The City of New York
Executive Budget
Fiscal Year 2003

Michael R. Bloomberg, Mayor

Office of Management and Budget
Mark Page, Director

Message of the Mayor

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

April 17, 2002

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

My fellow New Yorkers,

As I stated in my Preliminary Budget for 2003 two months ago, when New Yorkers work together they can meet any challenges. A wide spectrum of the City responded favorably to our preliminary budget. The City Council and the other elected officials exhibited a deep understanding of the City's current financial difficulty. Budget monitors expressed some concerns but overall were supportive of our approach. Editorial page writers and pundits in general agreed that we made difficult but necessary choices. Credit rating agencies maintained our ratings and applauded our reasonable methods to return the City to fiscal stability. And you, the public, have expressed your support as we continue to work to rebound and recover from the terrorist attack of last September 11.

The current fiscal year 2002 (ending June 30 2002) has a projected surplus of $322 million. This is much lower than the $2.9 billion surplus at the end of Fiscal Year 2001 last June. The smaller surplus, as I noted in February, is a part of the City's fiscal difficulties in Fiscal Year 2003. The Executive Budget for 2003 projects a deficit of almost $5 billion, a slight increase from our $4.8 billion estimate in February. Although the projected revenue for Fiscal Year 2003 has increased by $72 million, there have been projected expense increases of over $291 million, including additional pension and debt service costs.

The components of the gap closing program for Fiscal Year 2003 continue to include the Agency Expense Reduction and Revenue Enhancement Program, State & Federal Initiatives, Early Retirement Savings, Fringe Benefit Cost Containment, and the borrowing by the New York City Transitional Finance Authority as described in February. In addition, we are now including over $100 million in savings from decoupling the City from recently enacted Federal depreciation rules.

The Agency Program for FY 2003 is projected to provide $1.9 billion in budget gap closing through City-wide agency expense and revenue actions, with $1.3 billion of actions which will recur throughout the four-year Financial Plan. In addition, I have requested that City Commissioners provide a list of additional gap closing programs which could be implemented if necessary. This contingency plan contains $500 million in potential gap closing programs, including additional reductions in education and uniformed agency spending. The agency reductions already scheduled in February utilize almost all of the forecast attrition to achieve savings through a reduced workforce. Implementation of the contingency plan would require abrupt further reductions in workforce. Regrettably, this would be likely to require lay-offs, although in fewer numbers if the State authorizes the targeted early retirement program we are seeking.

We continue to work with Albany and Washington DC on our State and Federal Initiatives. I have traveled to our state and nation's capitols to meet with the Governor, the President and legislative leaders to ensure that the City's budget needs are addressed. We are grateful to the President for keeping his promise to provide New York with over $20 billion in federal aid. It is important to remember that these funds will compensate the City for costs of the clean-up and redevelopment in Lower Manhattan and are generally not available to the City to close the 2003 budget gap or any future forecasted budget gaps. However, recent federal legislation passed by Congress and signed by the President included a debt finance initiative for New York City which may provide up to $150 million in budget savings in 2003. We continue to include $800 million in savings from Federal and State actions to close the budget gap in 2003.

Furthermore, we are working with the labor force toward developing Fringe Benefit Cost Containment programs which would provide $500 million in City budget savings. We expect to bring the $1.5 billion NYC Transitional Finance Authority Recovery Bond sale to market sometime this summer.

The budget difficulties arising from September 11th continue. The national economy seems to be recovering; the City economy is not keeping pace but we hope that the City economy is beginning to turn upward. We have lost over $2 billion in revenue and over 70,000 jobs. By 2004 or 2005, we hope to have again attained the jobs and revenue level we were at last August but the revenues we would have had are gone for good.

We have also continued to identify gap-closing actions in the out-years of the financial plan, where the gaps remain substantial. Our out-year plan includes an additional $1.8 billion in agency reductions and additional resources, an additional $500 million in State and Federal actions, as well as new transportation and sanitation initiatives, management and procurement efficiencies, and the sale of additional taxi medallions.

While our challenges are great in 2003, they remain substantial for several years into the future. By working together, New Yorkers will continue to show the rest of the country and the entire world the bravery and strength of America.

Sincerely,

Michael R. Bloomberg
Mayor

Contents

BUDGET AND FINANCIAL PLAN SUMMARY

Review of Revenue and Expense Budgets	3
Federal and State Agenda	9
Balanced Approaches to Municipal Resource Management	18
Contingency Cut Plan	23
Contract Budget	26
Borough Presidents' Proposed Reallocations	27
Community Board Participation in the Budget Process	28
Economic Outlook	30
Tax Revenue	40
Miscellaneous Receipts	93
Capital Budget	98
Financing Program	109

MAYORAL AGENCIES

Administration of Justice	119
Police Department	122
Department of Correction	127
Department of Social Services	132
Administration for Children's Services	138
Department of Homeless Services	145
Department for the Aging	150
Department of Public Health	153
Fire Department	161
Department of Sanitation	165
Department of Parks and Recreation	171
Department of Environmental Protection	176
Department of Transportation	184
Housing Preservation and Development	192
Department of Citywide Administrative Services	198
Department of Information Technology and Telecommunications	204
Economic Development	207
Libraries	213
Department of Cultural Affairs	218
Pensions and Other Fringe Benefits	223
Judgements and Claims	226

COVERED ORGANIZATIONS

Board of Education	229
City University of New York	236
Health and Hospitals Corporation	241
New York City Transit	249

APPENDIX

Exhibit 1: Expenditure Assumptions Fiscal Years 2003-2006	255
Exhibit 2: Fiscal Year 2003 Executive Budget & Projections, FY 2004-2006	260
Exhibit 3: Actual Revenue: Fiscal Years 1998-2001	262
Exhibit 4: Revenue Estimates: Fiscal Years 2002-2006	263
Exhibit 5: Full-Time and Full-Time Equivalent Employees	265
Exhibit 6: Fiscal Year 2003 City Gap Closing Program	267

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Budget and Financial Plan Summary

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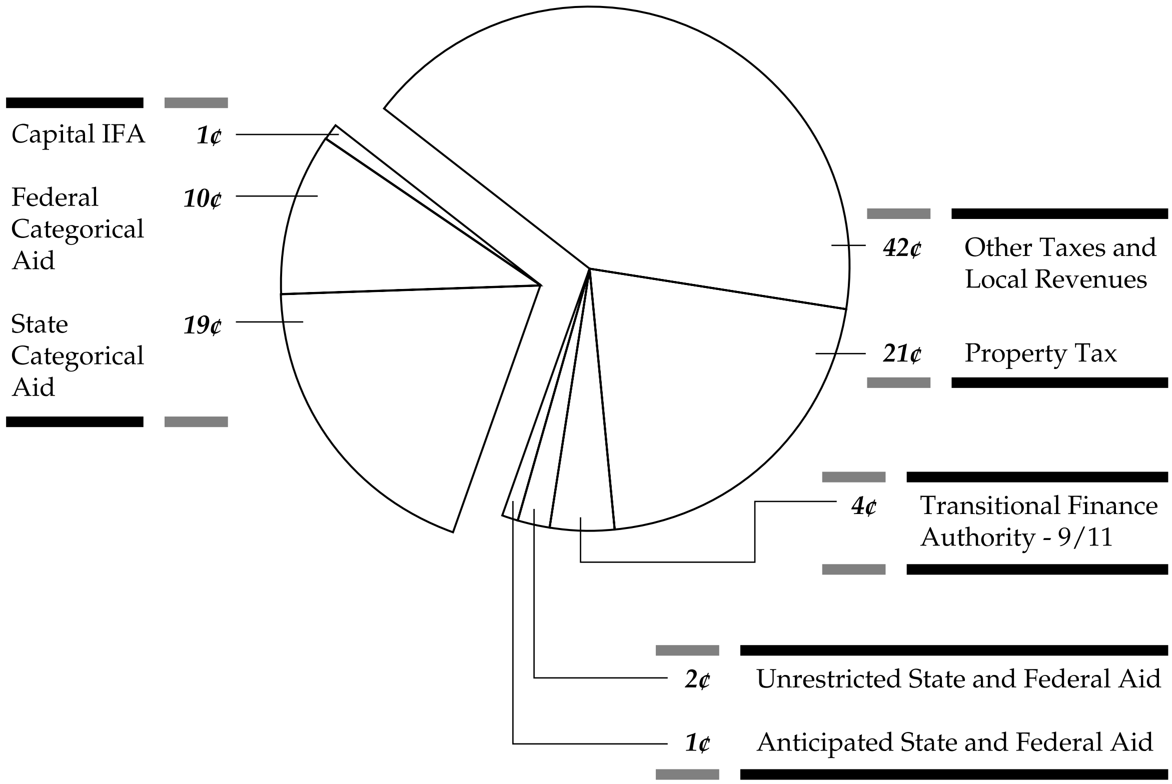
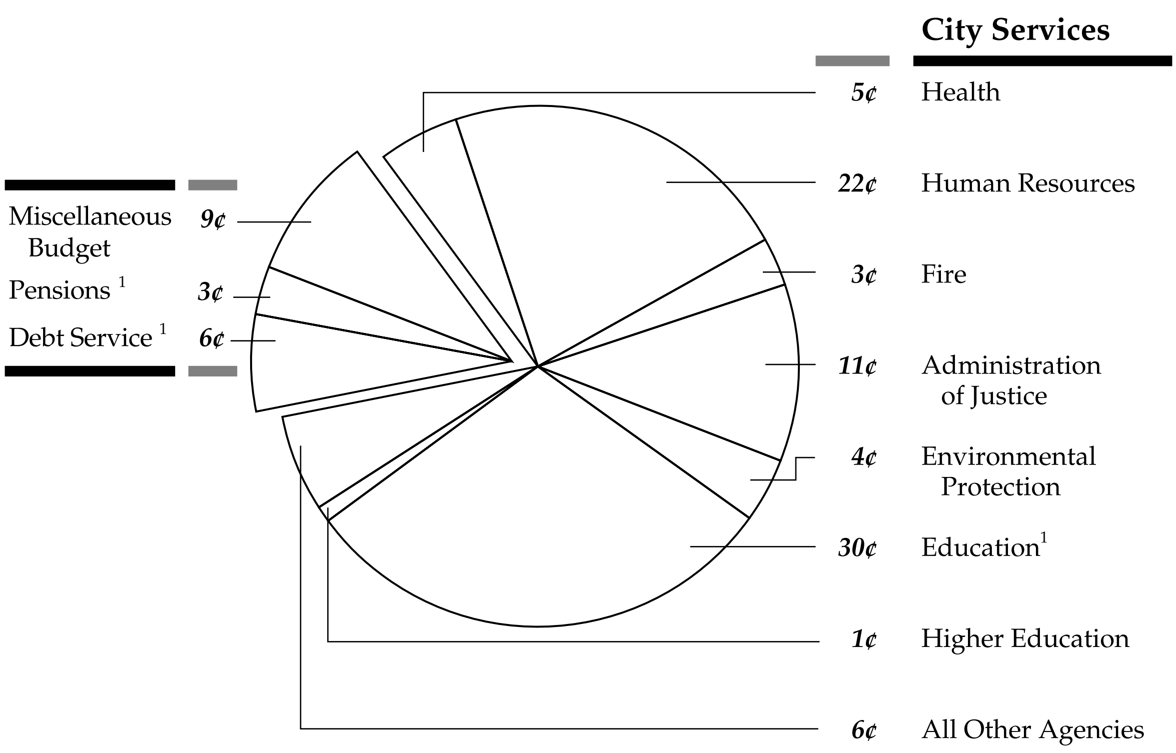
Where the 2003 Dollar Comes From



