2.5 | 5.5 | 5.7 | 6.8 | 7.0 |
| NEW YORK CITY REAL ESTATE MARKET | | | | | | | |
| Manhattan Primary Office Market | | | | | | | |
| Asking Rental Rate*** | | | | | | | |
| Dollars Per Sq Ft | 58.96 | 53.50 | 52.63 | 52.81 | 54.13 | 55.88 | |
| Percent Change | 0.8 | -9.3 | -1.6 | 0.3 | 2.5 | 3.2 | N.A |
| Vacancy Rate*** | | | | | | | |
| Percent | 6.0 | 10.4 | 11.9 | 11.0 | 10.2 | 9.3 | N.A |

* Compound annual growth rates for 1970-2000. Compound growth rate for Real Gross City Product covers the period 1978-2000; for NYC wage rate, 1975-2000.

** GCP estimated by OMB.

*** Office market data are based on statistics published by Cushman & Wakefield.

Tax Forecast Overview

The deteriorating profitability on Wall Street, the continuing effects of last year's job losses after 9/11 and the weakness of the national economic recovery have taken their toll on the City's tax base, especially those taxes which are based on income and profits. Although the office leasing market is down, with investors shunning the stock market and the availability of financing at low interest rates, investment sales of commercial property have been strong, bolstering tax payments from the real property transaction taxes (mortgage recording and real property transfer taxes). The residential market also defied post 9/11 expectations and has held up as well. With continuing weakness in the local economy expected over the coming months, both the commercial office market and the residential market are expected to see a pull-back from their current levels.

| July Through October Collections from Non-Property Taxes (\$ in millions) | | | |
|--|----------------|----------------|-----------------------|
| | Plan | Actual | Variance from Plan |
| Personal Income Tax | \$1,318 | \$1,297 | (\$21) |
| Business Income Taxes* | 610 | 523 | (87) |
| Sales Tax | 1,098 | 1,074 | (24) |
| Real Estate Transaction Taxes** | 360 | 471 | 111 |
| All Other Economically Sensitive Taxes*** | 231 | 230 | (1) |
| Total | \$3,617 | \$3,595 | (\$22) |
| * General Corporation, Bank and Unincorporated Business Taxes. | | | |
| ** Mortgage Recording (estimated), Real Property Transfer (estimated) and Commercial Rent Taxes. These taxes have recently been buoyed by the sale of several large office buildings. | | | |
| *** Includes Utility, Hotel, Cigarette, Auto Use, Commercial Motor Vehicle and Beer and Liquor Taxes. | | | |

Overall, collections from non-property taxes are close to plan through October. Year-to-date weakness in the business income taxes, the personal income tax and the sales tax, has so far been substantially offset by strength in the real estate transaction taxes. This positive offset is unlikely to continue as the real estate market cools. Business income, the earnings of City residents (including capital gains) and consumption by residents and tourists are all down from the forecasts made at Adoption. Non-property tax revenue in 2003 (common rate and base) is now expected to fall 1.1 percent, the second year of declining tax payments after last year's unprecedented decline of 11.0 percent.

Tax Revenue Forecast

Real Property Tax

In 2003, the real property tax is forecast at \$9,070 million (before considering the impact of a rate change), an increase of \$69 million from the Adopted Budget. In 2004, the property tax is forecast at \$9,340 million, an increase of \$23 million from the Adopted Budget.

This forecast change results primarily from three factors. First, the delinquency forecast has been reduced in light of year-to-date collections, adding \$59 million to the current year forecast. Second, refunds expected to be paid in 2003 are reduced by \$40 million, from \$248 million to \$208 million. These increases are offset by a \$17 million reduction in the forecast of lien sale proceeds and by \$13 million in changes to the remaining components of the property tax.

In 2004, the property tax is forecast to increase by \$23 million from the Adopted Budget to \$9,340 million (again, before considering the impact of a tax rate change). The 2004 reserve for uncollectibles is decreased by \$1 million. The forecast of proceeds from the lien sale is raised by \$22 million as the future sale of residual trusts previously expected in 2003 is delayed to 2004.

While the real property tax revenue is forecast to grow by 4.9 percent in 2003, with a forecast slowdown in market value growth, the real property tax is expected to grow at a more moderate pace averaging 4.2 percent in 2005 and 2006.

Real Estate Transaction Taxes

Revenue from the real property transfer tax for 2003 is forecast at \$450 million, an increase of \$33 million over the Adopted Budget. The mortgage recording tax forecast for 2003 has been increased by \$21 million to \$415 million. This represents real property transfer tax collections growth of 5.8 percent from 2002 levels, while collections from the mortgage recording tax are expected to decline 13 percent.

Residential real estate market activity has continued to be strong through October 2003. Collections from residential real estate activity are now forecast at \$276 million in 2003 for the real property transfer tax, up from the \$266 million forecast at Adoption, and \$268 million for the mortgage recording tax, up from the \$247 million forecast at Adoption.

Strong commercial collections through October 2003 indicate that New York City commercial properties continue to attract investors. The 2003 forecast for the real property transfer tax from commercial transactions has been increased \$23 million to \$174 million, representing an 18.5 percent increase over 2002 levels. However, there is no change to the forecast of revenue from commercial mortgage recordings, which remains at \$147 million in 2003.

The strong growth in collections from the real estate transfer taxes is not expected to continue at the current level. Wall Street profits have not rebounded from the large drop seen in calendar year 2001, and in fact are declining again in 2002. Further, the

private employment losses suffered since 2001 are not expected to be replaced until 2006. Real property transfer tax collections are forecast to decline 7.1 percent to \$418 million in 2004, while mortgage recording tax collections are estimated to decline 7.5 percent to \$384 million. Real property transfer tax collections are then expected to grow an average of 7.2 percent per year in 2005 and 2006, while mortgage recording tax collections are forecast to grow an average of 6.6 percent per year in 2005 and 2006.

Commercial Rent Tax

Commercial rent tax revenue is forecast at \$380 million for 2003, an increase of \$10 million over the Adopted Budget, growth of 0.1 percent from 2002. Revenue for 2004 is estimated at \$389 million, an increase of \$10 million over the Adopted Budget, 2.4 percent growth from 2003.

The projected small increase in the 2003 commercial rent tax collections reflects the declining asking rents and increasing vacancy rates seen since 9/11. The 2003 forecast also includes the continuation of the tax program enacted on June 1, 2001, which raised the exemption threshold to \$250,000 with a sliding scale to \$300,000 at an estimated cost of \$40 million. Primary Manhattan office market asking rents are expected to stabilize in calendar year 2003 (they are forecast to decline just 1.6 percent in 2003 compared to a decline of 9.3 percent in 2002) with the vacancy rates expected to rise only modestly from 10.4 percent in 2002 to 11.9 percent in 2003. With asking rents forecast to stabilize by late 2003, commercial rent tax collections should show small increases in 2004. For 2005 and 2006, commercial rent tax collections are projected to grow an average of 3.4 percent a year.

Personal Income Tax

The personal income tax has been lowered by \$344 million from the Adopted Budget level in 2003 to \$4,014 million and by \$540 million to \$4,035 million in 2004, before the impact of the City's tax reform proposal. Nearly flat growth (a decline of 0.1 percent) is forecast for personal income tax revenue in 2003 after a drop of almost 25 percent in 2002. Growth is also expected to be almost flat (0.5 percent) in 2004, primarily due to increases in TFA retention.

Personal income tax receipts have been impacted by the continuing weakness on Wall Street and by reductions in capital gains realizations due to the fall in the stock market. As a result, collections are forecast to decline 3.8 percent (adjusted for the impact of tax law changes and TFA retention), after a decline of almost 15 percent last year. For 2004, a rebound of 7.3 percent is expected (adjusted for the impact of tax law changes and TFA retention), reflecting an end to Wall Street's declines. Tax receipts retained by the TFA for debt service reduce the forecast by \$586 million in 2003 and \$823 million in 2004.

Tax liability for calendar year 2002 is forecast to decline 1.9 percent (6.1 percent adjusted for tax law changes). Withholding over the course of the calendar year is forecast to fall 2.5 percent (2.8 percent adjusted for tax law changes). Installment payments for tax year 2002, reflecting a 38 percent forecast decline in capital gains realizations after last year's estimated 44 percent drop, fall 19.4 percent (21.2 percent adjusted for tax law changes). For the settlement of tax year 2002 liability, refunds are expected to offset remittances by \$87 million. The negative trends affecting the settlement are somewhat mitigated by the late adjustment to withholding tables to reflect a January 1, 2002 return to the full 14 percent surcharge after the reductions that took place in 2001. Withholding tables were not adjusted until June, leaving the increase from January through May to be remitted in the spring.

Tax liability for 2003 is forecast to increase by 4.0 percent (2.2 percent adjusted for tax law changes). Wage earnings increase by almost two percent for calendar year 2003 and the decline in capital gains realizations (on a much reduced base) slows to 10 percent. Dividends, interest and rent increases seven percent and proprietors' income increases by six percent.

A projected recovery in the national and local economies results in personal income tax revenue growth averaging 7.5 percent (adjusted for tax law changes and TFA retention) in 2005 and 2006, before the impact of the tax reform proposal.

Business Income Taxes

The forecast for business income tax collections (general corporation, banking corporation and unincorporated business) in 2003 has been reduced by \$361 million from the Adopted Budget level to \$2,368 million, 3.0 percent lower than 2002, which was already down 18.1 percent.

For 2004, the forecast has been reduced by \$288 million to \$2,676 million. The 13 percent growth reflects rebounding corporate profits nationally, accompanying the acceleration in the national economy, as well as improved profitability on Wall Street. Through October, business tax collections have increased 13.6 percent from the prior year, when tax revenues were severely disrupted and delayed by the 9/11 terrorist attack. The forecast for NYSE member-firm profits for calendar year 2002 falls to \$8.0 billion, the lowest level since 1995 after the \$10.4 billion seen in calendar year 2001. In addition, non-FIRE corporate tax liability on tax year 2002 is forecast to decline 5.9 percent. As a consequence, payments are expected to fall off as the year progresses. For 2003, general corporation tax collections are forecast to drop 1.9 percent after the over 20 percent drop seen in 2002.

Year-to-date through October, banking corporation tax collections are up 34.9 percent from the same prior year period. This is mostly attributable to a rebound from the previous year's disrupted payment levels as well as to higher liabilities of foreign banks and certain domestic banks. In calendar year 2002, earnings at clearinghouse

banks have been hampered by mounting non-performing loans, the slump in investment banking as well as a steep decline in trading revenue, lowering liability and tax payments. Banking corporation tax collections are forecast to decline 11.5 percent in 2003, partly due to an increase in refunds to account for overpayments in prior years after declining 24.5 percent in 2002.

Year-to-date through October, unincorporated business tax collections are showing a 17.7 percent rebound from the disrupted level seen for the same period last year. Like other business taxes, the unincorporated business tax is forecast to decline in 2003. While falling NYSE member-firm profits have also resulted in lower liability for unincorporated FIRE sector firms, the relative stability of many of the City's service sectors has offset this decline to some extent. Collections are forecast to weaken in the remainder of the year leading to only a 1.2 percent forecast decline in 2003 after declining almost four percent in 2002.

In 2004, business income tax collections are forecast to increase 13 percent from the prior year, reflecting a projected increase of 16.4 percent in national corporate profits in calendar year 2003, an increase in securities industry profits to \$10.8 billion from \$8.0 billion and a reduced level of overpayments after large refunds in 2003. The general corporation tax is forecast to increase 13.6 percent; the banking corporation tax is forecast to increase 25.4 percent; and the unincorporated business tax is forecast to increase 7.6 percent. Business income tax collections are forecast to grow an average of 8.2 percent (common rate and base) in 2005 and 2006, coinciding with a continuing recovery in the national and the local economies.

Sales Tax

The sales tax forecast for 2003 is reduced by \$91 million from the Adopted Budget to \$3,485 million. In 2004, the sales tax forecast is reduced by \$129 million to \$3,575 million. Sales tax revenue is forecast to grow 3.7 percent in 2003 and 2.6 percent in 2004, after plummeting 8.2 percent in 2002. Adjusted for tax law changes, growth is forecast at 3.3 percent in 2003 and 4.6 percent in 2004.

Buoyed by historic employment gains, record profits on Wall Street, and a strong emerging local tourism industry, sales tax revenue growth averaged 8.2 percent from 1997 through 2001 (common rate and base). By 2002, the national recession and the impact of the 9/11 terrorist attack combined to drastically reduce sales tax revenues. Following 9/11, visitor spending fell as hotel occupancy and room rates plummeted. Sales activity in Lower Manhattan was severely hampered, especially in the months immediately following the attack, as the area was nearly inaccessible. In 2002, sales tax revenue fell seven percent (common rate and base).

In 2003, sales tax revenue benefits from a partial recovery being seen in the hotel and tourism industries and a modest increase in wage earnings, while by 2004, stronger national and local economies lift growth even further. Sales tax revenue growth averages 5.4 percent (common rate and base) in 2005 and 2006.

The impact of utility deregulation continues to reshape the sales tax base. Prior to November 1, 2000, the portion of the Con Ed electric load available for competitive retail access was set by PSG 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. In recent modifications, these estimates have been trending downward, thereby reducing estimated losses. In 2003, the impact of energy deregulation and State utility reform legislation is estimated to reduce revenues by approximately \$19 million. By 2004, the impact of energy deregulation and State utility reform legislation is estimated to reduce revenues by \$38 million compared to the Adopted Budget level of \$50 million.

All Other Taxes

The forecast for all other taxes is \$698.6 million in 2003, a decrease of \$19.2 million from the Adopted Budget level of \$717.8 million, growth of 17.9 percent over 2002. The growth results primarily from the cigarette tax rate increase which raised cigarette tax revenues from \$27.4 million in 2002 to \$133 million in 2003. Other tax revenue for 2004 is estimated at \$688.2 million.

The City raised the cigarette tax rate from \$0.08 per 20 cigarettes to \$1.50 per 20 cigarettes, effective July 2, 2002. In the Adopted Budget, cigarette sales were forecast to decline 44 percent, 11 percent due to Federal and State cigarette tax rate increases that went into effect on January 1, 2002 and April 3, 2002, respectively, and 33 percent due to the City increase. Data on cigarette packs sold in July and August appeared to justify this forecast. However, packs sold data for September and October suggests a decline in cigarette packs sold of about 60 percent. An annualization of cigarette sales based on recent data suggests an annual decline in cigarette tax revenues of 58 percent in 2003. This forecast reflects a distribution to New York State, to hold the State budget harmless for the projected decline in State cigarette and sales tax revenue as a result of the City tax increase, of 46.5 percent of cigarette tax revenues through March, 2003 and 46 percent thereafter. Revenue for 2004 is now forecast at \$111 million, a decline of 16.5 percent from the revised 2003 level. Cigarette tax collections are projected to fall an average of 2.7 percent from 2005 to 2006.

Hotel tax revenues are forecast at \$206 million in 2003, a decline of \$11 million from the Adopted Budget. Hotel occupancy has returned to near pre 9/11 levels, however hotel room rates, while recovering somewhat over last year's levels, are weaker than projected in June. Business travel and foreign tourism remain weak while overnight visits from domestic tourists are up; this combined effect has impeded hoteliers' ability to raise prices. Revenue for 2004 is estimated at \$227 million, a decline of \$16 million from Adopted Budget levels. The hotel tax is projected to grow on average 8.9 percent in 2005 and 2006 as the national recovery quickens and foreign tourism recovers.

In 2003, Payments in Lieu of Taxes (PILOTs) are forecast at \$128.9 million. In 2004, PILOTs are estimated at \$115.3 million. PILOTs are projected to grow on average 2.9 percent in 2005 and 2006.

In 2003, the forecast for the remaining other taxes is \$230.7 million, an increase of \$4.8 million over the Adopted Budget. In 2004, the forecast for the remaining other taxes is \$234.9 million, an increase of \$6.3 million over the Adopted Budget. The 2004 increase results primarily from waiver (\$1.5 million), CMVT (\$2 million) and OTB dividend (\$3 million), which is offset by a decrease in OTB surtax (\$0.2 million). The utility tax is forecast at \$258 million in 2003, and at \$269 million for 2004, an increase of 4.3 percent from 2003.

Tax Enforcement Revenue

Tax audit revenue is forecast at \$501.6 million in 2003, an increase of \$75 million over the Adopted Budget. As a part of the City's program to reduce the projected budget gap, the Department of Finance will rigorously pursue delinquent taxpayers through agency audit activities and computer matches. Audit revenue is forecast at \$501.6 million in 2004 through 2006.

Tax Revenue Forecast
(\$ in Millions)

| | <i>Fiscal Year</i> | | | |
|-----------------------------------|--------------------|-----------------|-----------------|-----------------|
| | <i>2003</i> | <i>2004</i> | <i>2005</i> | <i>2006</i> |
| Real Estate Related Taxes: | | | | |
| Real Property | \$9,070 | \$9,340 | \$9,727 | \$10,135 |
| Commercial Rent | 380 | 389 | 404 | 416 |
| Mortgage Recording | 415 | 384 | 413 | 436 |
| Real Property Transfer | 450 | 418 | 450 | 480 |
| Income-Based Taxes: | | | | |
| Personal Income (PIT) | | | | |
| Total PIT | 4,600 | 4,858 | 5,250 | 5,668 |
| Less: TFA Retention | (586) | (823) | (1,040) | (1,027) |
| PIT - General Fund | 4,014 | 4,035 | 4,210 | 4,641 |
| General Corporation | 1,304 | 1,481 | 1,600 | 1,688 |
| Banking Corporation | 283 | 355 | 407 | 464 |
| Unincorporated Business | 781 | 840 | 926 | 1,013 |
| Consumption and Use Taxes: | | | | |
| Sales and Use * | 3,485 | 3,575 | 3,763 | 3,965 |
| Utility | 258 | 269 | 276 | 278 |
| All Other | 699 | 688 | 714 | 735 |
| Sub-total | \$21,139 | \$21,774 | \$22,890 | \$24,250 |
| Tax Audit Revenue ** | 503 | 502 | 502 | 502 |
| Total Baseline | \$21,641 | \$22,276 | \$23,391 | \$24,752 |
| Tax Initiative (PIT,Property) | 1,133 | 3,348 | 3,117 | 2,774 |
| STAR Aid | 652 | 656 | 676 | 716 |
| Total *** | \$23,426 | \$26,280 | \$27,184 | \$28,242 |

* Includes amounts for MAC debt service of \$255 million in 2003, \$489 in 2004, \$490 million in 2005, and \$490 million in 2006.

** Includes PEG.

*** Totals may not add due to rounding.

Tax Revenue Forecast
All Other Taxes
(\$ in Millions)

| | <i>Fiscal Year</i> | | | |
|--------------------------------|--------------------|----------------|----------------|----------------|
| | <i>2003</i> | <i>2004</i> | <i>2005</i> | <i>2006</i> |
| Hotel Tax | \$206.0 | \$227.0 | \$251.0 | \$269.0 |
| Excise Taxes: | | | | |
| Cigarette | 133.0 | 111.0 | 108.0 | 105.0 |
| Horse Race Admissions | 0.1 | 0.1 | 0.1 | 0.1 |
| Beer and Liquor | 21.5 | 21.5 | 21.5 | 21.5 |
| Liquor License | 3.0 | 3.0 | 3.0 | 3.0 |
| Off-Track Betting (Dividend) | 9.2 | 15.8 | 17.4 | 19.1 |
| OTB Surtax | 21.0 | 21.6 | 21.8 | 22.2 |
| Auto Related Taxes: | | | | |
| Commercial Motor Vehicle | 49.5 | 49.5 | 49.5 | 49.3 |
| Auto Use | 33.2 | 33.2 | 33.2 | 33.2 |
| Taxi Medallion | 3.6 | 3.6 | 3.6 | 3.6 |
| Miscellaneous Taxes: | | | | |
| Other Refunds | (15.2) | (15.2) | (15.2) | (15.2) |
| Waiver | 70.8 | 68.8 | 68.8 | 68.8 |
| Payments in Lieu of Taxes | 128.9 | 115.3 | 118.3 | 122.2 |
| Penalties and Interest: | | | | |
| P&I Real Estate Current Year | 10.0 | 10.0 | 10.0 | 10.0 |
| P&I Real Estate Prior Year | 38.0 | 37.0 | 37.0 | 37.0 |
| P&I-Other (Refunds) | (14.0) | (14.0) | (14.0) | (14.0) |
| Total All Other Taxes | \$698.6 | \$688.2 | \$714.0 | \$734.8 |

State and Federal Agenda

The State and Federal Agenda for 2004-2006 is designed to control the growth of costly mandated programs and produce savings for the City, and in many cases, the State Government. In addition to the personal income tax reform package and regional transportation initiatives, the City is seeking from the State an additional \$275 million to fund the ongoing costs of the new teacher's contract and \$200 million of other initiatives to help close the City's budget gap. The State can choose from a menu of programs to help close the budget gap that total over \$1 billion, of which \$700 million have no additional cost to the State.

The City is also seeking \$200 million of federal initiatives to help close the budget gap and \$700 million of Homeland Security and First Responder funding for new emergency preparedness spending. A menu of federal gap closing initiatives totaling over \$1.1 billion is provided to help meet the \$200 million target.

STATE AGENDA

State Education Aid

In 2002, the State made a commitment to the children of the City of New York by creating a new system of accountability and by providing additional resources to spare budget cuts to the classroom and fund the first year cost of a new teacher's contract. Granting the Mayor direct control of the school system has provided the City the opportunity to fix broken schools, to provide children with the tools they need to succeed, and has given parents the ability to voice their opinions and concerns.

In order to ensure that there were no budget cuts in the classroom during 2003, the State gave the City an additional \$200 million in incremental education aid and created a new mechanism to clear the City's books of all prior year aid claims. Providing access to the Municipal Bond Bank was a creative method to raise one-time revenues to clear the books, and fund a portion of the new teacher's contract. This new contract cost the City an additional \$275 million and was funded by using the Municipal Bond Bank and other one-time revenue sources provided by the State.

In order to maintain this commitment to educating our children, the City seeks an additional \$275 million from the State to fund the on-going costs of the teacher's contract.

State Gap Closing Initiatives

Proposals of No Cost to the State Government

Medicaid Cost Containment

Medicaid spending is one of the biggest components of New York City's budget, and costs continue to rise at a dramatic rate. In 2002, Medicaid expenditures amounted to \$3.49 billion dollars (excluding Disaster Relief Medicaid) and are projected to

increase by 7.4 percent to \$3.75 billion in 2003. In 2006 costs are projected to grow to \$4.3 billion. The growth in Medicaid expenditures far outpaces the City's ability to raise revenue. There are various ways to reduce the costs of the Medicaid program. Increased utilization, the increased number of eligible individuals (due to expanded eligibility requirements) and the growing cost of healthcare are all contributing to the rapid rise in costs. It is imperative that the State and localities find ways to reign in all three of these factors in order to control the exploding costs of the Medicaid program.

Establish an Early Intervention Pool (2.4 percent assessment)

While the federal government mandates that the State and City provide early intervention services, the federal government does not share in the costs of the program, except for Medicaid eligible children. The cost for the Early Intervention (EI) program is rapidly growing due to increased utilization. In 2002, the entire program cost approximately \$345 million, and costs are expected to increase by 15 percent in 2003. New York City, as with all counties across the State is experiencing a tremendous growth in utilization in the EI program, resulting in higher program costs. An assessment on inpatient hospital stays paid through insurance premiums (including Medicaid) could be used to create a state-wide Early Intervention pool. This pool would be used by the state and localities to defray the cost of non-Medicaid EI services. An assessment of approximately 2.4 percent on inpatient hospital care would generate slightly more than \$150 million in savings in EI for New York City taking into account the offset of increasing Medicaid rates.

Tort Reform

New York City proposes that the State enact far-reaching tort reform legislation. Tort liability costs have increased dramatically since the early 1990s. In 2002 the City paid out over \$450 million in tort claims. This amount is almost three times the City's pay out a decade earlier. Due to the dramatic increase in the City's tort liability in recent years, the City is requesting that the State enact tort reform legislation. The City's proposal includes several initiatives that will produce savings for both the City and the State. The City anticipates at least \$100 million in savings annually as a result of far reaching tort reform.

Debt Finance Reform

The City of New York proposes that the State grant the City the authority to maximize the benefits of the municipal bond market in order to reduce debt service costs. Current law unnecessarily restricts a number of refinancing mechanisms that would allow the City to take advantage of lower interest rates. The City's Debt Finance Reform package will also address the financing reserves for the CUNY Community Colleges. It is anticipated that the passage of omnibus debt reform will save the City \$80 million in 2004.

Increase the Authorization for Taxi Medallions

The City proposes that the State grant the City the authority to issue 900 taxi medallions over the next three years in order to increase the number of taxi cabs on the City's streets. There are currently 12,187 licensed taxicab medallions. The last medallion sale was in 1997, when the City was authorized to sell 400 medallions. According to the Taxi and Limousine Commission, there is a taxi cab shortage, making it very difficult for residents, commuters and visitors to find one when necessary. Additionally, the sale of taxi medallions would bring in much needed revenue to the City. The issuance of 900 medallions would result in approximately \$196 million over three years.

Bond Act Funds for Municipal Recycling

The City of New York has been eligible to receive State funds from a number of environmental bond acts to offset the costs of providing recycling. Under the Solid Waste and Air Quality portions of the 1972 Environmental Quality Bond Act (EQBA), there was approximately \$46 million available to New York City for recycling. It was not until 1998 (26 years after the Bond act was enacted), that the Department of Sanitation (DOS) received \$24.8 million for Recycling Contracts and Composting at Rikers Island. Approximately \$24 million of this bond act is still available for payment to the City of New York. In addition, under the 1993 Environmental Protection Fund (EPF), funds were made available to the City for capital or expense projects relating to municipal recycling. The Department of Sanitation has requested \$8 million of these funds. Payment from the EQBA and EPF funds would provide New York City with approximately \$30 million.

Flexible Use of Child Care Funding

Federal law allows the Child Care Development Fund (CCDF) to be used either for families up to 200 percent of the federal poverty level or up to 85 percent of a state's median income. New York State unnecessarily limits eligibility for Child Care subsidies to families at 200 percent of the Federal poverty level. Currently, the City provides Child Care to families up to 275 percent of the federal poverty level, by using City tax levy to fund those families above the 200 percent level. If the State were to change the eligibility to 85 percent of the State median income, the City would be able to qualify more families under the federal funding stream, those currently served by City-funded day care services. The City anticipates \$25 million in savings as a result of this proposal.

Nighttime Thoroughbred Racing at OTB

This proposal would create expanded simulcast opportunities for New York City Off Track Betting (OTB). The simulcasting of out-of-state races on a regular basis was authorized by the State Legislature in 1994. Revenues from out-of-state wagers are used, in large measure, to strengthen purses and maintain quality New York racing.

These simulcasts have proven to be an enormously successful feature at OTBs and racetracks. Current law prohibits simulcasting of thoroughbred races between 7:30 pm and midnight; racing at harness tracks offer the only authorized wagering opportunities during these hours. By expanding the simulcast menu to allow nighttime out-of-state thoroughbred racing, New York City OTB estimates a \$150 million annualized increase in gross handle in New York City alone. This increase handle will result in an additional \$15 million in revenue to New York City each year.

Increase the Authorization for Red Light Cameras

The City's Red Light Camera Program has been an extremely effective public safety tool since 1993 when the program began. Thousands of cars, taxis and buses have been caught running red lights by the fifty cameras currently in place throughout the City. This program has assisted in the reduction of traffic accidents and has helped modify driver behavior. The cameras have been shown to dramatically reduce the number of violations at the intersections where they are located. Given the success of this program, the City is seeking to increase the number of cameras by 50 each year for the next two years, bringing the total number of cameras throughout the City to 150. Although there will be additional expenses associated with the expansion of this program, the safety of vehicular passengers and pedestrians will be greatly increased. The City anticipates an additional \$26 million in gross revenue (prior to expenses) when the new cameras are fully operational.

General State Proposals

Full State Takeover of Medicaid

New York City's Medicaid budget is rapidly growing and expected to exceed \$4 billion by FY 2004. Increased utilization, the increased number of eligible individuals (due to expanded eligibility requirements) and the growing cost of healthcare are all contributing to the exploding rise in costs. New York State has one of the most generous Medicaid programs in the country, opting to provide many of the optional services allowed by the federal government. Most states may have a local match requirement for selected Medicaid services, but do not require local participation for all service provided under the program. However, New York State is an exception. The localities have very little control over the provision of most services, yet still must pay for the expenses. It is unfair to force localities to provide and pay for expensive State mandated health services, without allowing any involvement in the decision to provide these services. It should be the State's responsibility to cover the full non-federal portion of Medicaid costs. Therefore, New York City is advocating for the State takeover of the local share of the Medicaid program.

Relief from Social Services and Administration Caps

Eliminate the Mental Hygiene Reimbursement Cap: State annual appropriations for local mental hygiene services continually leave New York City with a shortfall that has to be funded with 100 percent City tax dollars. The State and City equally share costs for mental hygiene services until the City reaches a State imposed reimbursement cap. For 2003, the State only reimbursed the City \$39 million for mental hygiene programs and local expenditures exceeded the cap by \$48 million. As the State continues to deinstitutionalize patients from State institutions, localities are struggling with the burden to provide appropriate and quality services to the increasing number of the mentally ill who are ending up in the community and on the streets. Therefore, New York City seeks adequate State funding for local mental hygiene services so that the State shares equally with the City the responsibility for the financing of these services. If the State eliminated the reimbursement cap for mental hygiene programs and continued to reimburse localities at 50 percent of the costs for all mental hygiene services, the City would save approximately \$24 million each year.