Where the 2003 Dollar Goes To



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

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REVIEW OF REVENUE AND EXPENSE BUDGETS

The 2003 Executive Budget is $41.9 billion, an increase of $ 0.5 billion from the forecasted results for 2002. This is the twenty-third consecutive budget which is balanced under generally accepted accounting principles.

For fiscal year 2002 an operating surplus of $322 million is projected, which will fund the budget stabilization account in 2002, thereby reducing fiscal year 2003 debt service payments. The 2002 forecast also provides for a general reserve of $40 million to offset any adverse changes, which may surface during the remainder of the fiscal year or during the audit of the operating results.

The 2003 budget provides for a general reserve of $200 million, which is double the $100 million that is mandated by the Financial Emergency Act at the beginning of a fiscal year. In fiscal year 2003 the City expects to use $1.5 billion of proceeds of Recovery Bonds or Notes issued by the Transitional Finance Authority to compensate for revenue losses related to the September 11th attack, pursuant to authorization by the State legislature.

Financial Summary—1997-2003
($ in Millions)

	Fiscal Years Ending June 30						
	1997*	1998*	1999*	2000*	2001*	2002**	2003***
Revenues							
Taxes:							
General Property Tax	$7,291	$7,239	$7,631	$7,850	$8,246	$8,562	$8,866
Other Taxes	11,266	12,528	13,123	13,993	14,564	12,963	13,257
Tax Audit Revenues	651	458	536	416	401	462	427
Criminal Justice Fund	90	185	—	—	—	—	—
Decoupling from New Federal Accelerated Depreciation	—	—	—	—	—	—	128
Miscellaneous Revenues	3,732	3,541	3,473	4,239	4,953	4,485	4,212
Transitional Finance Authority – 9/11	—	—	—	—	—	—	1,500
Unrestricted Intergovernmental Aid	654	621	652	631	634	681	721
Anticipated State & Federal Actions	—	—	—	—	—	—	630
Other Categorical Grants	379	412	367	431	492	745	428
Less: Intra-City Revenue	(683)	(705)	(780)	(1,150)	(1,330)	(1,366)	(1,012)
Disallowances	(36)	(15)	(39)	(5)	(46)	(15)	(15)
Sub-Total City Funds	$23,344	$24,264	$24,963	$26,405	$27,914	$26,517	$29,142
Inter-Fund Revenues	245	252	249	240	284	322	323
Total City & Inter-Fund Revenues	$23,589	$24,516	$25,212	$26,645	$28,198	$26,839	$29,465
Federal Categorical Grants	4,133	4,292	4,262	4,417	4,550	6,439	4,358
State Categorical Grants	6,264	6,372	6,639	7,062	7,768	8,062	8,044
Total Revenues	$33,986	$35,180	$36,113	$38,124	$40,516	$41,340	$41,867
Expenditures							
Personal Service	$16,495	$17,642	$18,535	$19,178	$21,182	$22,778	$22,370
Other Than Personal Service	13,701	14,393	14,469	16,165	17,405	18,993	17,618
Debt Service	2,842	1,460	1,269	739	310	568	2,436
MAC Debt Service Funding	264	304	—	—	—	5	255
Budget Stabilization and Prepayments:							
Budget Stabilization	—	1,357	2,001	2,509	2,097	322	—
Debt Service	1,342	119	90	90	102	—	—
MAC Debt Service	—	468	386	451	458	—	—
Other	20	137	138	137	287	—	—
	1,362	2,081	2,615	3,187	2,944	322	—
General Reserve	—	—	—	—	—	40	200
	$34,664	$35,880	$36,888	$39,269	$41,841	$42,706	$42,879
Less: Intra-City Expenditures	(683)	(705)	(780)	(1,150)	(1,330)	(1,366)	(1,012)
Total Expenditures	$33,981	$35,175	$36,108	$38,119	$40,511	$41,340	$41,867
Surplus/(Deficit) GAAP Basis	$5	$5	$5	$5	$5	$—	$—

* Actual, Comptroller's Report as of the audit of the respective fiscal year excluding subsequent restatements.
** Forecast
*** Executive Budget

Summary of Financial Plan

The City's financial plan sets forth projected operations on a GAAP basis for the 2003 through 2006 fiscal years. In accordance with the City Charter a four-year financial plan is to be included in the Executive Budget submission. The financial plan will also be submitted to the Financial Control Board in accordance with the Financial Emergency Act. The assumptions, upon which the four-year plan revenue and expenditure estimates are based, are summarized in the Appendix section of this Mayor's Message.

Four-Year Financial Plan
($ in Millions)

	2003	2004	2005	2006
Revenues				
Taxes:				
General Property Tax	$8,866	$9,290	$9,689	$10,105
Other Taxes	13,257	14,055	14,795	15,664
Tax Audit Revenues	427	427	427	427
Decoupling from New Federal Accelerated Depreciation	128	119	109	15
Miscellaneous Revenues	4,212	4,206	3,918	3,672
Transitional Finance Authority – 9/11	1,500	—	—	—
Unrestricted Intergovernmental Aid	721	580	555	555
Anticipated State & Federal Actions	630	480	480	480
Other Categorical Grants	428	397	403	410
Less: Intra-City Revenues	(1,012)	(1,007)	(1,007)	(1,007)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)
Sub-Total City Funds	$29,142	$28,532	$29,354	$30,306
Inter-Fund Revenues	323	317	317	317
Total City & Inter-Fund Revenues	$29,465	$28,849	$29,671	$30,623
Federal Categorical Grants	4,358	4,165	4,161	4,159
State Categorical Grants	8,044	8,128	8,211	8,239
Total Revenues	$41,867	$41,142	$42,043	$43,021
Expenditures				
Personal Service	$22,370	$22,930	$23,706	$24,555
Other Than Personal Service	17,618	17,948	18,305	18,644
Debt Service	2,436	3,246	3,425	3,704
MAC Debt Service	255	489	490	492
General Reserve	200	200	200	200
	$42,879	$44,813	$46,126	$47,595
Less: Intra-City Expenses	(1,012)	(1,007)	(1,007)	(1,007)
Total Expenditures	$41,867	$43,806	$45,119	$46,588
Gap To Be Closed	**$0**	**($2,664)**	**($3,076)**	**($3,567)**

The following table details changes to the revenue and expense forecasts for 2002 through 2005 since the 2002 budget adoption. A comparison of the gaps in this financial plan to the gaps that existed when the 2002 budget was adopted and the actions that have been taken to close those gaps are provided. An out-year gap closing program for 2004 through 2006 is also provided.

For fiscal year 2003, cumulative budget actions taken in the December and February financial plan updates and this Executive Budget have closed a budget gap of nearly $5.0 billion. Included in these actions were City agency revenue and expense changes of $1.9 billion, initiatives requiring State and Federal actions of $800 million, State legislation to decouple from recently enacted Federal Depreciation rules of $128 million, fringe benefit cost containment actions of $500 million, sale of tax benefits of $100 million, savings from a proposed Early Retirement/Severance program of $50 million and $1.5 billion of proceeds from the proposed issuance of bonds by the Transitional Finance Authority to replace a portion of the estimated $2.1 billion of lost tax revenues in fiscal years 2002 and 2003 related to the September 11 attack.

FINANCIAL PLAN UPDATE

($ in Millions)

	2002	2003	2004	2005
FY 2002 Adopted Budget Surplus/(Gap) – Restated	**$345**	**$(3,123)**	**$(2,611)**	**$(2,236)**
Projected Revenue Changes				
Taxes	(712)	(1,099)	(930)	(936)
Loss From New Federal Depreciation Rules	—	(128)	(119)	(109)
PIT Surcharge	172	349	370	390
OTB	(250)	—	250	—
Other Non Tax Revenues	(281)	117	(28)	(30)
Total Projected Revenue Changes	$(1,071)	$(761)	$(457)	$(685)
State and Federal Changes	**(233)**	**(246)**	**(266)**	**(266)**
Projected Expense Changes				
Pension Investment Losses	81	(105)	(330)	(532)
Collective Bargaining	(168)	(186)	(192)	(197)
Health Insurance	(153)	(242)	(342)	(448)
Judgments and Claims	(100)	(105)	(110)	(115)
Debt Service	360	380	43	(62)
Education	75	(239)	(150)	(150)
Health and Welfare	(181)	(326)	(445)	(527)
Other Agency Spending	(209)	(354)	(372)	(387)
Prior Payables	210	—	—	—
Reduce General Reserve	160	—	—	—
Total Expenditure Changes	$75	$(1,177)	$(1,898)	$(2,418)
Prepayments	(322)	322	—	—
Gap to Be Closed - Executive Budget	**$(1,206)**	**$(4,985)**	**$(5,232)**	**$(5,605)**
Gap Closing Program				
Agency Spending Reductions and Non-Tax Revenue Increases	1,206	1,907	1,324	1,270
Initiatives Requiring State and Federal Action	—	800	500	500
Fringe Benefit Cost Containment	—	500	525	550
Early Retirement/Severance	—	50	100	100
Decoupling from Federal Accelerated Depreciation	—	128	119	109
Sale of Tax Benefits	—	100	—	—
TFA Financing Required by 9/11 Event	—	1,500	—	—
Total Gap Closing Program	$1,206	$4,985	$2,568	$2,529
Remaining (Gap)	**$—**	**$—**	**$(2,664)**	**$(3,076)**
Out-Year Gap Closing Actions				
Additional Agency Programs/Additional Resources	$—	$—	$1,879	$1,816
Initiatives Requiring State Actions & Federal Action	—	—	500	500
Transportation (Congestion Pricing, EZ Pass Initiatives)	—	—	100	500
Sale of Taxi Medallions Proposed by City Council	—	—	60	60
Tort Reform Through Local Law	—	—	25	50
Management and Procurement Efficiency	—	—	50	75
Sanitation	—	—	50	75
Total Out-Year Gap Closing Plan	$—	$—	$2,664	$3,076
Remaining Surplus Out-Year (Gap)/Surplus	$—	$—	$—	$—

Employment Levels

Staffing level reports have been enhanced to include the effect of part-time, seasonal and hourly spending. In addition to the traditional reporting of full-time headcount for City agencies, the full-time equivalent headcount associated with part-time, seasonal and hourly spending has been reported for the February 2002 actuals as well as the projection for the FY 2003 Executive Budget. Similar to the reporting for full-time headcount, these FTE's have been further delineated by City funded and non-City.

In addition, the staffing levels of non-City employees paid in part by City subsidies are also being reported. The following table provides an overview of these staffing levels.

	February 2002			Executive Plan June 2003		
	Full-Time	FTE's	Total	Full-Time	FTE's	Total
City Employees						
City Funded Employees	210,576	50,135	260,711	211,246	47,290	258,536
Non-City Funded Employees	38,335	5,528	43,863	38,894	5,070	43,964
Total Employees	248,911	55,663	304,574	250,140	52,360	302,500
Non-City Employees Paid by City Subsidies						
Health and Hospitals Corporation	35,331	2,610	37,941	34,331	2,610	36,941
Housing Authority	14,717	146	14,863	16,429	653	17,082
Libraries	3,802	626	4,428	3,092	545	3,637
Cultural Institutions*	1,706	22	1,728	1,706	22	1,728
School Construction Authority	933	-	933	875	-	875
New York City Employees Retirement System	338	31	369	344	31	375
Economic Development Corporation	328	16	344	350	15	365
Teachers Retirement System	307	1	308	307	1	308
Police Pension Fund	65	1	66	74	1	75
All Other	152	3	155	156	3	159
Sub-Total	57,679	3,456	61,135	57,664	3,881	61,545
Grand Total (Full-Time and FTE's)	**306,590**	**59,119**	**365,709**	**307,804**	**56,241**	**364,045**

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

* Includes only Cultural Institutions' employees funded with city fund subsidies. Forecast as of June 2003 reflects the February 2002 actual. Final forecast to be determined by the Cultural Institutions.

FEDERAL AND STATE AGENDA

OVERVIEW

The Federal and State Initiatives for 2003-2006 are designed to control the growth of costly mandated programs and produce savings for the City, and in many cases, the State government. The Executive Budget for 2003 calls for $800 million in Federal and State actions to help close the projected budget gap and calls for additional legislation to amend the City tax law to decouple from new Federal accelerated depreciation rules (worth $128 million). This budget plan provides a menu of items which can help the City reach this target. This menu also includes actions required to meet baseline assumptions.

The case for both Federal and State assistance is strong. New York City continues to send more tax dollars to Washington than it receives in Federal spending. According to the most recent "Federal Budget and the States" a report released by the John F. Kennedy School of Government at Harvard University, New York State's balance of payments deficit with Washington was estimated to be $16 billion. It is estimated that New York City makes up half of that deficit. The City's Federal Agenda is focused on eliminating this inequity and providing substantial new resources to protect our City from future terrorist attacks.

The City's State Agenda seeks to restore almost $200 million in prior year budget cuts and also focuses on ways in which to achieve savings that have no cost to the State government. Since State Fiscal Year 1998-99, unrestricted State aid to the City of New York has decreased by 26 percent, while unrestricted aid for other municipalities has increased by 39 percent. The City's State Agenda for 2003 attempts to reverse this inequitable trend.

The City has been aggressively pursuing this year's State and Federal Agenda. In fact, as a result of the enactment of the Federal Economic Stimulus Package the City has already achieved savings of $150 million towards this State and Federal target. The Economic Stimulus Package included a provision allowing the City to issue one additional advance refunding of certain debt, providing the City significant savings. However, this same piece of legislation also contained business tax relief that will reduce the City's tax revenues by approximately $128 million in 2003. Due to the enactment of these tax provisions, it is crucial that the State provide the City with the authority to decouple from certain Federal tax definitions (accelerated depreciation rules), thus allowing the City to preserve its tax revenues.

FEDERAL AGENDA

Proposals of No Cost to the Federal Government

Flexible Use of Hazard Mitigation Grant Program

The Hazard Mitigation Grant Program (HMGP) is a long term action plan taken to eliminate or reduce the impact of a future disaster. The total amount of funds available for the HMGP, in accordance with the Presidential Declaration, will be 5 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 and to provide $150 million for these purposes.

Federal Welfare Spending Mandate Relief

TANF MOE 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 for 2003 will provide relief for the City of New York in the amount of $30 million. Since New York City does not access all of the TANF funding made available due to this MOE requirement, this proposal would not require an increased Federal appropriation. Furthermore, this proposal is consistent with the Governor's SFY 2002-03 budget proposal. The President has indicated his support for this proposal and has included it as part of his recovery package to New York.

Extend TANF "Emergency" Homeless Status 4-Month Limit: Current Temporary Assistance for 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. Given the effect of the events of September 11th on the City's economy, the displacement of many families and the loss of many jobs, it is fair to expect that it will take longer than four months for many families to find permanent housing and therefore, it would be reasonable to extend the TANF definition of emergency related to homelessness beyond four months for the City. This proposal will provide $10 million in relief in 2003.

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 events of September 11th, the City is requesting an increase in the public services cap. Specifically, the City would like to increase the cap from 15 percent to 25 percent for a period of three years commencing July 1, 2002. Furthermore, the City is requesting a suspension of the requirement that the public service be new or a quantifiable increase in the level of service. The waiver of this provision, in addition to an increase in the level of the cap, will provide New York City with additional flexibility in using CDBG funds to address needs that have arisen as a direct result of the events of September 11th. This waiver and cap increase will save the City $20 million annually through 2005.

Federalization of City Sponsored Public Housing Units

As part of the Quality Housing and Work Responsibility Act (QHWRA) of 1998 Congress authorized the Department of Housing and Urban Development (HUD) to federalize up to 7,000 locally developed public housing units in New York State. In the three years since the passage of the legislation, HUD has failed to designate the units as Federal, making them ineligible for Federal operating and capital funding. This issue has been taken to the courts and the New York City Housing Authority (NYCHA) has won a number of cases in both the District and Circuit Courts.

NYCHA is the largest public housing authority in the United States and operates over 180,000 units, providing housing to over 535,000 low-income residents throughout the City's five boroughs. The Authority manages hundreds of community, senior and day care centers, in addition to a number of health care clinics, Head Start centers and resource centers. Last year, the City provided over $20 million in operating subsidies to the locally developed units. Additionally, the City's capital contributions to NYCHA developments, which include both Federal and locally developed units, are approximately $55 million annually. As a result of the QHWRA provision, NYCHA would become eligible for $28 million in new operating assistance and $16 million in modernization funds. Eligibility for these additional funds will assist both the City and NYCHA in providing necessary services to public housing residents. The City requests that HUD federalize the requisite City-sponsored units as required by Federal law.

Other Proposals

Fair Share of Homeland Security Funds

The President's 2003 budget proposal includes $3.5 billion for the Federal Emergency Management Agency (FEMA). Most of these funds will be used for terrorism-related equipment for states and localities, as well as training grants for first responders, including firefighters, police and emergency medical technicians. The President would like FEMA to work closely with state and local governments to ensure their planning, training and equipment needs are addressed, and with other agencies to ensure that the response to weapons of mass destruction threats is well-organized. The City is requesting at least $200 million of this funding for baseline homeland security initiatives.

Increase in Federal Share of Medicaid Funding

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. In other words, 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.

New York State is scheduled to receive approximately $700 million in reallocated Federal child health insurance funds, which upon Federal approval could be programmed to fund the Federal share of the proposed FMAP increase. Moreover, the Governor's SFY 2002-03 budget submission also includes a request for an FMAP increase of three percentage points. The enactment of this proposal will save the City approximately $146 million in 2003.

Protection of Foreign Dignitaries

The City provides extraordinary security measures for the protection of dignitaries and officials year-round, in addition to providing security for special international events held in the City. In September 2000, the City hosted both the 55th General Assembly for the United Nations 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.