Eliminate the Home Care Savings Target: The State continues to impose the home care savings target on the City of New York. This target requires the City to show a savings of at least \$32 million in homecare expenditures based on the cost of services provided compared to a State-determined amount. The target is unfair as the home care program is mandated by the State, with little to no local input. Further, the State has consistently failed to provide localities with the tools necessary to contain costs in the home care program. The City is penalized if it fails to meet the savings target. In 2002, the City paid \$20 million in penalties since it was unable to meet the \$32 million target. New York City has made considerable effort to control and save costs through the years in the Medicaid home care program without jeopardizing quality and availability of care to those who need it. However, the State should continue to share in its responsibility and eliminate the home care savings target.

Relief from the Social Services Administration Cap: The State continues to cap reimbursement for local administrative expenditures for temporary and disability assistance, Medicaid and Food Stamps, with some exceptions for certain approved activities. Since its implementation in 1989, the cap has not been adjusted for inflation. While the City continues to propose elimination of the cap, at minimum, the capped amount should be adjusted for inflation. For every year since imposition of the cap, the annual appropriation should be increased for that period according to changes in the Consumer Price Index (CPI). The statewide cap is approximately \$300 million, of which New York City's share is \$200 million. The State will not reimburse New York City for more than \$200 million for administrative expenses

related to various social services programs. The City expects to lose approximately \$70 million in unreimbursed claims that exceeded the cap. The social services administration cap hurts counties on the administrative side, without recognizing any savings they may have achieved on the programmatic end. Localities continue to bear the burden of administering programs that have generated enormous savings in the form of public assistance caseload reductions. These reductions are due to enhanced case management employment programs and increased numbers of eligibility and employment specialists, as well as fraud and abuse activities, the results of which are not equitably shared.

Restoration of the Stock Transfer Incentive Fund Payment

In 1978 the State began a three-year phase-out of the City's stock transfer tax. As a result of this action, the State provided for annual appropriations of up to \$120 million in compensation to the City of New York. For the past decade, the City received approximately \$114 million each year from the Stock Transfer Incentive Fund. The 2001-02 State Budget completely eliminated the Stock Transfer Incentive Fund payment that came to New York City. Since 1998, New York City's unrestricted State aid has decreased by 26 percent with the loss of this payment, while the rest of the State received an overall increase of 36 percent. The City is requesting the reinstatement of the \$114 million Stock Transfer Incentive Fund payment in the SFY 2003-04 Budget.

Equity in Correctional Reimbursement

State Law requires the State to provide reimbursement to localities for the incarceration of state-ready inmates and parole violators at \$40 per inmate per day. State-ready prisoners are convicted felons who have been sentenced and committed to the State Department of Correctional Services, but have not yet been accepted by the State. Parole violators are also individuals who are temporarily detained in City correctional facilities. Despite this law, the State only reimburses localities \$34 per inmate per day. Both the current rate as required by law and the rate paid by the State leaves the City with a substantial shortfall, since the actual average cost per inmate per day is approximately \$252. The City is seeking an increase in the reimbursement for these inmates. This proposal will increase the reimbursement rate to actual costs over a period of 4 years.

The City also seeks reimbursement for the cost of housing State inmates at a rate previously paid for by the State. In 1999, the State eliminated the reimbursement rate of \$17 per inmate per day for inmates convicted of Class D and Class E felonies who are sentenced to one year or less. The City's actual cost per inmate per day is \$252. Although the reimbursement covered only a small portion of the costs, its complete elimination costs the City \$6.2 million each year. The City is seeking a restoration of this reimbursement.

FEDERAL AGENDA

Homeland Security and First Responder Funding for New Emergency Preparedness Spending

President Bush's Budget proposal set aside \$3.5 billion to be provided to localities for First Response and Homeland Security. Several legislative initiatives have been introduced; however, Congress has yet to decide how the money will be distributed. The City of New York is seeking \$700 million for its first responders. New York is the most populous city in the nation; it is a symbol of the United States to people around the world, and, as such, a target for terrorists. And, as seen on September 11, 2001, when a devastating event happens in New York, it has an enormous impact on the nation. Given these factors, the City's extensive network of first responders need substantial funds to plan and prepare for the safety of over eight million citizens. This means implementing security enhancements, updating equipment with the most effective technology, and upgrading police, fire and medical facilities. In addition to the needs of the New York Police Department and the Fire Department, the City is requesting funds for the Department of Health and Mental Health, the Office of Emergency Management and the New York City Health and Hospitals Corporation.

Federal Gap Closing Initiatives

Proposals of No Cost to the Federal Government

Flexible Use of Hazard Mitigation Grant Program or First Responder Funding for Uniform Operating Funds

The Hazard Mitigation Grant Program (HMGP) provides funds designed to eliminate or reduce the impact of a future disaster. As a result of the September 11th attack, the total amount of funds available for the HMGP, in accordance with the Presidential Declaration, will be 5-15 percent of the total FEMA-eligible costs for the disaster (including all Public Assistance, Individual Assistance and Small Business Administration eligible grants and expenditures made by FEMA, as finalized 18 months after the disaster). The HMGP uses a reimbursement system for distributing grant funds, and the City is required to provide a 25 percent match and any cost overruns on funded projects.

A primary objective of the HMGP is to implement projects which solve a repetitive problem, or a problem which poses risk to life and property if left unresolved. In fact, the first two priorities listed by FEMA under the State and City Property Protection section are Protection of Public Infrastructure and Utilities and Protection of Key Governmental and Healthcare Facilities. The best way for the City to accomplish these objectives is through enhanced security measures such as increased police presence and

emergency response units. The City has submitted written requests to the State and federal government for a broadening of the definition of eligible projects to include such security measures. In addition, the City will request that a portion of the funds made available to localities through the President's First Responder program be used for certain operating expenditures.

Federal Welfare Spending Mandate Relief

As the federal government revisits the authorization of the welfare reform act, the City seeks to provide some mandate relief. The federal government requires states to maintain a requisite level of local funding on welfare-related costs in order to receive federal Temporary Assistance for Needy Families (TANF). This base level is called the State Maintenance of Effort (MOE). A reduction of \$100 million to New York State's MOE requirement will provide relief for the City of New York in the amount of \$30 million.

In addition, current Temporary Aid to Needy Families (TANF) rules define "emergency" as lasting four months or less. After the four-month cutoff, services, such as homeless shelters, are considered "assistance" and the extensive (70-plus data elements) reporting requirements for "assistance" are required at that point. Since the public assistance data system is the only way to capture the required data, it is not possible to use TANF for the homeless families who are not already in receipt of public assistance. For those non-public assistance families, homeless services are funded exclusively by City funds. In New York City, homeless families generally stay in shelters longer than four months, but the emergency is no less real than in other localities where shelter stays may be shorter. This proposal would provide \$10 million in savings each year.

Flexible Use of Community Development Block Grant

Currently, the Department of Housing and Urban Development (HUD) imposes a 15 percent limit on the amount of Community Development Block Grant (CDBG) entitlement funds that can be used for public services. Public services, as defined within the CDBG regulations include programs that are related to employment, crime prevention, child care, health, drug abuse, education, fair housing, energy conservation, welfare, homebuyer down payment assistance or recreational needs, in addition to many others. Due to the economic impact on New York City from the terrorist attacks of 9/11, the City requested an increase in the public services cap from 15 percent to 25 percent for a period of two years commencing July 1, 2003. Furthermore, the City requested a suspension of the requirement that the public service be new or a quantifiable increase in the level of service. In response to this request, HUD granted a one year waiver, which saved the City \$20 million. The City will pursue this same request in 2004, providing budget relief of \$20 million in the next two fiscal years.

General Federal Proposals

Increase in Federal Share of Medicaid Funding for Children to 65 percent

New York City, which has 67 percent of the statewide population of children who are on Medicaid, is expected to spend \$510 million in city tax dollars to cover children enrolled in Medicaid this year. Despite these large costs, the City has undertaken HealthStat, which is a comprehensive outreach and education program to enroll children and families in health care insurance plans. The City is seeking fiscal relief from the federal government in the form of an increased Federal Medical Assistance Percentage (FMAP) for children. The City urges Congress to increase the FMAP rate for children from 50 percent, the statutory floor under federal law, to 65 percent. This would complement the extremely successful Child Health Plus program in New York State where the federal government reimburses the state 65 percent of the costs of providing health insurance to children whose parent's income is up to 250 percent of the poverty level. This proposal would help to rectify this inequity and increase the City's relatively low matching percentage compared to other states where FMAP averages 61 percent. This proposal would save the City approximately \$250 million in 2004.

Increase in Federal Share of Medicaid Funding by 3 percent

The federal government matches state Medicaid spending based on the Federal Medical Assistance Percentage (FMAP). This percentage is calculated by comparing a state's per capita personal income with the national average per-capita income. New York State receives the lowest possible FMAP, 50 percent, in the nation. The current FMAP formula has unfairly penalized New Yorkers for many years. The federal General Accounting Office has recommended that a more equitable formula to calculate the FMAP would include the use of state total taxable resources (TTR). TTR is considered a strong indicator of fiscal ability because it taps into taxable resources and captures the entire income generated in a state that is available for taxation. In contrast, the current FMAP formula uses state per capita income, which is sensitive to skewing. Therefore, a small percentage of very high wage earners can skew the picture of the ability of state governments to raise revenue. The use of TTR provides a more accurate measure of state poverty indices and thereby provides a more accurate picture of a state's ability to fund programs for the needy. The City requests a 3 percent increase in the FMAP to address the current formula inequity. The enactment of this proposal will save the City approximately \$241 million in 2004.

Provide Medicare Drug Benefit

The federal Medicare program does not currently offer a prescription drug benefit to enrollees. However, those individuals enrolled in the New York State's Medicaid program do receive prescription drug services. If the federal government were to provide

similar services under the Medicare program, more individuals would receive coverage. In addition the City and State's Medicaid costs would be offset since Medicare is funded by the Federal government and would provide the same service. A Medicare drug benefit could save the New York City Medicaid program up to \$145 million in the first year.

Reimbursement of Costs for Protecting Foreign Dignitaries and the United Nations

New York City provides extraordinary security measures for the protection of dignitaries and officials year-round, in addition to providing security for the numerous special international events held in the City. The United Nations General Assembly in November 2001 cost the City \$4.5 million to provide the necessary security. In September 2000, the City hosted both the 55th United Nations General Assembly and the Millennium Summit of Heads of State and Heads of Government. Thousands of heads of state and dignitaries from around the world were in New York City for these events, costing the City an estimated \$26 million for added security and logistical support.

Last year's terrorist attacks increased awareness of the City's and the nation's vulnerability to further attacks on American soil. Therefore, the security provided at foreign missions, the United Nations, and for visiting officials will need to be greatly intensified. Although the State Department reimburses the City a minimal amount for police overtime, this does not cover the numerous other costs associated with these security activities for which the City should be reimbursed. For example, the State Department does not reimburse the City for the overtime required for security preparations, harbor patrols or Emergency Medical Services personnel and equipment, even when they are requested by the Secret Service. These extraordinary security measures cost New York City approximately \$50 million annually.

The City also seeks reimbursement for the cost of Operation BRAVO, which was a multi-agency anti-terrorism security effort led by the New York Police Department (NYPD). The NYPD provided anti-terrorism security as a direct result of the August 7, 1998 bombings of the United States embassies in Nairobi, Kenya and Dar es Salaam, Tanzania. These simultaneous terrorist acts killed 257 African nationals and 12 United States citizens while also injuring over 5,000 people. From August 20, 1998 to August 31, 2001, the City expended \$4.3 million in security costs resulting from the detention, trials and sentencing of these suspects. New York City is requesting full reimbursement for costs associated with Operation BRAVO.

Increase in the State Criminal Alien Assistance Program Funding

Currently, the federal government reimburses localities for a portion of the costs of incarcerating illegal aliens who have been convicted of one felony or two misdemeanor offenses. New York City typically receives approximately \$30 million each year to help offset the costs of keeping these individuals in local jails through this State Criminal

Alien Assistance Program (SCAAP). In his 2003 budget proposal, the President proposed the elimination of this program and the Senate did not act to restore it in its appropriations legislation. This program provides much-needed federal assistance to state and local government. However, even if this allocation were to be restored during final budget negotiations, this level of reimbursement only covers a third of the City's costs. The City's jail system held more than 10,000 criminal illegal aliens in 2001, leading to costs of more than \$90 million. The elimination of this program would force the City to divert already scarce law enforcement resources away from crime prevention and homeland security efforts. The City requests that SCAAP funding be fully restored and increased to an appropriate level to cover the full cost of this program.

Restore Social Services Block Grant Cuts

The Social Services block Grant (SSBG), also known as Title XX of the Social Security Act, is a flexible block grant provided to states. The City primarily uses its share of the SSBG fund to provide child care and child welfare services. The value and importance of the SSBG however, is that jurisdictions have the flexibility to use it to support services for victims of domestic violence, protective services for adults and senior centers. This flexibility enables states and localities to provide services to the most vulnerable and needy populations. Over the years, SSBG has become an integral and critical source of funding to the City and, therefore, it must be maintained.

When the 1996 federal welfare law was enacted, funding for SSBG was authorized at \$2.4 billion annually through 2002. This funding level was established to in order to ensure that states would be able to continue providing critical services. However, SSBG received only \$2.3 billion in 1998, \$1.9 billion in 1999, \$1.8 billion in 2000, and \$1.7 billion in 2001 --- all of which fall significantly below the level authorized in the 1996 law. In 1996, the City received \$127 million in SSBG funds, but the City's allocation has steadily decreased over the years to an estimated \$68 million in FY 2003. This is a loss of \$54 million, or a 39 percent drop in the funding level promised when welfare reform was enacted. The City strongly urges Congress to restore SSBG funding to the 1996 level of \$2.4 billion. The restoration of this funding would save the City an estimated \$54 million annually.

Restore Federal Medicaid Funding for Legal Immigrants

With the passage of welfare reform in 1996, the federal government expressly prohibits Medicaid funding for legal immigrants. However, in 2001 the New York State Supreme Court ruled in the *Aliessa v Novella* case that the State of New York must provide Medicaid to those legal immigrants that meet the income eligibility requirements. Since the federal government can no longer provide reimbursement, Medicaid costs for this population are split between the City and the State. The City seeks to repeal the prohibition of federal funds for legal immigrants which would save the City approximately \$26 million each year.

Expense Program

PEG Program

(City Funds - \$ in 000's)

| | Fiscal Year 2003 | | | Fiscal Year 2004 | | | Fiscal Year 2005 | | | Fiscal Year 2006 | | |
|---------------------------------|--------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | Expense | Revenue | Total | Expense | Revenue | Total | Expense | Revenue | Total | Expense | Revenue | Total |
| UNIFORMED FORCES | | | | | | | | | | | | |
| Police | (\$84,236) | \$0 | (\$84,236) | (\$182,364) | \$0 | (\$182,364) | (\$162,025) | \$0 | (\$162,025) | (\$162,025) | \$0 | (\$162,025) |
| Fire | (17,115) | (5,607) | (22,722) | (41,290) | (8,885) | (50,175) | (42,674) | (8,885) | (51,559) | (43,770) | (8,885) | (52,655) |
| Sanitation | (20,415) | (1,150) | (21,565) | (55,262) | (2,000) | (57,262) | (76,758) | (2,000) | (78,758) | (76,758) | (2,000) | (78,758) |
| Correction | (46,223) | 0 | (46,223) | (85,419) | 0 | (85,419) | (71,537) | 0 | (71,537) | (74,499) | 0 | (74,499) |
| HEALTH AND WELFARE | | | | | | | | | | | | |
| Social Services | (28,681) | 0 | (28,681) | (36,971) | 0 | (36,971) | (32,204) | 0 | (32,204) | (27,176) | 0 | (27,176) |
| Admin. for Children's Services | (61,082) | 0 | (61,082) | (72,633) | 0 | (72,633) | (67,211) | 0 | (67,211) | (67,211) | 0 | (67,211) |
| Homeless Services | (15,562) | 0 | (15,562) | (20,085) | 0 | (20,085) | (17,184) | 0 | (17,184) | (17,184) | 0 | (17,184) |
| Health & Mental Hygiene | (28,620) | 0 | (28,620) | (34,014) | 0 | (34,014) | (32,574) | 0 | (32,574) | (32,575) | 0 | (32,575) |
| Aging | (14,868) | 0 | (14,868) | (25,398) | 0 | (25,398) | (25,398) | 0 | (25,398) | (25,398) | 0 | (25,398) |
| Youth & Community Dev. | (8,959) | 0 | (8,959) | (10,845) | 0 | (10,845) | (10,845) | 0 | (10,845) | (10,845) | 0 | (10,845) |
| OTHER MAYORAL | | | | | | | | | | | | |
| Libraries | (23,888) | 0 | (23,888) | (23,888) | 0 | (23,888) | (23,888) | 0 | (23,888) | (23,888) | 0 | (23,888) |
| Cultural Affairs | (12,392) | 0 | (12,392) | (15,001) | 0 | (15,001) | (15,001) | 0 | (15,001) | (15,001) | 0 | (15,001) |
| Housing Preservation & Dev. | (927) | (9,146) | (10,073) | (6,608) | (1,080) | (7,688) | (6,608) | (750) | (7,358) | (6,608) | (750) | (7,358) |
| Finance | (1,247) | (75,589) | (76,836) | (1,954) | (76,179) | (78,133) | (1,954) | (76,179) | (78,133) | (1,954) | (76,179) | (78,133) |
| Transportation | (19,176) | (8,334) | (27,510) | (20,750) | (15,768) | (36,518) | (19,537) | (16,744) | (36,281) | (19,537) | (15,399) | (34,936) |
| Parks & Recreation | (5,354) | (3,400) | (8,754) | (12,716) | (5,900) | (18,616) | (9,993) | (4,900) | (14,893) | (9,993) | (4,900) | (14,893) |
| Citywide Admin. Services | (4,899) | (10,360) | (15,259) | (10,333) | (4,670) | (15,003) | (5,017) | (4,670) | (9,687) | (5,017) | (4,670) | (9,687) |
| All Other Agencies | (44,292) | (10,707) | (54,999) | (72,187) | (1,746) | (73,933) | (95,837) | (1,944) | (97,781) | (97,006) | (1,746) | (98,752) |
| MAJOR ORGANIZATIONS | | | | | | | | | | | | |
| Department of Education | (200,118) | 0 | (200,118) | (200,118) | 0 | (200,118) | (200,118) | 0 | (200,118) | (200,118) | 0 | (200,118) |
| HHC | (7,960) | 0 | (7,960) | (6,712) | 0 | (6,712) | (6,621) | 0 | (6,621) | (6,651) | 0 | (6,651) |
| CUNY | (9,753) | 0 | (9,753) | (15,857) | 0 | (15,857) | (16,444) | 0 | (16,444) | (17,430) | 0 | (17,430) |
| OTHER | | | | | | | | | | | | |
| Debt Service | (64,109) | 0 | (64,109) | (41,115) | 0 | (41,115) | (75,006) | 0 | (75,006) | (150,005) | 0 | (150,005) |
| Subtotal Agency Programs | (\$719,876) | (\$124,293) | (\$844,169) | (\$991,520) | (\$116,228) | (\$1,107,748) | (\$1,014,434) | (\$116,072) | (\$1,130,506) | (\$1,090,649) | (\$114,529) | (\$1,205,178) |
| CITYWIDE INITIATIVES | | | | | | | | | | | | |
| 25% Mid Year Prop. Tax Inc. | 0 | (1,133,000) | (1,133,000) | 0 | (2,335,000) | (2,335,000) | 0 | (2,433,000) | (2,433,000) | 0 | (2,535,000) | (2,535,000) |
| State Actions | 0 | 0 | 0 | (400,000) | (1,013,000) | (1,413,000) | (800,000) | (684,000) | (1,484,000) | (1,000,000) | (239,000) | (1,239,000) |
| Federal Actions | 0 | 0 | 0 | (200,000) | 0 | (200,000) | (250,000) | 0 | (250,000) | (250,000) | 0 | (250,000) |
| Labor Productivity Actions | 0 | 0 | 0 | (600,000) | 0 | (600,000) | (600,000) | 0 | (600,000) | (600,000) | 0 | (600,000) |
| GRAND TOTAL | (\$719,876) | (\$1,257,293) | (\$1,977,169) | (\$2,191,520) | (\$3,464,228) | (\$5,655,748) | (\$2,664,434) | (\$3,233,072) | (\$5,897,506) | (\$2,940,649) | (\$2,888,529) | (\$5,829,178) |

POLICE DEPARTMENT

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|--|--------------------|---------------------------------|----------|----------|----------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| <u>Reduction of Part-Time Custodial Assistants</u> Reduction of part - time custodial assistants. | - | (1,460) | (2,690) | (2,690) | (2,690) |
| <u>Recruitment Advertising</u> Reduction in planned spending on recruitment advertising. | - | (2,100) | - | - | - |
| <u>Federal Subsidy for Housing Law Enforcement</u> The Department's subsidy for law enforcement in public housing will increase by 2% . | - | (428) | (428) | (428) | (428) |
| <u>OTPS Savings</u> Other Than Personal Services savings. | - | (1,846) | (2,075) | (2,075) | (2,075) |
| <u>Reduce Vehicle Replacements</u> Freeze planned fleet purchases in FY03 and FY04 and extend the vehicle lifecycles. | - | (9,360) | (29,673) | (6,086) | (6,086) |
| <u>July 2003 Class Reduction</u> Reduce July 2003 Recruit Class by 1,900 | (1,900) U | - | (73,697) | (78,438) | (78,438) |
| <u>Uniform Personal Service Surplus</u> Based on historical attrition and the planned minimum peak headcount, NYPD has a surplus in its Personal Services budget. | - | (50,000) | (50,000) | (50,000) | (50,000) |
| <u>COPS Grant Waiver</u> Increased Federal reimbursement for officers hired under the 2000 COPS Universal Hiring Grant. | - | (6,000) | (1,493) | - | - |

U = Uniformed

CITY PROGRAM

POLICE DEPARTMENT

[illegible]

U = Uniformed
C = Civilians

FIRE DEPARTMENT

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|---|--------------------|---------------------------------|---------|---------|---------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| <u>Conduct Additional Fire Safety Director Exams</u> The Fire Prevention's Public Safety Unit collects revenue from on-site exams of building fire safety directors. The demand for fire safety director practicals and field referrals has increased. | 6C | (178) | (356) | (356) | (356) |
| <u>Conduct Overdue Inspections</u> The Bureau of Fire Prevention will initiate a concentrated effort to inspect "no access" and other hard to schedule accounts. | 14C | (725) | (1,450) | (1,450) | (1,450) |
| <u>Inspect Additional High-rise Buildings</u> The Department will create a new account task force which will coordinate with other citywide building databases. The identification of over 1,000 new high rise accounts will result in additional revenue and enhance public safety. | 4C | (400) | (800) | (800) | (800) |
| <u>Eliminate Fire Safety Cadet Program</u> In light of a recent court ruling, the direct promotional path from EMS to Firefighter has been eliminated. As a result, the Department will eliminate the Fire Safety Cadet Program, which attracted recruits based on that promotional track. | - | (399) | (799) | (799) | (799) |
| <u>Corpus Funding Savings</u> The Uniformed Pension Fund will assume the cost of running the Department's Pension Unit. | (24) C | (791) | (1,582) | (1,582) | (1,582) |
| <u>EMS Revenue Increased</u> Based on actual collections to date, the Department will realize an increase in ambulance transport revenue. | - | (2,000) | (2,000) | (2,000) | (2,000) |

FIRE DEPARTMENT

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|---|--------------------|---------------------------------|-----------------|-----------------|-----------------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| <u>Increased Collections of the 2% Tax on Insurance Premiums</u> | - | (2 , 3 2 9) | (2 , 3 2 9) | (2 , 3 2 9) | (2 , 3 2 9) |
| Based on current activity, the Department will collect more revenue from the two percent tax on insurance premiums. | | | | | |
| <u>Fire Inspection Fee for Non-Profit and Charitable Organizations</u> | - | (1 , 5 0 0) | (3 , 0 0 0) | (3 , 0 0 0) | (3 , 0 0 0) |
| The Department will now charge non-profit and charitable organizations, who are currently exempt from the fee, for fire inspections. | | | | | |
| <u>Fire Marshal Program Savings</u> | (5 0) U | (1 , 0 4 5) | (2 , 4 1 6) | (2 , 8 0 5) | (2 , 9 3 7) |
| The Department will reduce Fire Investigative staff by 38 Fire Marshals and 12 Supervising Fire Marshals. | | | | | |
| <u>Part-Time Surplus</u> | - | (3 5 6) | (7 1 3) | (7 1 3) | (7 1 3) |
| The Department will eliminate surplus funding for part-time positions. | | | | | |
| <u>Eliminate Fifth Firefighter Post in 49 Engine Companies</u> | (2 4 5) U | (2 , 8 7 9) | (1 1 , 9 6 3) | (1 2 , 2 0 4) | (1 2 , 4 5 8) |
| The Department will eliminate the fifth firefighter post in 49 engine companies. | | | | | |
| <u>Eliminate Eight Fire Companies</u> | (2 0 0) U | (2 , 5 4 8) | (1 0 , 7 9 3) | (1 1 , 0 2 2) | (1 1 , 3 4 5) |
| The Department will identify fire companies that can be eliminated either by reducing one of the two companies in dual company firehouses or by closing single house companies whose workload can be adequately covered by surrounding companies. | | | | | |

U = Uniformed

FIRE DEPARTMENT

U = Uniformed
C = Civilians

DEPARTMENT OF SANITATION

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|--|--------------------|---------------------------------|---------|---------|---------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| <u>Landfill Closure OTPS</u> | - | (11,537) | - | - | - |
| Contract savings due to a delay in closure work at the Fresh Kills Landfill. | | | | | |
| <u>Vehicle Maintenance and Procurement Savings</u> | - | (1,071) | (1,250) | (892) | (892) |
| Due to the diversion of waste export trucks from New Jersey, fewer replacement of motor vehicle parts will be required. The Department will also achieve savings by delaying the replacement of expense-funded vehicles for two years. | | | | | |
| <u>Garage and Mechanic Savings</u> | (20) C | (603) | (1,205) | (1,205) | (1,205) |
| The Department will eliminate 5 mechanic positions due to garage function consolidation and 15 mid-shift mechanics at selected locations. | | | | | |
| <u>Eliminate Supplemental Basket Collection</u> | - | (700) | (1,400) | (1,400) | (1,400) |
| The Supplemental Basket Collection program is a City Council-funded program. The Department will reduce the collection of baskets in certain commercial districts throughout the City. | | | | | |
| <u>Bridge and Toll Savings</u> | - | (1,000) | (1,000) | (1,000) | (1,000) |
| The Department is diverting trucks from New Jersey to Queens vendors, which recently received capacity permit increases, thereby reducing the amount spent on bridge and turnpike tolls. | | | | | |
| <u>Privatize Security at Marine Transfer Stations</u> | (30) U | 41 | (418) | (418) | (418) |
| The Department currently provides security at the seven closed | | | | | |

U = Uniformed

C = Civilians

DEPARTMENT OF SANITATION

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|---|--------------------|---------------------------------|----------|----------|----------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| marine transfer stations and will privatize this function by expanding an existing contract. | | | | | |
| Civilianize Half of Recycling Enforcement | (42) U | (462) | (924) | (924) | (924) |
| The Department will civilianize half of the 85-person Recycling Police Unit. | 42C | | | | |
| WEP Program Savings | (47) U | (808) | (2,678) | (2,678) | (2,678) |
| Reduction of the street-cleaning WEP program. | (11) C | | | | |
| Re-evaluation of Collection Routes | (800) U | - | (41,836) | (63,690) | (63,690) |
| The Department is undertaking a comprehensive, six-month review of refuse and recycling collection. By analyzing collection frequency and routes, the Department will achieve greater efficiencies through redesigned routes and the potential redesign of its recycling program. | | | | | |
| BWD Overtime Reduction | - | (1,500) | (1,500) | (1,500) | (1,500) |
| Civilian overtime reduction in the Bureau of Waste Disposal. | | | | | |
| Convert Long-Term Consultant Funding to Capital | - | (1,250) | - | - | - |
| As a result of a change in the City's Solid Waste Management Plan, associated consultant costs will be capitalized. | | | | | |
| Sale of Recycled Metal | - | (1,000) | - | - | - |
| The Department will collect additional revenue from the sale of recycled metal as a result of changes in the City's recycling | | | | | |

U = Uniformed

C = Civilians

CITY PROGRAM

DEPARTMENT OF SANITATION

[illegible]