The current military efforts overseas increase the possibility of 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, there are 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 concrete barriers and harbor patrols or Emergency Medical Services personnel and equipment, even when they are requested by the Secret Service. The distinctions made by the State Department when denying reimbursement do not reflect the actual cost to New York City of providing extraordinary security in connection with hosting international events. These extraordinary security measures cost New York City approximately $50 million each year.

Operation BRAVO 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.

STATE AGENDA

Proposals of No Cost to the State Government

Increase New York City's Cigarette Tax

Currently, New York City imposes a tax of 8 cents per pack on the sale of cigarettes. Recently, both the Federal cigarette tax and the New York State cigarette tax have been increased. The Federal cigarette tax was increased from 34 cents to 39 cents beginning January 1, 2002. The State's cigarette tax was increased by 39 cents for a total State tax of $1.50, effective April 2, 2002. The City is recommending an increase of $1.42 to the City's current cigarette tax, bringing the total City tax to $1.50, the same level as the State's tax. This proposed increase simply follows the combined 44 cent increase instituted recently by the State and Federal governments. It is anticipated that these large tax increases on cigarettes will serve to dissuade many thousands of children from adopting smoking as a habit. The enactment of this proposal will also provide revenue of $249 million in the first year.

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 update current amortization schedules to reflect the true useful life of certain projects. It is anticipated that the passage of omnibus debt reform will save the City $100 million in 2003.

Tort Reform

New York City proposes that the State enact tort reform legislation. Tort liability costs have increased dramatically since the early 1990's. In 2001 the City paid out over $500 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 the State enact far-reaching tort reform. The City's proposal includes several initiatives that will produce savings for both the City and the State. The City anticipates approximately $100 million in savings annually as a result of this proposal.

Parking Violation Fine Increase

With the destruction and subsequent rebuilding of downtown Manhattan the City's streets have become increasingly congested. The City has already attempted to address this problem through a variety of traffic pattern changes and car occupancy restrictions. In order to further ease traffic congestion, the City is requesting the State to provide an increase in the maximum fine for the most serious parking violations. Assessing greater penalties for both stopping and standing violations will discourage such behavior and therefore, greatly improve the flow of traffic. The fines associated with these parking violations have not been increased since 1995 and the enactment of this proposal will provide the City with approximately $62 million in additional revenue in 2003.

Flexible Use of Child Care Funding

Federal law allows the Child Care Development Fund to be used either for families up to 200 percent of the Federal poverty level or up to 85 percent of the State median income. The 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 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, it will allow the City to make use of $50 million more of TANF Child Care funding.

Bond Act for Municipal Recycling

The 1996 Clean Water/Clean Air (CWCA) Bond Act authorized $50 million statewide for municipal recycling projects for localities. New York City was promised at least half of this authorization. To date, the State has appropriated $35.5 million for municipal recycling, of which the City has received none. The City requests the balance of recycling funds be appropriated and disbursed to New York City to fulfill the original commitment of $25 million and anticipates $9.5 million in 2003.

E-911 Land-Line Surcharge

Currently there is a thirty-five cent E-911 surcharge on non-cellular telephones. The City is seeking to increase this surcharge by sixty-five cents, to one dollar. It is estimated that the proposed increase will allow the City to generate an additional $35 million annually and will assist the City in funding both the capital and operating costs of the E-911 program.

Other Proposals

Restoration of Recent Budget Cuts (SFY 1998-2001)

Restore the Stock Transfer Incentive Fund: 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 annually from the Stock Transfer Incentive Fund. The SFY 2001-02 Budget completely eliminated the Stock Transfer Incentive Fund payment that came to New York City. This elimination not only impacts the City budget in the coming fiscal years, but created a $114 million budget gap in 2001 and 2002, which required closing. The City is requesting the reinstatement of the $114 million Stock Transfer Incentive Fund in the SFY 2002-03 Budget.

Reinstate State's Payment of Rent Regulation Administration: Since 1982, the State has administered the rent regulation program in the City of New York and, until two years ago, the City had reimbursed the State at a capped rate of $10 per rent-regulated unit, or $8.8 million per year. In SFY 2000-01 the State Budget removed the cap for which the State could charge the City for administration of the program, but did not increase the amount the City can collect from an owner. The SFY 2001-02 Budget failed to transfer the cost to administer the rent regulation program back to the State. The City urges the State to restore funding to administer the rent regulation program to cover the entire cost of the program. The State's ability to shift the full administration costs to New York City, without providing a way to control program costs or raise the amount assessed unit owners, is clearly unfair. This funding shift cost the City $20 million in the first year alone, and grew by almost $3 million in SFY 2001-02.

Restore CHIPS O & M Funding: The SFY 2001-02 Budget included a statewide funding reduction of $34.9 million for the Operation & Maintenance (O&M) component of the Consolidated Highway Improvement Program (CHIPs). This reduction totally eliminated O&M funding for New York City and the counties. New York City received approximately $13 million annually under the CHIPs O&M program. This funding typically financed the repair and installation of more than one million traffic signs in New York City. Furthermore, this State funding supported approximately 250 employees. The City requests that the SFY 2002-03 Budget include CHIPS O&M funding at the level provided in SFY 2000-01.

Restore Aid to Local Law Enforcement: The SFY 2001-02 Budget eliminated the Aid to Local Law Enforcement Funds. Five counties (Westchester, Rockland, Orange, Suffolk and Nassau) and four cities (Rochester, Syracuse, Buffalo and the City of New York) received various levels of funding since the inception of this grant. The elimination of this program cost the City $5 million annually. The City supports the full restoration of the Aid to Local Law Enforcement grant, which has allowed the New York Police Department to establish and expand the Fugitive Enforcement Division. Approximately 40 detectives are assigned to this unit which is comprised of the Cold Case Squad, Juvenile Crime Squad and the Warrant Section. A portion of this grant was also used to fund the Bronx Auto Theft Program. The City requests the restoration of Aid to Local Law Enforcement funds to the SFY 2000-01 level.

PIT Administrative Costs: Over the past four years New York State has raised the City's charge for administration of its Personal Income Tax (PIT) by over $20 million. Given the repeal of the commuter tax, the PIT administrative charges should be adjusted proportionately for New York City. In 1997, New York City nonresidents made up 21 percent of all City filers. In SFY 2001-02 the City paid almost $33 million in PIT administrative charges, however, given the 21 percent decrease in City filers, the administrative charges should also be decreased by 21 percent, or by $6.9 million. Thus, the adjusted PIT administrative charge should be approximately $26 million. The City should not pay an increase in administrative costs when in fact the volume of filers has decreased.

Restore State Takeover of Medicaid Managed Care: In SFY 1994-95 the State implemented a modest takeover of local costs associated with Medicaid managed care and long- term care. The SFY 1999-00 Budget repealed the Medicaid managed care portion of the State takeover. As a result, New York City's spending for Medicaid managed care has increased by $24 million per year. In light of the State mandate to require the enrollment of Medicaid recipients in managed care plans during the next few years, the local burden imposed by the growth in managed care enrollment will also increase. Therefore, this State requirement goes against the cost-savings objective of Medicaid managed care as the increased local share serves as a disincentive for localities to pursue managed care and continue Medicaid on a fee-for-service basis. The City seeks the State restoration of the enhanced State share for Medicaid costs associated with managed care that continues to cost the City $24 million annually.

Restore D & E Felon Reimbursement: New York State Correction Law requires that the State reimburse localities for the cost of housing sentenced inmates up to $20 per day. Prior to SFY 1999-00, the City was reimbursed by the State at a rate of $17 per inmate per day for D, E, and certain C class felons sentenced to one year or less. The reimbursement for housing this class of inmate was completely eliminated as of April 1, 1999 and the City is now required to fund 100 percent of this cost. The City's actual cost per inmate per day is $252 and the elimination of this reimbursement costs the City approximately $6.2 million per year. New York City supports the full restoration of this reimbursement.

Equity in Correctional Reimbursement

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 who have violated the conditions of their release are also temporarily detained in City correctional facilities. Chapter 262 of the Laws of 1987 changed the reimbursement rate for these inmates from $20 to $40 per day. However, the state budget continues to provide appropriations to reimburse localities at $34 per day.

The State reimbursement leaves a substantial shortfall for the City. The actual average cost per inmate per day is approximately $252. The City of New York is requesting a four-year phase-in to full reimbursement. According to the City's proposal, starting in 2003, the reimbursement rate would be 25 percent of the actual cost and this rate would grow 25 percent each fiscal year until reaching 100 percent of the actual cost in 2006. Based on the 2001 New York City Department of Corrections population figures, the difference between the actual reimbursement rate ($34 per day) and 25 percent of the $252 rate per day ($63 per day) is $34 million. Therefore, the City would realize this amount as savings in 2003.

Fair Share of Federal Disaster Administration Fee

New York City should receive the State's share of the Administration fee provided through the Federal Emergency Management Agency (FEMA) Pubic Assistance program. The State of New York is eligible to receive approximately 1/2 of one percent of the total public assistance provided for the September 11th disaster. In most disaster cases, the State works closely with FEMA to prepare project worksheets and other necessary paperwork in order to process reimbursement claims. However, the City of New York is a unique sub-grantee and provides the resources necessary for administration without assistance from the State. For this reason, the City should receive the State's share of the FEMA Administration fee (approximately $15 million) on the portion of Public Assistance program that the State receives on behalf of the City of New York.

Increase in State Foster Care Reimbursement Cap

Since 1995, New York State has imposed a block grant on services for children in foster care. Over time, the State has amended the block grant to remove critical service components from the block and has moved those child welfare programs to open-ended funding streams. This year, again recognizing the importance of children's services, the State has proposed removing preventive child welfare services from the block appropriation, leaving behind only foster care services in the grant. However, coupled with the newly revised State set rates for foster care agencies and increased State mandates through expanded obligations for Persons in Need of Supervision (PINS), the block grant does little other than to shift financial burdens to the localities. The City urges the State to eliminate the block grant and provide its fair share to localities for the costs of services to children. This $12.5 million in State funds will fully fund an increase to the Maximum State Aid Rate (MSAR) for the non-profit agencies and the foster parents who care for New York City's children.