U = Uniform

C = Civilians

DEPARTMENT OF CORRECTION

U = Uniformed
C = Civilians

ADMIN. FOR CHILDREN SERVICES

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|---|--------------------|---------------------------------|---------|---------|---------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| <u>Conform Adoption Payments to Foster Care Rates</u> Reduce adoption stipend rates by 3.1 percent. | - | - | (62) | (164) | (164) |
| <u>Adoption Subsidy Reestimate</u> Savings from lower than projected costs for children in adoptive homes. | - | (998) | - | - | - |
| <u>AOTPS Reduction</u> Reduction in child care administrative OTPS. | - | (4,065) | (4,127) | (4,127) | (4,127) |
| <u>Administrative Efficiencies</u> Savings from administrative efficiencies and surpluses. | 15 | (1,762) | (3,969) | (3,309) | (3,309) |
| <u>Reduce Surplus Funds In Contracted Child Care Budgets</u> | - | (4,415) | (4,415) | (4,415) | (4,415) |
| <u>Accruals From Implementation Delays In New Child Care Contracts</u> | - | (12,000) | - | - | - |
| <u>Eliminate 2,500 Child Care Slots for Children in Low Priority Status</u> | - | (5,067) | (9,006) | (9,006) | (9,006) |
| <u>Recoup Overpayments To Child Care And Foster Care Agencies</u> | - | (3,808) | (6,261) | (3,212) | (3,212) |
| <u>Foster Care Rate Reduction</u> Reduces foster parent stipends by 3.1% for foster boarding homes and contract agency administrative rates. | - | (4,551) | (5,908) | (4,661) | (4,661) |
| <u>Reduce MIS Consultant Services for Administrative Initiatives</u> | - | (2,144) | (1,144) | (1,144) | (1,144) |

ADMIN. FOR CHILDREN SERVICES

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|--|--------------------|---------------------------------|-----------|-----------|-----------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| <u>State Allocation for MSW Program</u> | - | (672) | - | - | - |
| <u>Safe and Timely Adoption and Reunification (STAR) Program</u> Eliminates incentive program for foster care providers. | - | (1,750) | (1,750) | (1,750) | (1,750) |
| <u>Eliminate Substance Abuse Program</u> Eliminates substance abuse program for foster care youth in congregate settings. | - | (3,450) | (7,600) | (7,600) | (7,600) |
| <u>Direct Foster Care Census Reestimate</u> Lower than projected number of children in directly operated foster care program will result in reduced expenses. | - | (476) | (1,785) | (1,785) | (1,785) |
| <u>Reduce Number of Children in Foster Care</u> Programmatic initiatives will increase adoptions and reunifications and create community based alternatives to foster care. | - | - | (1,284) | (2,656) | (2,656) |
| <u>Federal Incentives for Improved Child Support Collections</u> | - | (5,559) | (1,941) | - | - |
| <u>Convert Consultants to Full-Time Employees</u> Savings from conversion of consultants to full time employees. | 102 | (538) | (1,077) | (1,077) | (1,077) |
| <u>Reduce Clerical Support Temp Contracts</u> | - | (668) | (891) | (891) | (891) |
| <u>Transfer Disabled Children to NYS</u> Transfer responsibility for serverly emotionally disturbed and mentally disabled children to New York State. | - | - | (3,662) | (3,662) | (3,662) |

ADMIN. FOR CHILDREN SERVICES

PEG PROGRAM

18.5 Percent Reduction to Contracted Preventive Services

Eliminate Life Skills Training for Non-Foster Children

State and Federal Funding for Payroll Administration

Personal Service Reduction

Total Agency Program

DEPARTMENT OF SOCIAL SERVICES

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|---|--------------------|---------------------------------|----------|----------|---------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| <u>Increase Liens and Recover Overpayments to Clients</u> | - | - | (2,000) | (4,000) | (4,000) |
| <u>Savings From Lower Than Projected Caseloads In HIV/AIDS Services</u> | (78) | (2,000) | (3,000) | (2,500) | (2,000) |
| <u>State Funding for Medicaid Transportation</u> | - | - | (1,875) | (1,875) | (1,875) |
| <u>Federal Funding for Medical Services Provided to Inmates in the Health & Hospital Corporation</u> | - | - | (5,000) | - | - |
| <u>Claim State & Federal Reimbursement for Homeless Families</u> Claim state and federal reimbursement for homeless families in DHS whose public assistance eligibility is reestablished. | - | (10,371) | (4,588) | (3,321) | (3,321) |
| <u>Increased Federal Reimbursement for Client Carfare</u> Cafare funding for PA recipients engaged in job search or training activities. | - | (1,636) | (1,636) | (1,636) | (1,636) |
| <u>Personal Service Reductions</u> | (1,513) | (7,702) | (13,584) | (13,584) | (9,056) |
| <u>Federal Reimbursement for Partial Costs of Summer Camp for Public Assistance Children</u> | - | (319) | - | - | - |
| <u>State Medicaid Pre-Approval for Pharmaceuticals</u> A new State pre-approval process for the AIDS drug Serostim will generate savings in the City’s share of Medicaid expenditures for pharmaceuticals by reducing utilization. | - | (4,145) | (4,145) | (4,145) | (4,145) |

PEG PROGRAM

Enhanced Medicaid Revenue for Skilled Medical Personnel

This initiative represents enhanced Federal Medicaid reimbursement for costs associated with professional medical services.

CITY PROGRAM

DEPT. OF HOMELESS SERVICES

[illegible]

DEPARTMENT FOR THE AGING

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|---|--------------------|---------------------------------|---------------|---------------|---------------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| <u>Claim State and Federal Funds for Medicaid Eligible Adminstrative Activities</u> | - | (2 , 0 0 0) | (1 , 0 0 0) | (1 , 0 0 0) | (1 , 0 0 0) |
| <u>Rollover of Federal Funds</u> Federal surpluses in 2002 will reduce tax levy needs in 2003. | - | (5 , 8 8 0) | - | - | - |
| <u>Participant Contributions</u> Anticipated increase in participant contributions of 20 cents per meal for 13 million meals served annually to seniors. | - | (1 , 3 0 0) | (2 , 6 0 0) | (2 , 6 0 0) | (2 , 6 0 0) |
| <u>Senior Center Consolidation</u> Consolidation of services from closing 32 senior centers. | - | - | (2 , 2 1 6) | (2 , 2 1 6) | (2 , 2 1 6) |
| <u>Eliminate Contracts Serving Elderly Crime Victims</u> | - | - | (2 , 2 0 0) | (2 , 2 0 0) | (2 , 2 0 0) |
| <u>Administrative OTPS Reductions</u> | - | - | (3 7 2) | (3 7 2) | (3 7 2) |
| <u>Naturally Occurring Retirement Community Contracts (NORCs) in NYCHA</u> Discontinue contracts for seven NYCHA Naturally Occurring Retirement Community Contracts. | - | (5 3 1) | (1 , 0 6 2) | (1 , 0 6 2) | (1 , 0 6 2) |
| <u>NYCHA Rents/Utilities</u> | - | (3 0) | (5 9) | (5 9) | (5 9) |
| <u>Senior Center Furlough/One Day Per Week Closing</u> Senior Centers closing one day per week. | - | - | (7 , 4 0 0) | (7 , 4 0 0) | (7 , 4 0 0) |

CITY PROGRAM

DEPARTMENT FOR THE AGING

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|--|--------------------|---------------------------------|----------|----------|----------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| <u>Eliminate Weekend Take Home Meals Program</u> | - | (885) | (1,770) | (1,770) | (1,770) |
| <u>Miscellaneous Program Reductions</u> | - | (2,051) | (2,584) | (2,584) | (2,584) |
| Reduces and eliminates miscellaneous programs serving the elderly. | | | | | |
| <u>Personal Service Reductions</u> | (83) | (2,193) | (4,135) | (4,135) | (4,135) |
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| Total Agency Program | (83) | (14,870) | (25,398) | (25,398) | (25,398) |

DEPT HEALTH & MENTAL HYGIENE

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|--|--------------------|---------------------------------|-------|-------|-------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| Cancer Programs The Department will terminate contracts with community-based organizations for cancer research and education. | - | - | (906) | (906) | (906) |
| Reestimate of Hospital Reimbursement The Department will generate savings due to lower rates of tuberculosis hospitalization. | - | - | (500) | (500) | (500) |
| Pest Control Program The Department will generate savings in the Pest Control Program through the elimination of currently vacant positions and anticipated attrition. | - | (100) | (600) | (600) | (600) |
| Asthma Control Program The Department will reduce two of its four contracts with community-based groups for asthma case managment services and will terminate one contract beginning in FY 2005. | - | - | (200) | (445) | (445) |
| Maternity Services The Department will generate savings in the Maternity Services program through accruals and OTPS reductions and will transfer case management services from nurses to public health advisors at three of four sites beginning in FY 2005. | - | (287) | (300) | (700) | (700) |
| OTPS Savings The Department will generate outyear savings through better management of OTPS spending. | - | - | (600) | (600) | (600) |

DEPT HEALTH & MENTAL HYGIENE

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|---|--------------------|---------------------------------|--------------|-------------|-------------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| <u>School-Based Clinics</u> The Department will reduce subsidies for five privately-run school-based clinics. | - | - | (268) | (536) | (536) |
| <u>Mental Hygiene Contract Reductions</u> The Department will reduce funding for mental hygiene services provided by voluntary sector contractors. | - | - | (95) | (1 , 339) | (1 , 856) |
| <u>Mental Hygiene Revenue Collections</u> The Department will collect additional revenues for mental hygiene services. | - | (2 , 014) | (3 , 971) | (2 , 268) | (2 , 512) |
| <u>HHC Mental Hygiene Program Reductions</u> The Department will reduce funding for mental hygiene services provided through contracts with the Health and Hospitals Corporation. | - | - | (225) | (2 , 622) | (2 , 622) |
| <u>Closure of the Queens House of Detention</u> The Department will generate savings in the Correctional Health Program resulting from the closure of the Queens House of Detention. | - | (1 , 506) | (2 , 008) | (2 , 008) | (2 , 008) |
| <u>Early Intervention Revenue Enhancement</u> The Department will receive additional Medicaid reimbursement for Early Intervention Program costs. | - | (16 , 164) | (16 , 327) | (9 , 601) | (6 , 722) |
| <u>Restructuring and Enhanced Revenue Collections at Family Health Clinics</u> | - | (1 , 260) | (1 , 260) | (1 , 260) | (1 , 260) |

DEPT HEALTH & MENTAL HYGIENE

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|--|--------------------|---------------------------------|-------|---------|---------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| The Department will generate savings from the FY 2002 restructuring of staffing levels at Family Health clinics to match current workload and ongoing efforts to maximize revenue collections. | | | | | |
| <u>Restructuring of Mortuary Operations</u> | - | - | (245) | (245) | (245) |
| The Office of the Chief Medical Examiner will streamline its field operations by reconfiguring existing staffing patterns. | | | | | |
| <u>Family Health Clinic Consolidation</u> | - | - | - | (2,072) | (2,072) |
| The Department will work with the Health and Hospitals Corporation to achieve efficiencies and generate additional revenues at Family Health clinics. | | | | | |
| <u>Community Healthcare Network</u> | - | - | (160) | (160) | (160) |
| The Department will terminate its contract with the Community Healthcare Network for the provision of primary care services. | | | | | |
| <u>HHC Contract Reduction</u> | - | - | - | (208) | (208) |
| The Department will reduce its contract with the Health and Hospitals Corporation for the provision of HIV/AIDS services. | | | | | |
| <u>HPD Contract Reduction</u> | - | - | - | (32) | (32) |
| The Department will reduce its contract with the Department of Housing Preservation and Development (HPD) for the provision of lead abatement services. | | | | | |

DEPT HEALTH & MENTAL HYGIENE

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|--|--------------------|---------------------------------|-------|-------|---------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| <u>DEP Contract Reduction</u> | - | - | - | (36) | (36) |
| The Department will reduce its contract with the Department of Environmental Protection (DEP) for monitoring and control of hazardous materials. | | | | | |
| <u>Lead Poison Prevention Program</u> | - | (250) | (500) | (500) | (500) |
| The Department will generate savings in its Lead Poisoning Prevention Program through OTPS reductions, attrition, and the termination of one lead safe house contract. | | | | | |
| <u>OTPS and Administrative Savings</u> | - | (1,000) | (500) | (500) | (1,500) |
| The Department will generate savings through anticipated OTPS accruals and greater efficiencies in program administration. | | | | | |
| <u>Lease Consolidation</u> | - | - | (434) | (434) | (434) |
| The Department will generate savings through the consolidation of existing leases. | | | | | |
| <u>Mental Hygiene Program Accruals</u> | - | (2,338) | - | - | - |
| The Department will generate one-time savings from anticipated accruals in mental hygiene programs. | | | | | |
| <u>Mental Hygiene Program Consolidations</u> | - | (597) | (651) | (651) | (651) |
| The Department will generate savings from the reconfiguration of mental hygiene services and the closure of underutilized programs by contracted providers in FY 2002. | | | | | |

DEPT HEALTH & MENTAL HYGIENE

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|---|--------------------|---------------------------------|---------|---------|---------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| <u>Outpatient Medication Program</u> The Department will reduce funding to offset costs incurred by the Health and Hospitals Corporation for the provision of outpatient prescription medications to uninsured patients. | - | (250) | (713) | (1,250) | (2,369) |
| <u>OCME Federal Reimbursement</u> The Office of the Chief Medical Examiner will receive additional Federal reimbursement for the costs of DNA testing related to the World Trade Center attack. | (6) | (144) | (451) | - | - |
| <u>Personal Service Reductions</u> | (73) | (1,774) | (2,655) | (2,655) | (2,655) |
| <u>OCME Overtime and OTPS Savings</u> The Office of the Chief Medical Examiner will generate savings through reductions in medicolegal investigator overtime and lower OTPS spending for DNA activities. | - | (935) | (444) | (444) | (444) |
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HOUSING PRESERVATION & DEV.

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|---|--------------------|---------------------------------|-------|-------|-------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| <u>NPCP Groups</u> | - | - | (180) | (180) | (180) |
| Elimination of Neighborhood Preservation consultant contracts | | | | | |
| <u>Lead Vehicles</u> | - | (562) | (562) | (562) | (562) |
| HPD will not replace vehicles used by lead staff as originally planned. This will result in a Tax Levy savings of \$562,000 in FY03 and the outyears. | | | | | |
| <u>TL to HOME swap AOTPS</u> | - | (93) | (93) | (93) | (93) |
| <u>TL to Home Swap - PS</u> | (6) | (272) | (272) | (272) | (272) |
| TL to Home Swap PS - Reduction of 6 TL HC and Increase of 6 Federal HC | | | | | |
| <u>Skyview Tower - Mitchell-Lama Buyout</u> | - | (770) | - | - | - |
| Skyview Towers is a 232 unit refinanced rental development in Woodside Queens. The owners bought the development out of the City Mitchell-Lama program and paid off the City's subordinate mortgage. | | | | | |
| <u>Westbeth Development Surcharge</u> | - | (400) | - | - | - |
| Westbeth development has maintained funds in an escrow account in anticipation of a resolution of past disputes over surcharges owed to HPD. The disputes have been resolved and HPD anticipates payment prior to the end of the calendar year. | | | | | |
| <u>Additional Miscellaneous Fees</u> | - | (850) | (880) | (550) | (550) |
| The Department of Housing Preservation and Development has experienced an increase in various fees and sundries. | | | | | |

HOUSING PRESERVATION & DEV.

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|--|--------------------|---------------------------------|---------|---------|---------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| <u>Delano Village 8A Loan Repayment</u> The Department of Housing Preservation and Development received an unanticipated full repayment of an 8A loan in August 2002. | - | (4,876) | - | - | - |
| <u>Municipal Loan Settlement</u> The Department of Housing Preservation and Development received an unanticipated settlement on a loan. | - | (1,050) | - | - | - |
| <u>Manhattan Plaza Retroactive Rents</u> HPD will realize additional revenue from increased collections from Manhattan Plaza. | - | (200) | (200) | (200) | (200) |
| <u>Code Inspections for Statutory Distressed Properties</u> Statutory distressed properties that have been excluded from tax lien sales based solely on their violation records will be re-inspected to determine if the violation record reflects current conditions. This is a continuation of the initiative begun by HPD three years ago. | - | (1,000) | - | - | - |
| <u>Personal Service Reduction</u> Personal Service Reduction | (14) | - | (696) | (696) | (696) |
| <u>Community Consultants contract reduction</u> Community Consultants contract reduction | - | - | (1,055) | (1,055) | (1,055) |
| <u>Landlord training contract reduction</u> | - | - | (200) | (200) | (200) |

CITY PROGRAM

HOUSING PRESERVATION & DEV.

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|--|--------------------|---------------------------------|---------|---------|---------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| <u>NPC contract reduction</u> | - | - | (400) | (400) | (400) |
| <u>Legal Services contract reduction</u> | - | - | (2,500) | (2,500) | (2,500) |
| Legal Services contract reduction | | | | | |
| <u>Housing Court contract reduction</u> | - | - | (350) | (350) | (350) |
| <u>Reduction of TL Demolition</u> | - | - | (300) | (300) | (300) |
| Due to CDBG eligibility changes in FY01 all full and partial demolitions are 100% CDBG eligible. This initiative reduces the tax levy demolition budget in FY04 and each of the out years. | | | | | |
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| Total Agency Program | (20) | (10,073) | (7,688) | (7,358) | (7,358) |

DEPARTMENT OF FINANCE

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|---|--------------------|---------------------------------|----------|----------|----------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| Tax Appeals Tribunal The City Tax Appeals Tribunal will achieve savings by not backfilling one early retirement position, not hiring a per diem employee, and by reducing the subscriptions they currently procure. | (1) | (97) | (124) | (124) | (124) |
| Savings in Printing Parking Summonses Due to Handheld Project Due to the upcoming roll-out of handheld computers for use by Traffic Enforcement Agents in issuing parking violations summonses, the Department's costs of pre-printed summonses will be reduced by \$330,000 annually beginning in FY'04. | - | - | (330) | (330) | (330) |
| Audit Revenue The Department of Finance will conduct additional audits. | - | (75,000) | (75,000) | (75,000) | (75,000) |
| Increased Fees for Court and Trust Services The Department will pursue State legislation to increase fees charged by the Treasury Division for court and trust services. | - | (589) | (1,179) | (1,179) | (1,179) |
| Personal Service Reductions | (25) | (1,000) | (1,500) | (1,500) | (1,500) |
| Unspent Funds for Business Continuity Plan In FY'02, the Department hired Marsh Consulting to develop a | - | (150) | - | - | - |

DEPARTMENT OF FINANCE

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|--|-----------------|------------------------------|----------|----------|----------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| Business Continuity Recovery study covering Parking Violations operations. The Department will use in-house staff to complete the study. | | | | | |
| Total Agency Program | (26) | (76,836) | (78,133) | (78,133) | (78,133) |

DEPARTMENT OF TRANSPORTATION

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|--|--------------------|---------------------------------|---------|---------|---------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| <u>Eliminate Graffiti Removal on Bridges</u> | (8) | (270) | (540) | (540) | (540) |
| DOT will eliminate the graffiti removal operations performed by the Bridge Painting Unit. | | | | | |
| <u>Capitalize Dockbuilding</u> | - | (230) | (230) | (230) | (230) |
| DOT will charge the purchase of timber for dockbuilding to the Capital budget, as approved by Counsel. | | | | | |
| <u>Additional State Funding for Maintenance of Arterial Highways</u> | - | (921) | - | - | - |
| DOT will replace City funds used for the maintenance of arterial highways with additional State Arterial Maintenance Agreement Funds. | | | | | |
| <u>State Multimodal Funding for Roadway Rehabilitation</u> | - | (750) | - | - | - |
| DOT will replace City funds used for roadway rehabilitation with additional State Multi-modal funds. | | | | | |
| <u>Traffic Signal LED Savings Brooklyn</u> | - | (1,575) | (2,100) | (2,100) | (2,100) |
| DOT will recognize \$1.5 million in energy savings and \$600,000 in maintenance savings resulting from the installation of Light Emitting Diodes (LEDs) in Brooklyn traffic signals. | | | | | |
| <u>LED Energy Savings - Manhattan & the Bronx</u> | - | (179) | (1,200) | (1,200) | (1,200) |
| DOT will install Light Emitting Diodes (LEDs) in all red and green vehicular signals and pedestrian traffic signals, as well as the installation of two-year incandescent lamps in all amber signals in Manhattan and the Bronx. Five months of energy savings will be realized in FY03. | | | | | |

DEPARTMENT OF TRANSPORTATION

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|---|--------------------|---------------------------------|---------|---------|---------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| <u>Increase Private Express Bus Fare from \$3 to \$4</u> For the privately operated express bus service, the fare will increase from \$3 to \$4. | - | (3,977) | (7,954) | (7,954) | (7,954) |
| <u>Eliminate Weekend Private Express Bus Service</u> DOT will completely eliminate weekend express bus service on its privately run franchised bus operation. | - | (2,055) | (4,210) | (4,210) | (4,210) |
| <u>Consolidate Permit Offices</u> DOT will eliminate two of its four Permits Management borough satellite offices. The Bronx office will be closed and the Brooklyn Office will be consolidated with Queens. This will eliminate one full-time Clerical Associate and one part-time Clerical Associate position. | (1) | (100) | (100) | (100) | (100) |
| <u>Furlough 15 Full-Time Gas Roller Engineers (GRE's) During Winter Season</u> DOT will seasonalize 15 Gas Roller Engineer (GRE) positions. | - | (244) | (244) | (244) | (244) |
| <u>Furlough 4 Motor Grader Operators (MGO's) During Winter Season</u> DOT will seasonalize 4 Motor Grader Operator (MGO) positions. | - | (64) | (64) | (64) | (64) |
| <u>Extend Seasonal Assistant City Highway Repairers (ACHR) Maturation Period from 5 to 7 Years</u> DOT will extend the period it takes for seasonal Assistant City Highway Repairers (ACHR) to become full-time ACHR's from 5 to 7 years. | - | (428) | (740) | (630) | (630) |

DEPARTMENT OF TRANSPORTATION

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|--|--------------------|---------------------------------|---------|---------|---------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| <u>Command Bus Staff Reduction</u> DOT will reduce the subsidy for the Director of Operations at Command Bus, who is no longer working on the City’s bus program. | - | (85) | (85) | (85) | (85) |
| <u>Additional Bus Stop Shelter Revenue</u> The Department will receive additional bus stop shelter advertising revenue based on current performance. | - | (452) | (2,435) | (2,435) | (2,435) |
| <u>Charge for Meter Parking on Sunday</u> DOT will convert 19,504 parking meters from 6 day meters to 7 day meters. This effort will require 25 tax-levy funded positions for meter collection, and \$1.2 million in FY 2003 in CHIPS funds for sign installation. | 25 | (71) | (2,530) | (2,530) | (2,530) |
| <u>Increase Garage & Parking Permit Rates</u> DOT will increase garage rates in nine facilities and parking permit rates in twenty-six fields. DOT requires two accountants as part of this initiative. | 2 | (870) | (1,211) | (1,211) | (1,211) |
| <u>Additional On-Street Meter Parking Meter Revenue</u> DOT anticipates increased parking meter revenue with ten additional positions. | 10 | (1,637) | (1,637) | (1,637) | (1,637) |
| <u>Expedite Midtown Commercial Parking Expansion</u> DOT is expecting additional revenue due to the expedited installation of Midtown commercial parking meters. This initiative requires the use of \$610,000 in CHIPS funds annually | - | (33) | (671) | (1,767) | (422) |

DEPARTMENT OF TRANSPORTATION

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|---|--------------------|---------------------------------|---------|---------|---------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| from January 2003 through FY 2005 for thirteen Traffic Device Maintainers and associated overtime. | | | | | |
| <u>Eliminate Obsolete Parking Meter Rates</u> | 11 | (829) | (3,138) | (3,138) | (3,138) |
| DOT will eliminate obsolete parking meter rates by standardizing 12,250 meters citywide. The new rate will be \$0.25 for 30 minutes. Eliminated rates include \$0.25 for 40 minutes, 60 minutes, and 120 minutes. This effort requires 11 additional positions. | | | | | |
| <u>Additional Revenue From Revocable Consents and Electrical Transformers</u> | - | (1,218) | (459) | (459) | (459) |
| The Department has realized additional revenue for revocable consents and electrical transformers in FY 2003, a portion of which will continue in the out-years. | | | | | |
| <u>Additional Recoupment Revenue</u> | - | (285) | (285) | (285) | (285) |
| The Department of Transportation will recoup the cost of damages to City property. | | | | | |
| <u>Water Board Reimbursement for Cave-In Work</u> | - | (586) | (586) | (586) | (586) |
| Based on the costs to excavate, backfill and top cave-ins, the City will receive additional O&M reimbursement from the Water Board. | | | | | |
| <u>Water Board Reimbursement for Highway Cleaning</u> | - | (577) | (577) | (577) | (577) |
| Based on the costs associated with highway cleaning, the City will receive additional O&M reimbursement from the Water Board. | | | | | |

DEPARTMENT OF TRANSPORTATION

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|---|--------------------|---------------------------------|---------|---------|---------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| Federal Funding For Subsidized Private Bus Program DOT will replace City funds used for the Franchise Bus Program with Federal funds. | - | (2 , 578) | - | - | - |
| Additional State Ferry Subsidy DOT will replace City funding for Staten Island ferry operations with increased State subsidies. | - | (648) | - | - | - |
| Federal Funds For Ferry Maintenance DOT will replace City funding for Staten Island ferry maintenance/dry-docking contracts with Federal funding. | - | (300) | (300) | (300) | (300) |
| CHIPs Meter Design & Capital Construction Switch (Midtown Manhattan) DOT will use State CHIPS funds for 11 traffic design positions provided to DOT during the FY03 January Plan as part of the Commercial Parking program expansion. | (11) | (563) | (563) | - | - |
| CHIPs Meter Installations - Midtown Manhattan DOT will use State CHIPS funds for 17 meter installation positions provided to DOT during the FY03 January Plan as part of the Commercial Parking program expansion. | (17) | (471) | (660) | - | - |
| State Multimodal Funding for Streetlight Installations DOT will replace City funds used for street lighting OTPS with additional State Multi-Modal funds. | - | (513) | - | - | - |

DEPARTMENT OF TRANSPORTATION

[illegible]

DEPT OF PARKS AND RECREATION

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|--|--------------------|---------------------------------|---------|---------|---------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| <u>Shea Stadium Audit</u> As the result of a City audit, the Parks Department will collect an initial payment owed from prior year's rent under existing lease agreements. | - | - | (1,000) | - | - |
| <u>Increase Recreation Center Fees</u> Annual adult membership fees charged at the City's recreation centers will be increased by \$25. Community Development funded recreation centers will remain free. | - | - | (800) | (800) | (800) |
| <u>Ballfield Permit Fee Increase</u> The Parks Department will increase permit fees for baseball, softball, and volleyball on turf or soft surface fields. | - | (500) | (600) | (600) | (600) |
| <u>Stadium Parking Rate Increase</u> The Parks Department will increase parking fees at Yankee and Shea stadiums. The increase will become effective April, 2003. | - | - | (1,600) | (1,600) | (1,600) |
| <u>Stadium Parking Security Fund</u> The Parks Department has collected funds from stadium parking concessions for increased security infrastructure at stadium parking lots. | - | (1,000) | - | - | - |
| <u>Increased Special Events Revenue</u> The Parks Department will collect special events revenue in excess of the baseline in Fiscal Year 2003 and in the outyears. | - | (1,000) | (1,000) | (1,000) | (1,000) |

DEPT OF PARKS AND RECREATION

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|--|--------------------|---------------------------------|----------|----------|----------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| <u>Increase Adult Tennis Permit Fees</u> The Parks Department will increase the annual adult Tennis Permit Fee at its facilities from \$50 to \$100. | - | (900) | (900) | (900) | (900) |
| <u>Zoo Funding Switch</u> A reduction in expense funding will be offset by an increase in capital funding. | - | - | (3,000) | - | - |
| <u>OTPS Reduction</u> Reduction in OTPS. | - | - | (422) | - | - |
| <u>Reduction to Seasonal Budget</u> Reduction to Seasonal Employee Budget. | - | (803) | (1,453) | (2,453) | (2,453) |
| <u>Contracts Funding Reduction</u> A reduction in expense funding for Forestry Pruning Contracts will reduce the number of loose limbs, branches, and stump removals addressed. | - | (1,000) | (1,500) | (1,500) | (1,500) |
| <u>Overtime Savings</u> A reduction of overtime will be equally shared through reductions in administration, maintenance and operations, and recreation. | - | (301) | (301) | - | - |
| <u>Increase Central Park Zoo Admission Fees</u> Increase in Central Park Zoo admission fees. | - | (250) | (1,000) | (1,000) | (1,000) |
| <u>Personal Service Savings</u> Personal Service Savings. | (157) | (3,000) | (5,040) | (5,040) | (5,040) |
| Total Agency Program | (157) | (8,754) | (18,616) | (14,893) | (14,893) |

DEPT OF CITYWIDE ADMIN SRVCS

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|--|--------------------|---------------------------------|---------|---------|---------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| <u>Mortgage Baseline Increase</u> | - | (400) | (400) | (400) | (400) |
| The Department of Citywide Administrative Services held a real estate auction in May 2002, wherein many of the buyers received City mortgages. This revenue is the result of the additional mortgage payments. | | | | | |
| <u>One Time Additional Revenue</u> | - | (800) | - | - | - |
| The Department of Citywide Administrative Services anticipates one-time additional revenue from salvage sales and other miscellaneous revenue sources. | | | | | |
| <u>Office of Court Administration Revenue - Interest</u> | - | (388) | (120) | (120) | (120) |
| The City submitted to OCA an interest aid claim for GO funded debt issued from April 1993 through March 1999. This initiative reflects additional interest reimbursement from these bonds. | | | | | |
| <u>Payment of Back-Rent and Increased Future Rent Payments from Archives</u> | - | (7,600) | (4,000) | (4,000) | (4,000) |
| The Department of Citywide Administrative Services has reached an agreement with Archives L.L.C. for payment of back-rent and a new annual rent payment starting this fiscal year. | | | | | |
| <u>Sale of Steam</u> | - | (1,022) | - | - | - |
| NYC Technical College has reimbursed DCAS for the use of steam. | | | | | |
| <u>Revenue from Increased Application Volumes</u> | - | (150) | (150) | (150) | (150) |
| The Board of Standards and Appeals will generate additional application revenue based on current and projected activity. | | | | | |