Fair Share of Wireless E911 Surcharge

State revenues from the monthly E-911 surcharge on wireless telephones continue to increase at a rate of thirty-five percent per year. Receipts from this seventy cent surcharge are estimated to be in excess of $50 million in this year alone. Currently these monthly surcharges are paid to the State to supplement the operation of the New York State Police and the New York State E-911 program. This current system where surcharge receipts are given directly to the New York State Police is clearly inequitable. The City generates at least 50 percent of the total wireless E-911 revenues with no benefit to City taxpayers since New York State Police do not perform functions in the City of New York. The City recommends that any proposal for E-911 wireless assistance include an equitable share of the surcharge revenues to localities at a level commensurate with the number of wireless telephones registered in the locality. This proposal will result in at least a $10 million savings for the City annually.

Actions Required to Meet Baseline Assumptions

Refinancing Pension Liabilities

In 2000, the Governor enacted into law pension legislation that provided automatic cost of living adjustments (COLA) to all public employee retirees. Prior to this legislation, the Legislature would provide ad hoc supplementation to retirees every few years. This automatic COLA was estimated to cost the City of New York over $500 million per year. In order to minimize this significant fiscal impact, the legislation allowed the City to phase-in the financing mechanism of these new benefits over five years, without impacting pension benefits.

In light of the recent poor performances of the City's five actuarial pension systems, the City is requesting that Albany and the labor unions revisit this financing schedule. Refinancing the automatic cost of living adjustment to allow for a ten year phase-in will meet standard actuarial procedures, while saving the City approximately $276 million in 2003. In addition, refinancing the unfunded accrued liabilities in the Fire Pension Fund will save the City approximately $8 million. This initiative is anticipated to be part of Fringe Benefit Cost Containment.

Grant the City Authorization to Decouple from Federal Economic Stimulus Tax Provisions

The Federal Job Creation and Worker Assistance Act of 2002 was signed by President Bush on March 9, 2002. This act includes an extension of unemployment benefits and two nationwide business tax relief provisions. Additionally, this act establishes the New York Liberty Zone (NYLZ) in New York City and provides a number of special tax incentives for businesses within the NYLZ. Since the New York City business tax laws couple to Federal definitions, this Federal tax reduction flows directly through to the New York City tax base. The City estimates a revenue loss of approximately $128 million from this act, with the largest cost resulting from the bonus 30 percent depreciation deduction provisions.

While New York City strongly supported the passage of this economic stimulus legislation, the accompanying revenue loss to the City is substantial given the crippling revenue losses already incurred as a result of September 11th. In order to avoid further revenue losses, which the City's budget cannot sustain, it is imperative for the State to provide the City with the ability to decouple these taxes. This authorization by the State would allow the City, at local option, to decouple the City's business income taxes from the Federal tax law in relation to the provisions contained within this Act.

Early Retirement

In order to reduce headcount in City agencies without layoffs, it is essential that the State provide localities with the ability to offer early retirement. The City proposes that the Mayor be allowed to target specific job titles for an early retirement package that includes one additional month of pension credit for every year served and the elimination of early reduction penalties for retiring prior to meeting the eligible age requirement. This generous package will provide a large enough incentive for City workers to retire, so the City can begin achieving budget savings. The City will realize savings of $50 million in 2003 with the passage of this early retirement proposal.

BASELINE RISKS

Federal Budget Baseline Risks

Elimination of the State Criminal Alien Assistance Program (SCAAP)

The President's 2003 Budget proposal eliminates the State Criminal Alien Assistance Program (SCAAP) which provides Federal assistance to states and units of local government incurring costs for incarcerating illegal aliens convicted of one felony or two misdemeanor offenses. The program is also intended to expedite the transfer of custody for certain deportable aliens. New York City receives approximately $30 million per year from the SCAAP program.

Federal Highway Funding

The President's 2003 Budget proposal includes a $9 billion decrease in spending from the Federal Highway Trust Fund. The City of New York is expected to lose at least $40 million in funding for highway capital projects from this proposed decrease.

State Budget Baseline Risks

State Education Aid

The SFY 2002-03 Governor's Budget projects a decrease in State Education Aid to the City of New York by $15 million over last year's level. In addition, the Board of Education estimates that the Governor overstated Transportation Aid by $27 million, and that there will be a decrease of $51 million in Building Aid. Therefore, the year-to-year decrease in State Education Aid in the Governor's proposal totals $93 million.

Limiting the Length of Stay for Youth in Detention

The SFY 2002-03 Governor's Budget proposes to limit the duration of detention for persons in need of supervision (PINS) and juvenile delinquents (JDs) as well as requiring the Office of Children and Family Services (OCFS) to assess the need for juvenile detention capacity in certifying or re-certifying juvenile detention programs. According to this proposal, counties will be required to submit justification for requested bed capacity as part of the certification or recertification process. The Governor's proposal will also reduce State reimbursements from 50 to 25 percent of county expenditures for youth who remain in detention or PINS-foster care beyond 45 days. The Governor suggests that this proposal will provide an incentive for counties to monitor detention usage and court delays; however, localities have no jurisdiction over the judiciary and cannot control delays in family court proceedings. This proposal would cost the City approximately $9.5 million each year.

BALANCED APPROACHES TO MUNICIPAL RESOURCE MANAGEMENT

The economic downturn and the September attack have created an immense challenge for our City. The Executive Budget for 2003 presents many immediate actions the City will have to undertake to balance its current budget. As we look out over the next four years it is clear that a longer term strategy is also required. In the coming months we will be reviewing a series of actions that have potentially large financial benefits to the City and that appear to be options for further consideration.

These actions include reexamining the imbalance that has developed between the way solid waste is disposed and how it is financed. They include a series of transportation related initiatives that attempt to more closely integrate the City's fragmented transportation policies and operations with those of the region's. We also examine a number of expensive internal operations that over time, when restructured, could produce significant savings for the City. We will continue to seek out and be open to additional ideas that may be presented to this administration.

None of these actions are easy. Not from an operational perspective and perhaps not from a political perspective. However, we believe they represent potential parts of the way out of the long term financial imbalance that otherwise faces the City.

Solid Waste Management

The annual cost of collecting and disposing of the City's residential and institutional waste has increased by 44 percent over the last six years from $651.3 million in 1996 to $935.5 million in 2001. This increase has applied additional pressure on the City's already strained budget. At current rates of expenditure growth residential solid waste collection and disposal may soon cost the City almost $1 a day per housing unit.

Added to the fiscal constraints is the increasing challenge of devising environmentally sound and cost-effective means of waste disposal. Since April 2001, the City has exported an average of 11,270 tons per day. This has increased the fully allocated cost of refuse collection from $171 per ton in 1997 to $207 per ton in 2000. The fully allocated cost of recycling has also increased from $262 per ton in 1999 to $300 per ton in 2000.

A new basis for financing solid waste management must be identified, perhaps with financial incentives for reduction of the waste stream from packaging and containers. The long term goal should be to develop mechanisms that allow the City's solid waste collection, recycling and disposal operations to become self-supporting. In this budget we have identified four proposals for improving the management of the City's solid waste:

- Recycle only materials that are cost-effective;
- Pursue cost-reducing programs for solid waste collection and processing;
- Explore the introduction of source fees;
- Explore the feasibility of residential waste fees.

Recycle Only Materials that are Cost-Effective

The City recycles waste for which there are economic markets. Such waste includes the following:

Paper is easy to collect and deliver to the processing plants. There has been a strong market for paper recycling and more than 95% of the paper collected is actually recycled.

Millings from street resurfacing are recycled.

Construction and Demolition Materials generate savings by forgoing the cost of sending such materials to transfer stations.

New York State regulations require municipalities to recycle only materials for which economic markets exist. The Metal, Glass, and Plastic (MGP) program has been a net cost to the City because the materials have little market value to our vendors. Added to this is the cost of our current street collection operation which prevents further separation at the source of collection and consequently increases sorting costs. At the present time the City proposes temporarily suspending MGP recycling until a cost-effective method can be identified.

In order to enable the City to maintain a cost effective recycling program certain modifications should be considered to the City's current recycling legislation (Local Law 19 of 1989). The 1989 law requires the City to recycle an absolute tonnage amount of 4,250 tons per day, yet it is virtually impossible to attain that tonnage through the residential recycling program. Recycling targets need to be related more closely to the actual amount of recyclable materials in the waste stream. All of the materials that the City is currently recycling need to be recognized in the calculation of municipally recycled tonnage.

Pursue Cost-Reducing Programs for Solid Waste Collection and Processing

The City strives to pursue the most cost-effective means of waste collection and disposal. The City is currently engaged in a wide array of cost saving initiatives and will continue to introduce new productivity actions.

As part of the Long-Term Plan, the City has invested in a number of waste transfer facilities that will contribute to a reduction in future disposal costs.

Marine Transfer Facilities:
The Long-Term Plan will include building transfer facilities for Staten Island, Brooklyn, Bronx, and Queens.

Linden Facility:
The Long-Term Plan provides for an enclosed barge unloading facility in Linden, New Jersey, that will dispose of 6,500 tons per day.

The City will explore applications of the latest developing trends in technology which will have long term financial benefits.

Automated Technology for MGP Sorting:
The City will look at emerging technologies that could reduce overall processing costs, most importantly the high cost of manual sorting.

Automated Vehicle Locators:
Data obtained from global positioning systems could be used to evaluate collection routes thereby increasing efficiency and reducing labor costs.

Explore the Expansion of Source Fees

Source fees are means by which the consumer of a product pays to offset the costs of disposing of the product. The Mayor's Office as well as the City Council are both investigating a variety of strategies that could be pursued to assist the city in maintaining the recycling program and financing solid waste management.

Retain the 5 cent Deposit from Containers Subject to Bottle Bill:
There are approximately 3 billion containers sold annually in NYC subject to the New York State Bottle Bill. They generate an estimated $147 million in deposits. A portion of this total is reclaimed by customers who redeem bottles, and a portion is paid to retailers in the form of a 2 cent per container handling fee. The remaining unclaimed deposits are retained by the distributors. The City could propose retaining the entire $147 million in deposits to fund its recycling programs. The additional costs of collecting and recycling of no longer redeemable containers would be incurred by the City.

Extension of Bottle Bill to Non-Deposit Containers and Retaining 5 cent Deposit:
There are approximately 800 million containers sold in NYC annually that are not subject to the Bottle Bill. The City is exploring the possibility of instituting a 5 cent user fee on those containers and retaining the amount generated to fund the recycling program or other costs of solid waste disposal. This could generate $40 million per year.

Replace Current Bottle Bill Deposit Law with a 3 cent Surcharge on All Bottles:
An alternative policy of substituting the current Bottle Bill with a 3 cent surcharge on all containers sold in New York City will be investigated. It is estimated that there are 3.8 billion containers sold in the City each year. The surcharge has the potential to generate an estimated $114 million per year. However, DOS would incur additional costs due to currently redeemed containers being diverted into the City's collection and disposal waste stream.

Packaging Source Fee:
State Legislation allows the City to impose user fees on some packaging and packing materials. The City could consider the establishment of a 2-3 cent fee on these materials. Credit could be given to manufacturers whose products have a minimum percentage of recycled materials. The fee would be broad-based and cover products of most industries.

Explore the Feasibility of Residential Waste Fees

In addition to source fees for solid waste, residential waste disposal fees could be a primary funding mechanism whereby solid waste management becomes financially self supporting. In New York City there are approximately 2.9 million occupied housing units generating 3.7 million tons of solid waste per year. That averages to 1.3 annual tons of waste generated per household. The establishment of user fees could represent a major step in eventually linking the cost of household waste disposal volumes to the user, and provide additional incentives for waste minimization and recycling.

There are a variety of means by which these residential fees could be developed and administered. New York City, with its large number of multiple dwelling and rental occupied units, presents some unique challenges. Initial residential waste fees could be based on billing formulas similar in concept to those developed for water usage prior to metering. They would relate disposal fees to the number of housing units in a structure, or occupants, or other variables that would be relevant to waste generation levels. The City will explore fair and equitable rates and billing mechanisms, and the practicality of some reflection of actual waste volume in such a fee structure.

Transportation

Value Pricing for Streets, Highways and Bridges

Existing vehicle use and access fees for streets, highways and bridges in New York City were established as the result of many historical and political decisions that, in sum, bear little resemblance to a rational and balanced approach to managing municipal transportation resources. We must explore a more equitable and broad-based system for municipal government to recover the cost of maintaining its streets, highways and bridges, and improve traffic flow and reduce congestion and pollution.

User fees are based on the concept that those who benefit from each of the elements of the transportation system should bear the financial responsibility for the maintenance and operation of each component of the system: those who benefit the most would pay the most. A value pricing system of user fees would encourage people to car pool and commute or deliver goods during off peak hours thus reducing congestion and delays. Fees could be set differentially for residents and non-residents and to encourage off-peak travel and deliveries. The network of E-Z Pass tolls that has already been implemented by the Port Authority and the Triborough Bridge and Tunnel Authority throughout the regional transportation system makes such a pricing plan more readily achievable. The integration or transfer of City-owned and maintained highways and bridges into the regional transportation system could speed the implementation of a transportation solution, potentially providing New York City with much needed financial resources and a possible long term source of revenue for regional mass transit systems.

The success of commercial and single-occupancy vehicle restrictions imposed as a result of the transportation limitations caused by the World Trade Center attack will be closely examined as a factor which could perhaps ultimately be addressed through variable pricing and adjusted as necessary to accommodate the City's transportation needs.

As part of this budget, the City will increase parking fees at municipal garages and parking lots, meter more spaces for traffic control, increase parking fines with State approval, and expand the remarkably successful Commercial Parking regulations in midtown Manhattan. In addition the City will examine the current Manhattan garage parking tax for residents and non-residents to evaluate its relationship to street congestion and possibilities for additional revenue and traffic control.

Private Buses and Vans

Currently New York has in place a series of policies and regulations that result in taxpayers subsidizing transportation companies while at the same time limiting competition from some providers able to operate without subsidies. The city subsidizes private bus companies which function as monopolies and the bus routes have not been offered to the lowest qualified bidders. We will explore the possibility of publicly bidding these routes or consolidating these bus operations with other regional transportation authorities. This service may be better managed by a single entity that can create a more unified and cost-effective system of bus and train service.

In addition we have restricted the ability of private vans to compete with these bus monopolies, denying citizens the ability to choose the form of transportation that would provide them the best service. The City should explore the revision of current policy.

The City will also explore the establishment of a new category for taxi medallions for car service firms serving the boroughs outside Manhattan. This medallion would allow vehicles to obtain some of the same advantages as yellow cabs by allowing them to pick up from assigned locations or street hails.

Taxicab Medallion Sale

The City is exploring the feasibility of issuing 900 additional new medallions over a three year period beginning in 2004. The plan would call for the sale of 300 additional medallions a year for three subsequent years. The sale will be conducted at auction for a fair market price. This plan is similar to one recently proposed by the City Council.

In order for the sale to proceed there are a number of actions the City must complete in advance. These include the completion of an Environmental Impact Study to determine the effects on the environment and traffic conditions. In light of the current restrictions on single occupancy vehicles coming into Manhattan this gradual expansion should not significantly increase pollution or traffic congestion. In addition State Legislation is required that would authorize the city to sell medallions at market value. Finally, local legislation is required that authorizes the TLC to increase the total number of medallions.

There are a number of related issues that the city is also investigating that may be relevant to the successful sale of the new medallions. These include the current fares and surcharges, medallion lease rates, and the number of medallion drivers.

Internal Operations

Procurement Savings

The City's review of the procurement process is underway and has resulted in many possible strategies to streamline the procurement process without weakening oversight. Innovative practices and new technologies are being considered to produce savings.

Policy Options:

- Review current procedures and policies, as well as the Procurement Policy Board Rules, to revise or eliminate provisions that unnecessarily lengthen the process;
- Increase, as appropriate, the level of procurement authority delegated to Agency Chief Procurement Officers as presently permitted by the Charter;
- Support development of innovative procurement techniques to assist agencies in meeting particular procurement needs;
- Make performance-based contracting, with appropriate indicators for agency programs, a policy priority.

Technology Options:

- Expand pilot procurement card program citywide;
- Expand pilot automated small purchase process citywide;
- Explore implementation of automated end-to-end procurement system;
- Enhance City's vendor internet web site;
- Enhance City's "Buy Wise" intranet web site;
- Integrate a redesigned VENDEX system, which provides for electronic submission with FMS to take advantage or web-based technologies.

Risk Management

This Executive Budget includes a Tort Reform Initiative which could save the City millions of dollars a year. While the City makes its case for a variety of legislative changes in Albany, City agencies will embark upon a risk and litigation management program to manage those aspects of their operations that are under their control.

Citywide strategies include developing uniform accident reports and citywide training and protocols; creating an anti-fraud unit to investigate suspicious cases; developing a policy to avoid adverse indemnity agreements; recognizing agency efforts to reduce liability costs and holding agencies accountable for failure to identify and correct known hazards.

It is an accepted practice in the private sector to use risk-related data to improve operations and minimize known risks. There is a wealth of risk-related data at the agencies that could be used to minimize future risks and thus claim and settlement amounts.

CONTINGENCY CUT PLAN

The City has put in place a program to reduce agency costs and enhance revenues worth $1.9 billion in 2003. These actions are within the City's control. Since it is neither prudent nor responsible to close a budget gap of almost $5 billion solely with agency actions, the Executive Budget Gap Closing Program also relies on actions not solely in the City's control.

The Executive Budget Gap Closing Program calls for actions by the State and Federal governments worth $800 million, the assistance of the City's labor force in containing fringe benefit costs worth $500 million and legislative authorization for the City to offer early retirement worth $50 million and to allow New York City to decouple from new Federal Accelerated Depreciation rules worth $128 million.

These proposals, which were first presented in February, have received serious consideration and we have already received authorization to save $150 million through Federal Debt Finance Reform.

However, since these actions are not within the City's control we have developed a $500 million Contingency Cut Plan for balancing the budget if we do not achieve all we are seeking.

The Plan includes reductions in uniformed agencies, education, and other services and is achieved in part through layoffs.

Agencies were asked to develop cuts worth 7.5 percent of City funds. Uniformed forces and the Board of Education were asked to develop cuts of 2.5 percent.

Contingency Cuts
(City Funds $ in Thousands)

	Cuts
UNIFORMED FORCES	
Police	$76,062
Fire	10,094
Sanitation	12,407
Correction	10,905
HEALTH AND WELFARE	
Social Services	20,770
Admin. For Children's Services	37,283
Homeless Services	11,896
Public Health	17,747
Aging	11,412
OTHER MAYORAL	
Housing Preservation & Development	4,471
Finance	4,969
Transportation	27,021
Parks & Recreation	12,205
Citywide Admin. Services	4,931
NYPL - The Research Library	1,209
New York Public Library	6,352
Brooklyn Public Library	4,671
Queens Borough Public Library	4,478
Cultural Affairs	8,208
Environmental Protection	400
All Other Mayoral	17,685
COVERED ORGANIZATIONS*	
Board of Education	115,116
HHC	7,857
CUNY	3,545
OTHER	
Miscellaneous	3,438
More Headcount Cuts	64,868
TOTAL	**$500,000**

* Based on All Funds, Board of Education contingency cut is 1%, HHC is 1% and CUNY is 1%.