DEPT OF CITYWIDE ADMIN SRVCS

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|--|--------------------|---------------------------------|---------|-------|-------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| <u>DDC: 59 Maiden Lane - Intra City</u> DDC will fund this rental expense via an IFA intra-city agreement. | - | (318) | - | - | - |
| <u>Division of Facilities Management and Construction: Sale of Steam</u> The reduction represents a funding switch. DCAS will use reimbursement from the sale of steam to NYC Technical College to fund 11 positions. City funding will thereby be reduced. | - | (500) | (500) | (500) | (500) |
| <u>330 Jay Street Delay - PS Savings</u> This facility is not expected to commence operation until FY'05. | (67) | - | (1,810) | - | - |
| <u>330 Jay Street Delay - OTPS Savings</u> This facility is not expected to commence operation until FY'05. | - | - | (2,209) | - | - |
| <u>Kew-2 (Criminal Annex) Delay - PS Savings</u> This facility is not expected to commence operation until FY'05. | (20) | - | (601) | - | - |
| <u>Kew-2 (Criminal Annex) Delay - OTPS Savings</u> This facility is not expected to commence operation until FY'05. | - | - | (696) | - | - |
| <u>Customer Service Program</u> DCAS will maintain customer service initiatives while reducing funding. | - | (150) | - | - | - |
| <u>Delay Board of Elections Lease (47-24 34th St. Queens)</u> The lease for this site was funded for FY 2003 and has been delayed. | - | (1,206) | - | - | - |

DEPT OF CITYWIDE ADMIN SRVCES

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|---|--------------------|---------------------------------|---------|---------|---------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| <u>Division of Facilities Management and Construction: Delay in Opening Queens Family Court</u> Queens Family Court is now scheduled to open in December, 2002. Savings are estimated to be one quarter of the fiscal year total since staff was hired prior to the building opening so that they could be trained. | - | (249) | - | - | - |
| <u>Personal Service Reductions (OATH)</u> | (5) | (254) | (308) | (308) | (308) |
| <u>Personal Service Reductions</u> | (41) | (1,515) | (2,067) | (2,067) | (2,067) |
| <u>New York City Automated Personnel System (Oracle Licensing Agreement)</u> DCAS will convert 1,500 user-based licenses to 20 CPU-based licenses, and purchase another 10. As a result, the vendor will renegotiate the maintenance contract at a lower cost. NYCAPS will also gain significant additional license capacity. | - | 293 | (594) | (594) | (594) |
| <u>Replacement of 100 Gold Street Chiller</u> The chiller replacement project at 100 Gold Street will be completed in May 2003. Upon completion, there will be a baseline savings in the purchase of steam for this facility. | - | - | (721) | (721) | (721) |
| <u>DCAS Energy Savings</u> DCAS will receive energy savings in their managed facilities. | - | - | (327) | (327) | (327) |
| <u>Reduction to Security</u> DCAS is proposing to reduce the baseline security budget by 5.4%. | - | (500) | (500) | (500) | (500) |

CITY PROGRAM

DEPT OF CITYWIDE ADMIN SRVCS

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|---|--------------------|---------------------------------|----------|---------|---------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| <u>Division of Real Estate Services: Lease Audit</u> | - | (500) | - | - | - |
| DCAS will audit prior lease payments made by City agencies. Past audits have yielded savings in the form of rent credits totalling \$500,000. | | | | | |
| Total Agency Program | (133) | (15,259) | (15,003) | (9,687) | (9,687) |

NY PUBLIC LIBRARY - RESEARCH

Reduction to the New York Research Library
This is a reduction to the subsidy to the New York Research Library of 9.5% in FY 2003 and the out years. The Library will attempt to minimize the impact on service.

CITY PROGRAM

NEW YORK PUBLIC LIBRARY

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|--|-----------------|---------------------------------|------------|------------|------------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| <u>Reduction to the The New York Public Library</u> | - | (9 , 104) | (9 , 104) | (9 , 104) | (9 , 104) |
| This is a reduction to the subsidy to The New York Public Library of 9.5% to FY 2003 and the out years. The Library will attempt to minimize the impact on branch service hours. | | | | | |
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| Total Agency Program | - | (9 , 104) | (9 , 104) | (9 , 104) | (9 , 104) |

CITY PROGRAM

BROOKLYN PUBLIC LIBRARY

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|--|-----------------|---------------------------------|------------|------------|------------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| <u>Reduction to Brooklyn Public Library</u> | - | (6 , 667) | (6 , 667) | (6 , 667) | (6 , 667) |
| This is a reduction to the subsidy to the Brooklyn Public Library of 9.5% to FY 2003 and the out years. The Library will attempt to minimize the impact on branch service hours. | | | | | |
| Total Agency Program | - | (6 , 667) | (6 , 667) | (6 , 667) | (6 , 667) |

CITY PROGRAM

QUEENS BOROUGH PUBLIC LIBRARY

[illegible]

DEPARTMENT OF CULTURAL AFFAIRS

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|--|--------------------|---------------------------------|----------|----------|----------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| <u>Reduction to Unallocated Funds</u> Reduction to unallocated funds. | - | (1,300) | (1,300) | (1,300) | (1,300) |
| <u>Elimination of funding for the Cultural Challenge Program</u> Under the Cultural Challenge, funding is awarded on a competitive basis and must be matched with private funds. This leaves \$15,000 in the Cultural Challenge in FY 2003, for contracts that have already been registered, and eliminates the program in the out years. | - | (1,985) | (2,000) | (2,000) | (2,000) |
| <u>Reductions to Institutions</u> This represents an approximate 7.5% reduction to Cultural Institutions in FY 2003 and a 10% reduction in the out years. | - | (7,772) | (10,251) | (10,251) | (10,251) |
| <u>Reduction to Programs</u> This represents an approximate 7.5% reduction to baseline program groups in FY 2003 and a 10% reduction in the out years. | - | (1,334) | (1,449) | (1,449) | (1,449) |
| | | | | | |
| Total Agency Program | - | (12,391) | (15,000) | (15,000) | (15,000) |

DEPT. SMALL BUSINESS SERVICES

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|--|--------------------|---------------------------------|---------|---------|---------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| <u>Empowerment Zone OTPS reduction.</u> Reforecast of the Empowerment Zone Program. Funding will now extend through 2009. | - | (950) | (1,200) | (1,200) | (1,200) |
| <u>Film Office Lease Savings</u> The NYC Film Office will move to EDC-leased space at 110 William St. when its lease is up in January 2004. | - | - | - | (121) | (121) |
| <u>Neighborhood Development & Garment Industry Development Corp. Reduction</u> A 9.5% reduction in the NEDD & GIDC contracts. | - | (294) | - | - | - |
| <u>NYC & Co. OTPS contract reduction.</u> A 9.5% reduction for the NYC & Co. program. NYC&Co proposes to seek alternative funding for the Harlem Visitors Center, the kiosk at Times Square, and other costs. | - | (630) | (757) | (757) | (757) |
| <u>In-Place Industrial Parks</u> Funding reduction for In-Place Industrial Parks (IPIP) in the out years. | - | - | (300) | (300) | (300) |
| <u>Administrative Fees To Business Improvement Districts</u> The City will charge the Business Improvement Districts for administrative costs incurred by the City. | - | - | (1,100) | (1,100) | (1,100) |
| <u>Personal Service Reductions</u> Personal Service Reductions | (7) | (449) | (344) | (344) | (344) |

DEPT. SMALL BUSINESS SERVICES

PEG PROGRAM

Community Revitalization Contract Reduction

Commercial Revitalization (CR) program contract reduction.

GIDC Contract Reduction

Reduction of the Garment Industry Development Corporation (GIDC) contract.

DEPARTMENT OF EDUCATION

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|--|--------------------|---------------------------------|----------|----------|----------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| <u>Phase Out DOE Contract with UAPC</u> | - | - | (2,000) | (2,000) | (2,000) |
| The DOE will use \$3.5M of ECF funding to create a High School Scheduling and Teacher Recruitment System. This system will allow DOE to cancel its \$6M contract with CUNY's Application Processing Center. The out year savings net of new system operating costs will be \$2M. | | | | | |
| <u>Increase Overhead Charged to State and Federal Grants</u> | - | (3,000) | (3,000) | (3,000) | (3,000) |
| DOE will take greater advantage of State and Federal grant allowances for overhead costs. | | | | | |
| <u>Tax-Levy Savings from Underutilization of Universal Pre-Kindergarten</u> | - | (1,500) | - | - | - |
| Per Capita tax-levy support for Universal Pre-Kindergarten students will be reduced to reflect actual attendance. | | | | | |
| <u>Reduction in Tax-Levy Support for TASC</u> | - | (500) | (500) | (500) | (500) |
| Reduction will adjust Tax-Levy support for The After School Corporation to match FY02 Spending Level. | | | | | |
| <u>Reduction in Summer School Program</u> | - | (20,000) | (20,000) | (20,000) | (20,000) |
| The DOE will reduce the Summer School budget by \$20M bringing it to summer 2002 service levels. | | | | | |
| <u>Other DOE Initiatives</u> | - | (93,040) | (41,350) | (44,350) | (44,350) |
| Districts have already implemented \$42M of this cut through reductions in non-core instruction. District administration will | | | | | |

DEPARTMENT OF EDUCATION

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|---|--------------------|---------------------------------|----------|----------|----------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| be reduced by \$16M, and the Department of Education will submit additional savings proposals for \$35M. | | | | | |
| <u>Slower than Projected Growth in Charter School Registers</u> | - | (16,000) | (16,000) | (16,000) | (16,000) |
| Charter School register data for school year 2002-03 indicates that the cost will be no more than \$42 million for FY03. | | | | | |
| <u>Volume Discounts and Other Bulk Purchase Savings</u> | - | (15,000) | (15,000) | (15,000) | (15,000) |
| DOE strategic sourcing in the areas of transporation, food, and maintenance purchasing will yield additional vendor commodity savings above planned amounts. | | | | | |
| <u>Reduce Vehicle Fleet and Outsource Management</u> | - | (500) | (500) | (500) | (500) |
| Department of Education currently owns and maintains over 500 vehicles excluding buses. DOE proposes to auction existing vehicle fleet as a part of strategic fleet management outsourcing. | | | | | |
| <u>Teacher Mentor Program Reduction</u> | - | (2,500) | (12,500) | (12,500) | (12,500) |
| The Teacher Mentor Program provides staff development to newly hired & uncertified teachers through mentoring with an experienced teacher & after school courses. The State Regents now prohibit the DOE from engaging uncertified teachers, reducing need for the program. | | | | | |
| <u>Replacement of Central Board with Panel for Education Policy</u> | - | (2,050) | (2,050) | (2,050) | (2,050) |
| Recent legislation has provided for the establishment of the | | | | | |

DEPARTMENT OF EDUCATION

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|---|--------------------|---------------------------------|----------|----------|----------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| Panel for Educational Policy. The proposed savings represent the PS and OTPS budgets associated with the former Board of Education. | | | | | |
| <u>Central Administration Reductions</u> | (250) NP | (8,501) | (16,901) | (16,901) | (16,901) |
| Reductions in PS and OTPS pending completion of Chancellor review. Includes a reduction of 150 positions in the Division of School Facilities. | | | | | |
| <u>Use of ECF Funds for Operating Budget</u> | - | (9,200) | - | - | - |
| ECF funding was originally intended to be used to fund capital projects. The Capital fund will now be used for these projects. | | | | | |
| <u>Sale of Chancellor's Residence</u> | - | - | (3,000) | - | - |
| Additional revenue from the sale of Chancellor's residence. | | | | | |
| <u>Savings from Corpus Funding of BERS</u> | - | (4,610) | - | - | - |
| Corpus funding of the Board of Education Retirement System's administrative costs will result in a full year of budget savings during the transfer year. | | | | | |
| <u>FIT Adjustment to Meet Maintenance of Effort Requirement</u> | - | (117) | (117) | (117) | (117) |
| The City is required to provide the Fashion Institute of Technology with a level of funding not less than that provided in the prior year. This adjustment will bring FIT's budget down to the FY02 budget level. | | | | | |

DEPARTMENT OF EDUCATION

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|---|--------------------|---------------------------------|-----------------|-----------------|-----------------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| <u>Discontinue Summer Breakaway Camp Program by FY04</u> Reduction in Summer Breakaway Camp attendance in FY03 and program elimination in FY04. | - | (3 , 4 0 0) | (1 6 , 8 0 0) | (1 6 , 8 0 0) | (1 6 , 8 0 0) |
| <u>Pay-as-You-Go Capital Swap</u> Emergency Stabilization work will be funded through the capital budget. | - | - | (1 0 , 0 0 0) | (1 0 , 0 0 0) | (1 0 , 0 0 0) |
| <u>Increased Use of State and Federal Funding for Pension Costs</u> The DOE will provide the City with an additional \$20M of reimbursable funding for DOE pensions. | - | (2 0 , 0 0 0) | (2 0 , 0 0 0) | (2 0 , 0 0 0) | (2 0 , 0 0 0) |
| <u>Reduction in Information Technology Spending</u> DOE will consolidate IT efforts. | - | - | (2 0 , 0 0 0) | (2 0 , 0 0 0) | (2 0 , 0 0 0) |
| <u>Reduction in Need for Audio Conferencing</u> The consolidation of staff and district superintendents at Tweed Courthouse eliminates the need for teleconferencing services. | - | (2 0 0) | (4 0 0) | (4 0 0) | (4 0 0) |
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CITY UNIVERSITY

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|---|--------------------|---------------------------------|---------|---------|---------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| <u>Community College Reduction in General Administration</u> CUNY proposes to eliminate 4 pedagogical, 12 non-pedagogical, and 36 part-time positions in areas such as the business office, procurement and human resources. | (4) P (13) NP | (1,260) | (1,260) | (1,260) | (1,260) |
| <u>Hunter Campus School Reduction in General Administration</u> CUNY proposes to eliminate 3 non-pedagogical positions. | (3) NP | (124) | (124) | (124) | (124) |
| <u>Community College Reduction in Maintenance and Operations</u> CUNY proposes to eliminate 14 non-pedagogical and 21 part-time positions. | (14) NP | (1,310) | (1,310) | (1,310) | (1,310) |
| <u>Community College Reduction in General Institutional Services</u> CUNY proposes to eliminate 2 pedagogical, 20 non-pedagogical, and 16 part-time positions in areas such as security, computing and telecommunications. | (2) P (20) NP | (1,718) | (1,718) | (1,718) | (1,718) |
| <u>Community College Reduction in Adult Literacy and Other Non-Core Programs</u> CUNY proposes to reduce its Adult Literacy program by \$227K and other programs such as Bridge to Medicine and the Minority and Women's Business Study by an additional \$259K. | - | (486) | (486) | (486) | (486) |
| <u>Reduction in Funding Available for Merit Scholarships</u> This reduction will reduce the Senior and Community College merit scholarship funding from \$5M to \$2.5M and from \$500K to \$250K, respectively in FY03 and eliminate it starting in FY04. | - | (2,750) | (5,500) | (5,500) | (5,500) |

P = Pedagogical

NP = Non-Pedagogical

CITY UNIVERSITY

| Description | City Personnel* | City Funds (\$ In Thousands) | | | |
|--|--------------------|---------------------------------|----------|----------|----------|
| | | 2003 | 2004 | 2005 | 2006 |
| PEG PROGRAM | | | | | |
| <u>Community College Reduction in Library and Organized Activities</u> CUNY proposes to eliminate 3 pedagogical, 2 non-pedagogical, and 22 part-time positions. | (3) P (2) NP | (561) | (561) | (561) | (561) |
| <u>Hunter Campus School Reduction in Library and Organized Activities</u> CUNY proposes to eliminate 1 non-pedagogical position. | (1) NP | (23) | (45) | (45) | (45) |
| <u>Community College Reduction in Student Services</u> CUNY proposes to eliminate 7 pedagogical, 5 non-pedagogical, and 49 part-time positions. | (7) P (5) NP | (1,053) | (1,130) | (1,130) | (1,130) |
| <u>Community College Reduction in Instruction & Departmental Research, Extension and Public Service</u> CUNY proposes to eliminate 8 pedagogical positions, 7 non-pedagogical positions and reduce the budget for adjuncts. | (8) P (7) NP | - | (2,786) | (3,373) | (4,359) |
| <u>Hunter Campus School Reduction in Instruction</u> CUNY proposes to eliminate 10 pedagogical positions and reduce the budget for adjuncts. | (10) P | (468) | (937) | (937) | (937) |
| | | | | | |
| Total Agency Program | (34) P (65) NP | (9,753) | (15,857) | (16,444) | (17,430) |

P = Pedagogical

NP = Non-Pedagogical

HEALTH AND HOSPITALS CORP.