Some examples of contingency cuts are as follows:

- Education – Additional reductions in Board of Education funding ($115 million)
- Libraries – Additional 7.5% reduction in funding ($16.7 million)
- Police – Reduction of Uniform Force hiring in 2003 ($63.2 million)
- Children's Services – Eliminate contracts in Beacon Schools targeted at reducing abuse and neglect of children ($5.9 million)
- Sanitation – Reduction of collection frequency ($10.4 million)
- HHC – Closure of Pharmacies in six Diagnostic and Treatment Centers ($7.8 million)
- Youth and Community Development – Eliminate 57 Neighborhood Youth Alliance Programs ($2.6 million)
- Parks – Reduction of 10% of fulltime workforce positions ($11.3 million)
- Culturals – Additional 7.5% reduction in funding ($8.2 million)
- Fire – Eliminate 8 Engine Companies from double Company Fire Houses in areas of low call volume ($10.1 million)
- Homeless Services – Reduction of Shelter cleaning budget ($3.2million)
- Transportation – Increase Express Bus Fare from $3 to $4 ($8 million)
- Department of Business Services – Reduction in Empowerment Zone funding ($1.4 million)
- Finance – Closure of the Bronx and Brooklyn Payment Centers ($3.6 million)
- Aging – Consolidate 15 Senior Centers ($1.9 million)
- Social Services – Eliminate Emergency Food Assistance Program ($7.7 million)
- Public Health – Close 5 Communicare Clinics and 10 Dental Clinics ($3.7 million)

CONTRACT BUDGET

The Contract Budget is presented as part of the 2003 Executive Budget submission. The Contract Budget includes all projected expenditures for contracts that are personal service, technical or consulting in nature, as defined in Section 104 of the City Charter. Contracts for the purchase of supplies, materials and equipment are not included. Purchase orders and open market orders, as well as contracts of small dollar value that do not require registration by the Comptroller's Office, are also included in the Contract Budget.

The 2003 Executive Contract Budget contains approximately 18,000 contracts totaling over $6 billion. Over 60 percent of the total contract budget dollars will be entered into by the Department of Social Services, the Administration for Children's Services, the Department of Homeless Services and the Board of Education. The Administration for Children's Services has over $1.3 billion in contracts, 75 percent of which represents contracts allocated for Children's Charitable Institutions ($634 million) and Day Care ($376 million). Of the over $1.3 billion in Board of Education contracts, approximately 44 percent are allocated for pupil transportation contracts ($604 million).

Each agency's Contract Budget is delineated by object code within the agency's other than personal service units of appropriation. The Executive Budget Supporting Schedules further break down the Contract Budget by budget code within unit of appropriation. All object codes in the 600 object code series are included in the Contract Budget. In addition, the Executive Budget Supporting Schedules reference the 2002 Modified Budget condition for these contract object codes.

Agencies in preparing their contract budgets were requested to categorize their contracts into 50 specific contract objects. The distribution of these contracts is summarized as follows:

	Est. # of Contracts	Dollars (Millions)	% Total Dollars
Social Service Related and Health Services .... • Home Care, Child Welfare, Employment Services, Public Assistance, Day Care, Family Services, Homeless Programs, AIDS, Senior Citizen Programs, Health, Mental Hygiene, & Prison Health, etc.	4,577	$3,506	57.8%
Youth and Student Related Services .... • (including Transportation of Pupils and Payments to Contract Schools)	1,273	1,119	18.5
Other Services .... • Custodial, Security Services, Secretarial, Cultural Related, Employee Related, Economic Development, Transportation, etc.	3,308	734	12.1
Professional Services/Consultant .... • Accounting, Auditing, Actuarial, Education, Investment Analysis, Legal, Engineering & Architectural, System Development & Management Analysis, etc.	4,553	357	5.9
Maintenance & Operation of Infrastructure .... • Lighting, Streets, Buildings, Parks, Water Supply, Sewage and Waste Disposal, etc.	1,944	240	4.0
Maintenance of Equipment .... • Data Processing, Office Equipment, Telecommunications & Motorized Equipment, etc.	2,446	107	1.7
TOTAL	18,101	$6,063	100.0%

Borough Presidents' Proposed Reallocations

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

The Queens Borough President proposed increasing allocations by $470.8 million. Among the suggested increases are $346 million to the Board of Education, $10.5 million to the Queens Public Library, $19.1 million to Cultural Affairs, $14.5 million for Youth programs, $51.4 million to maintain full recycling, $3.2 million to deal with domestic violence, $8.9 million to seniors, $3.1 million for housing programs and $3.5 million to Parks. The proposed funding sources come from restoration of the commuter tax, revision of the bottle return bill, procurement efficiencies, reinstituting the vault charge and the Cultural Challenge Initiative. A specific response to each proposal is provided in a separate document, FY 2003 Executive Budget Responses to the Queens Borough President's Proposed Reallocations to the FY 2003 Preliminary Expense Budget.

The Manhattan Borough President submitted proposals increasing allocations by $1.37 billion. Among the suggested increases is $344 million to the Board of Education, $31 million for the City University of New York, $117 million to programs for children and youth, $12.7 million for seniors, $35 million for public health programs, $53 million to restore recycling and composting, $22.8 million for the New York Public Library and $19 million to Cultural programs. The proposed funding sources come from procurement efficiencies, extended airport leases with the Port Authority, restoration of the commuter tax and reinstatement of the stock transfer tax. A specific response to each proposal is provided in a separate document, FY 2003 Executive Budget Responses to the Manhattan Borough President's Proposed Reallocations to the FY 2003 Preliminary Expense Budget.

The Bronx Borough President submitted proposals increasing allocations by $119.3 million. Among the suggested increases are $79.8 million to expand day care programs, $2 million towards youth programs, $17.7 to restore cuts to the New York Public Library, $7.3 for senior services, $5.5 million for health clinics run by the Health and Hospital Corporation and $7 million to maintain current interim contracts for waste export. The proposed funding source comes from restoration of the commuter tax. A specific response to each proposal is provided in a separate document, FY 2003 Executive Budget Responses to the Bronx Borough President's Proposed Reallocations to the FY 2003 Preliminary Expense Budget.

COMMUNITY BOARD PARTICIPATION IN THE BUDGET PROCESS

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

Each community board receives an annual budget to pay for a district manager, support staff and other operating expenses. In 2003 the uniform base budget for each community board is $175,758. This excludes the cost of office rent and heat, light and power, which are in a separate unit of appropriation. To help defray the relocation costs for those community boards planning to move offices in 2003, funds for the cost of the move and the one-time cost of telephone installation are also included in the rent unit of appropriation. To help community boards insure the contents of their offices, community boards are insured by the Citywide Central Insurance Program.

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

Each year agencies that deliver local services, prior to preparing their departmental estimates, consult with community boards about budget issues and the needs of the districts. The boards then develop and prioritize their capital budget requests (up to 40) and expense budget requests (up to 25). For 2003 community boards submitted 1,767 capital requests to 32 agencies and 1,307 expense requests to 37 agencies. Almost two-thirds of the community board capital budget requests seek improvements to streets, sewers and parks. Community board expense budget requests concentrate on Citywide programs and personnel increases such as added street cleaners, park workers and other service employees.

Boards also rank agencies' local service programs by their importance to the community. For the upcoming year community boards ranked 85 programs within 26 agencies. The top five programs are community youth programs, police patrol, services to the elderly, parks maintenance and emergency medical services. Historically, local services have been the highest ranked.

District specific budget information is available in the following geographic budget reports, which accompany the release of the 2003 budget.

Register of Community Board Budget Requests for the Executive Budget, Fiscal Year 2003 - lists the funding status for all community board proposals in priority order within community district. Also available in Council district and agency sorts.

Geographic Report for the Executive Expense Budget for Fiscal Year 2003 - details the expense budgets of fourteen agencies that deliver local services by borough and service district. Includes 2003 Executive Budget information as well as 2002 current modified budget and headcount data (as of March 31, 2002).

Executive Capital Budget for Fiscal Year 2003 - details the Mayor's Capital Budget by project within agency including two geographic sorts of the Capital Budget. One presents budget data by community district and borough. The other presents the budget by borough within project type.

Geographic Fiscal Year 2003 Executive Budget Commitment Plan - presents information on capital appropriations and commitments by community board, including implementation schedules for each month of 2002 and the succeeding four years for all active project identifications by budget line.

Geographic Project Detail Data Report, FY 2003 Executive Budget – describes for each project within a budget line in the Commitment Plan the schedule of funding from 1999 through 2002 and all projects with proposed financial support from 2003 through 2006, sorted by community board. Unique to this document is information regarding the specific location, scope summary and capital assets of each project. For projects supported by the community boards, this report crosswalks the budget lines and project details within the community board tracking code.

ECONOMIC OUTLOOK

Overview

The U.S. economy appears to be emerging from one of its mildest recessions in history. In fact, after a brief pause in the third quarter of 2001, real GDP (Gross Domestic Product) resumed positive growth of 1.7 percent in the fourth quarter of 2001. Undoubtedly, the rebound can be credited to consumers, who despite the onset of a recession, significant job losses, a stock market downturn, and the traumatic events of September 11, continued to open up their wallets, particularly for big ticket items like cars, new houses, and furniture. Of course, the consumer was aided in this spending by the Federal Reserve's eleven interest rate cuts which kept mortgage payments low, lower enegry prices as well as Federal Income Tax rebates.