PEG PROGRAM

Debt Service Savings

The Corporation will generate debt service savings through the refinancing of fixed rate bonds and lower interest costs for variable rate bonds.

Revenue Program

REVENUE PROGRAM

| Description | City Funds (\$ In Thousands) | | | |
|--|------------------------------|------------------|------------------|------------------|
| | 2003 | 2004 | 2005 | 2006 |
| <u>Tax Revenue</u> | | | | |
| Mid Year increase of 10% effective 1/1/2003 and a full year increase of 25% effective 7/1/2003. | 1,133,000 | 2,335,000 | 2,433,000 | 2,535,000 |
| New York City personal income will conform to New York State tax treatment of nonresident income and will include all NYC source income, effective July 1, 2003. Proposal includes a twenty-five percent reduction in personal income tax rates growing to almost forty percent by 2007. | 0 | 1,013,000 | 684,000 | 239,000 |
| The Department of Housing Preservation and Development will generate additional revenue through the continuation of an effort to re-inspect statutory distressed properties which have previously been excluded from tax lien sales based solely on their violation records. | 1,000 | 0 | 0 | 0 |
| The Department of Finance will generate additional revenue by performing additional audits. | 75,000 | 75,000 | 75,000 | 75,000 |
| <u>Sub Total: Tax Revenue</u> | 1,209,000 | 3,423,000 | 3,192,000 | 2,849,000 |

REVENUE PROGRAM

| Description | City Funds (\$ In Thousands) | | | |
|---|------------------------------|-------|-------|-------|
| | 2003 | 2004 | 2005 | 2006 |
| <u>Miscellaneous Revenue</u> | | | | |
| The Street Activity Permit Office of the Mayor's Community Assistance Unit will collect additional revenue based on additional street fair activity. | 400 | 400 | 400 | 400 |
| As part of the asbestos litigation, the Law Department will collect additional revenue in FY 2003 from National Gypsum. | 4,100 | 0 | 0 | 0 |
| The Department of Investigation will deposit into the general fund accrued salaries earned by investigators in connection with undercover work conducted at other City agencies. | 218 | 0 | 0 | 0 |
| The Fire Department anticipates additional collection of the 2% Tax on Insurance Premiums from foreign and alien insurers based on current activity. | 2,329 | 2,329 | 2,329 | 2,329 |
| The Fire Department's Bureau of Fire Prevention will generate additional revenue by charging non-profit and charitable organizations for fire inspections. These organizations are currently exempt from the fee. | 1,500 | 3,000 | 3,000 | 3,000 |

REVENUE PROGRAM

| Description | City Funds (\$ In Thousands) | | | |
|--|------------------------------|-------|-------|-------|
| | 2003 | 2004 | 2005 | 2006 |
| <u>Miscellaneous Revenue</u> | | | | |
| The Fire Department's Bureau of Fire Prevention will collect additional revenue as a result of an increase in the demand for fire safety director practical exams. This revenue will be partially offset by the cost of additional staff to conduct the exams. | 328 | 656 | 656 | 656 |
| The Fire Department's Bureau of Fire Prevention will initiate a concentrated effort to inspect "no access" and other hard to schedule accounts. This revenue will more than offset the additional cost of eight inspectors and six clericals. | 950 | 1,900 | 1,900 | 1,900 |
| The Fire Department's Bureau of Fire Prevention will create a new account task force which anticipates the identification of 1,000 new high rise accounts. This increased revenue will more than offset the cost of four additional staff positions. | 500 | 1,000 | 1,000 | 1,000 |
| The City will charge the Business Improvement Districts for administrative costs incurred by the City. | 0 | 1,100 | 1,100 | 1,100 |
| The Department of Housing Preservation and Development received an unanticipated repayment of an 8A loan in August 2002. | 4,876 | 0 | 0 | 0 |

REVENUE PROGRAM

| Description | City Funds (\$ In Thousands) | | | |
|---|------------------------------|------|------|------|
| | 2003 | 2004 | 2005 | 2006 |
| <u>Miscellaneous Revenue</u> | | | | |
| The Department of Housing Preservation and Development received an unanticipated municipal loan settlement. | 1,050 | 0 | 0 | 0 |
| The Department of Housing Preservation and Development will realize additional revenue as a result of increased collections from Manhattan Plaza. | 200 | 200 | 200 | 200 |
| The Department of Housing Preservation and Development will generate additional revenue from various sources such as vending machine sales, 421-A fees and sundries. | 850 | 880 | 550 | 550 |
| The Department of Housing Preservation and Development anticipates payment prior to the end of the calendar year for a resolved surcharge dispute with Westbeth Development. Westbeth Development has maintained funds in an escrow account in anticipation of this resolution. | 400 | 0 | 0 | 0 |
| The Department of Housing Preservation and Development will collect revenue from the repayment of the City's subordinate mortgage for Skyview Towers rental development, as Skyview is buying-out of the City Mitchell-Lama program. | 770 | 0 | 0 | 0 |

REVENUE PROGRAM

| Description | City Funds (\$ In Thousands) | | | |
|---|------------------------------|-------|-------|-------|
| | 2003 | 2004 | 2005 | 2006 |
| <u>Miscellaneous Revenue</u> | | | | |
| The Department will collect additional revenue from the sale of recycled metal as a result of changes in the City's recycling policy and the collection of a less contaminated product. | 1,000 | 0 | 0 | 0 |
| The Department of Sanitation will collect additional revenue through the sale of 20,000 cubic yards of compost material at the Fresh Kills Landfill. | 150 | 0 | 0 | 0 |
| The City will charge Business Improvement Districts for costs incurred by the Department of Sanitation for waste basket collection in the districts. | 0 | 2,000 | 2,000 | 2,000 |
| The Business Integrity Commission will generate additional revenue from one-time billing of applicants and the approval of new Construction and Demolition registration applications. | 320 | 0 | 198 | 0 |
| The Business Integrity Commission will generate administrative fines by taking enforcement action against licensees who fail to renew and submit financial statements on a timely basis and those licensees who fail compliance audits. | 97 | 175 | 175 | 175 |

REVENUE PROGRAM

| Description | City Funds (\$ In Thousands) | | | |
|--|------------------------------|-------|-------|-------|
| | 2003 | 2004 | 2005 | 2006 |
| <u>Miscellaneous Revenue</u> | | | | |
| The Department of Finance will pursue State legislation to increase fees charged by the Treasury Division for court and trust services. | 589 | 1,179 | 1,179 | 1,179 |
| The Department of Transportation has realized additional revenue for revocable consents and electrical transformers in FY 2003, a portion of which will continue in the out-years. | 1,218 | 459 | 459 | 459 |
| The Department of Transportation will generate additional revenue from recoupment of the cost of damages to City property. | 285 | 285 | 285 | 285 |
| The Department of Transportation will receive additional bus stop shelter advertising revenue based on current performance. | 652 | 2,635 | 2,635 | 2,635 |
| The City anticipates additional O&M reimbursement from the Water Board based on costs associated with the excavation, backfilling and topping of cave-ins conducted by the Department of Transportation. | 586 | 586 | 586 | 586 |

REVENUE PROGRAM

| Description | City Funds (\$ In Thousands) | | | |
|---|------------------------------|-------|-------|-------|
| | 2003 | 2004 | 2005 | 2006 |
| <u>Miscellaneous Revenue</u> | | | | |
| The City anticipates additional O&M reimbursement from the Water Board for costs associated with highway cleaning performed by the Department of Transportation. | 577 | 577 | 577 | 577 |
| The Department of Transportation will convert 19,504 meters from 6 day meters to 7 day meters. An additional 25 positions will be added to maintain, enforce and collect from these meters. | 873 | 3,493 | 3,493 | 3,493 |
| The Department of Transportation will increase parking rates in nine garages and rates for parking permits in 26 parking fields starting in October 2002. This revenue will be partially offset by the cost of two accountants necessary to implement the initiative. | 950 | 1,291 | 1,291 | 1,291 |
| The Department of Transportation will continue its FY 2002 revenue performance this fiscal year by replacing collection and maintenance staff who took early retirement. | 2,000 | 2,000 | 2,000 | 2,000 |
| Acceleration of the Department of Transportation's Midtown commercial parking initiative will be achieved by dedicating additional staff. | 33 | 791 | 1,767 | 422 |

REVENUE PROGRAM

| Description | City Funds (\$ In Thousands) | | | |
|--|------------------------------|-------|-------|-------|
| | 2003 | 2004 | 2005 | 2006 |
| <u>Miscellaneous Revenue</u> | | | | |
| The Department of Transportation will eliminate obsolete parking meter rates Citywide by converting 12,250 meters to a standard rate of \$0.25 for 30 minutes. Eliminated rates include \$0.25 for 40 minutes, 60 minutes, and 120 minutes. | 1,160 | 3,651 | 3,651 | 3,651 |
| As the result of a City audit, the Department of Parks and Recreation will collect an initial payment owed from prior year's rent under existing lease agreements. | 0 | 1,000 | 0 | 0 |
| The Department of Parks and Recreation will increase adult membership fees at the City's recreation centers. Centers with pools will charge \$100, and those without pools will charge \$75. Community Development funded recreation centers will remain free. | 0 | 800 | 800 | 800 |
| The Department of Parks and Recreation will increase baseball, softball, and volleyball permit fees from \$8 to \$16. | 500 | 600 | 600 | 600 |
| Effective April 2003, the Department of Parks and Recreation will realize additional revenue from an increase in parking rates from \$8 to \$10 at both Yankee and Shea stadiums. | 0 | 1,600 | 1,600 | 1,600 |

REVENUE PROGRAM

| Description | City Funds (\$ In Thousands) | | | |
|--|------------------------------|-------|-------|-------|
| | 2003 | 2004 | 2005 | 2006 |
| <u>Miscellaneous Revenue</u> | | | | |
| The Department of Parks and Recreation has collected funds from stadium parking concessions for increased security infrastructure at stadium parking lots. | 1,000 | 0 | 0 | 0 |
| The Department of Parks and Recreation will collect special events revenue in excess of the baseline in Fiscal Year 2003 and in the outyears. | 1,000 | 1,000 | 1,000 | 1,000 |
| The Department of Parks and Recreation will generate additional revenue through an increase in the adult Tennis Permit Fee from \$50 to \$100. | 900 | 900 | 900 | 900 |
| The Department of Citywide Administrative Services will receive additional mortgage payments as a result of a real estate auction in May 2002, wherein many of the buyers received City mortgages. | 400 | 400 | 400 | 400 |
| The Department of Citywide Administrative Services anticipates one-time additional revenue from salvage sales and the resolution of a prior year contract penalty. | 800 | 0 | 0 | 0 |

REVENUE PROGRAM

| Description | City Funds (\$ In Thousands) | | | |
|--|------------------------------|-------|-------|-------|
| | 2003 | 2004 | 2005 | 2006 |
| <u>Miscellaneous Revenue</u> | | | | |
| The Department of Citywide Administrative Services submitted an interest aid claim to the Office of Court Administration for general obligation funded debt issued from April 1993 through March 1999. This initiative reflects additional interest reimbursement from these projects. | 388 | 120 | 120 | 120 |
| The Board of Standards and Appeals will generate additional application revenue based on current and projected activity. | 150 | 150 | 150 | 150 |
| The Department of Citywide Administrative Services has reached an agreement with Archives L.L.C. for payment of \$3.6 million in back-rent and \$4 million in current rent starting this fiscal year. | 7,600 | 4,000 | 4,000 | 4,000 |
| NYC Technical College has reimbursed the Department of Citywide Administrative Services for the use of steam in FY2002. | 1,022 | 0 | 0 | 0 |
| The Department of Information Technology and Telecommunications will receive revenue from a special tariff agreement entered into with Verizon. This is a year-to-year agreement available only to customers with annual telecommunications billings in excess of \$85 million. | 5,200 | 0 | 0 | 0 |

REVENUE PROGRAM

| Description | City Funds (\$ In Thousands) | | | |
|---|------------------------------|------------------|------------------|------------------|
| | 2003 | 2004 | 2005 | 2006 |
| <u>Miscellaneous Revenue</u> | | | | |
| The Department of Information Technology and Telecommunications will sell surplus radios, purchased after the World Trade Center Attack, to NYCHA, HHC and the Red Cross. | 300 | 0 | 0 | 0 |
| The Department of Records and Information Services will generate additional revenue for document search and copy fees based on historical collections. | 70 | 70 | 70 | 70 |
| The Department of Records and Information Services will generate additional fee revenue from Enhanced Heirloom Certificates, Historical Artifact Loans and Enhanced Public Research services. | 2 | 1 | 1 | 1 |
| <u>Sub Total: Miscellaneous Revenue</u> | 48,293 | 41,228 | 41,072 | 39,529 |
| Total Revenue Program | 1,257,293 | 3,464,228 | 3,233,072 | 2,888,529 |



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