In 2002, GDP is expected to rise by 2.5 percent as the manufacturing sector replenishes inventories that were depleted over the past year and consumers continue their spending. There is, however, some lingering weakness that must be resolved before the nation returns to baseline growth of about 3.5 percent in 2003-2006. Corporate profits continue to dampen the economy as firms recorded profit declines of 17 percent in 2001, their worst year since the recession of 1981-1982. Although there are early indications that earnings are turning around, only moderate growth is expected in 2002. A related drag on the economy is the investment that resulted in an excessive build-up of capacity during the late 1990s boom. With capacity utilization still low, it will take some time before firms begin to invest in capital, and when they do it will probably not be at the pace experienced during the boom years.

The current forecast relies heavily on the strength of consumers and, therefore, is prone to any shock that might hamper consumer sentiment. A sharp increase in oil prices, further escalation in world crises, and continued job losses all serve as viable risks to the forecast.

With the U.S. showing signs of an imminent recovery, the City's economy is also beginning to stabilize. However, because of the direct impact on the City of the events of September 11, the road to recovery will be rough. As evidence of this, one need only compare the more than 70,000 jobs lost in 2001 Q4, a 2.3 percent decline for the quarter, versus the 0.8 percent decline at the U.S. level. In December of 2001 private sector employment in the City was down over 130,000 jobs compared to the previous year. This loss comes in addition to the devastating effects on the local real estate market and the loss in economic activity that businesses suffered in the aftermath of the attack. Furthermore, the attack came at a time when the City's economy was beginning to slow as a result of the sharp reduction in revenues and wages in the important FIRE sector, which alone accounts for over 30 percent of wage earnings.

Despite the significant hurdles that New York City faces, the forecast is cautiously optimistic about the City's ability to rebound along with the nation. Employment is expected to pick up moderately beginning in the second half of this year. The City is then expected to gain 35,000 per year from 2003-2006, growth of 1.2 percent per year. This is slightly higher than the growth seen in1992-1994, when the City emerged from the last recession. In part this quicker rebound is due to the stimulus expected from the downtown rebuilding efforts.

The forecast also anticipates a rebound on Wall Street after the correction in 2001, when bonus payouts by NYSE member firms declined by an estimated 30 percent. After falling in 2002 by almost two percent, the average FIRE sector wage is forecast to grow at about six percent per year from 2003-2006, slightly lower than the historical average of 10 percent, but comparable to years when the stock market averaged more modest gains. Outside of FIRE, wage rates average growth of about 3fi percent per year, in line with the U.S. As a result of the modest increase in wage rates combined with the employment forecast, wage income is expected to rise by about five percent per year from 2003-2006 and real GCP (Gross City Product) to rise 3fi percent, equal to U.S. GDP growth.

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* *All economic data are on a calendar year basis while all tax revenue data are on a fiscal year basis ending June 30.*

In conclusion, while we feel optimistic that the City will rebound, we also recognize that the City's rebound will be more difficult than that of the nation because of the significant burden that the events of September 11 imposed on the City and the infrastructure losses that will take years to rebuild. No doubt the assistance the City will receive from the Federal government as well as the proceeds from private insurance will help in this rebuilding effort, but this will not happen overnight. The planning and important decisions that need to be made will take time, as will the rebuilding.

The U.S. Economy

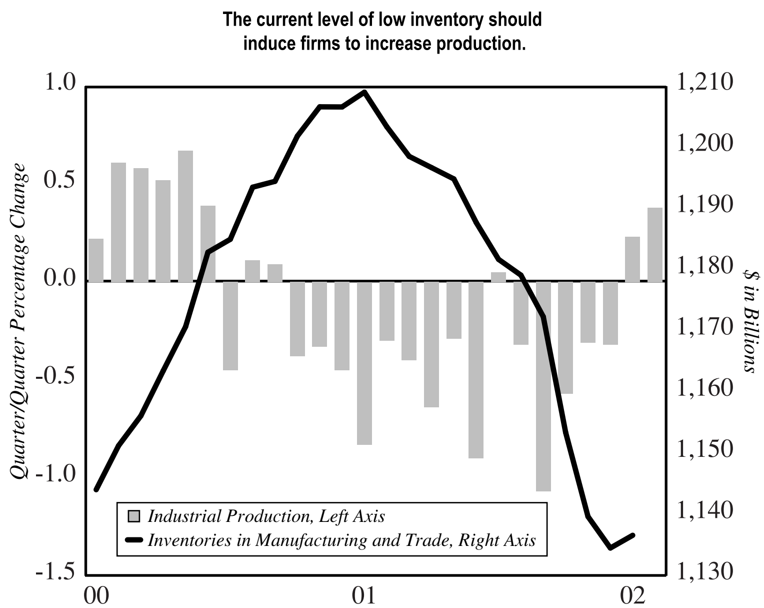
The U.S. economy is in all likelihood emerging from the recession that began in March 2001, allaying the widespread fear that the tragic events of September 11 would cause a deeper and more protracted downturn.

In fact, after a brief pause in the aftermath of September 11, the economy, and consumers in particular, showed remarkable resilience. Real GDP rose at a surprising 1.7 percent annual rate in 2001 Q4. Much of the rise was attributable to a surge in automobile spending (growth at an annual rate of over 80 percent), which boosted overall consumption by six percent. In addition, the GDP data also highlighted the drastic pace at which firms have succeeded in cutting back inventories. Over the course of 2001, firms slashed their inventory levels by over $250 billion, the sharpest decline since the early 1980s.

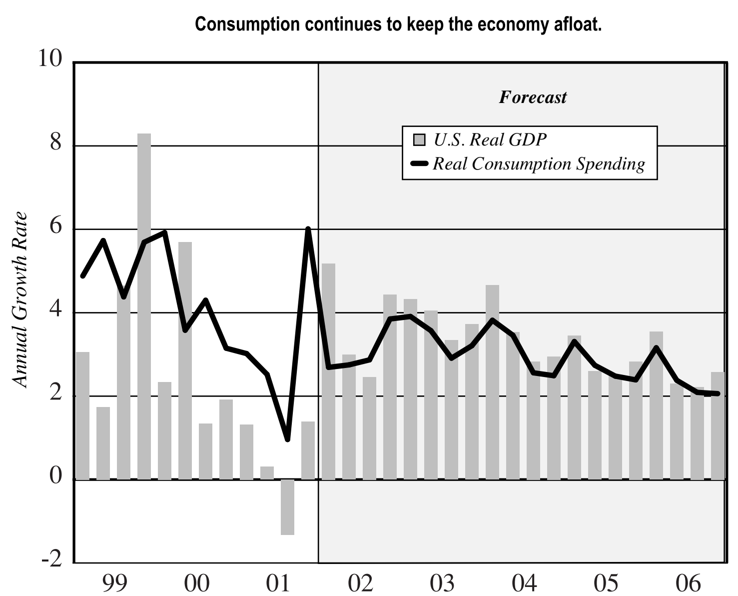
With inventory levels trimmed, almost all recent indicators now suggest that firms will pick up production in the coming months. The purchasing managers' index registered three successive readings above 50 in the beginning of 2002 after languishing in the 40 percent range since August 2000. Similarly, industrial production also posted its first gain in January and consumer sentiment and retail sales continued to be strong. Even employment has shown signs of stabilizing in recent months. After dropping on average by more than 300,000 jobs per month in the last quarter of 2001, employment losses have lessened to 18,000 jobs per month in the first quarter of 2002.

Therefore, given the expectations of inventory rebuilding and an end to large job cuts, the forecast for the U.S. economy calls for GDP to rise at a respectable 2.5 percent in 2002 with positive growth in all four quarters. Consumption spending continues to boost the economy, although the initial surge in pent-up demand typical of past expansions is not expected this time. More "typical" recoveries followed the pattern of the early 1980s recession, when

INDUSTRIAL PRODUCTION AND INVENTORY



REAL GDP AND REAL CONSUMPTION SPENDING



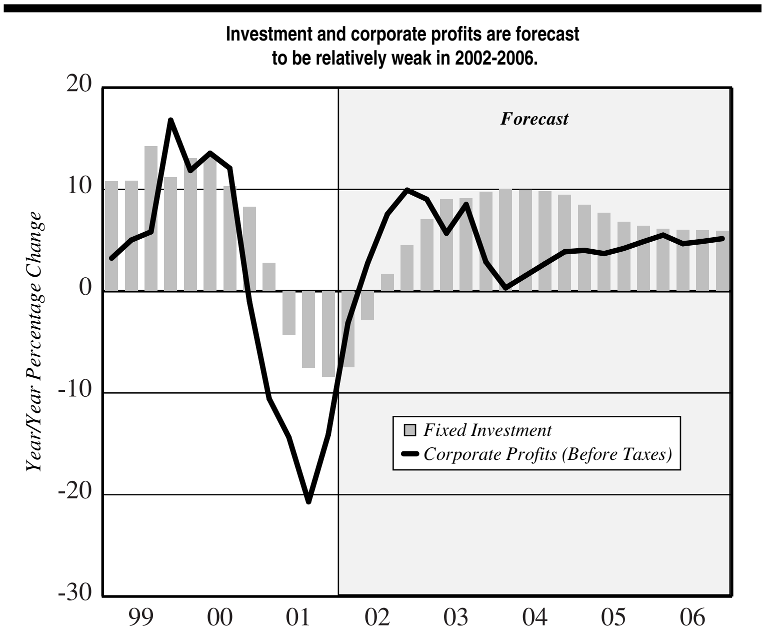
consumption soared upwards of six percent on an annual basis in the first four quarters of the expansion, reaching over eight percent in 1983 Q2. This forecast assumes a moderate pickup in consumption and employment similar to the early 1990s recovery.

In the outyears 2003-2006, real GDP is forecast to grow by a modest 3fi percent on average per year with consumption rising by three percent on average. This is basically in line with what most economists now consider the potential growth rate for GDP, but below the 4-4 fi percent rates of the recent boom.

Growth in the U.S. economy is expected to be dampened by weaknesses in the business sector that have plagued the economy since its peak in 2000. Corporate profits[1] were down 17 percent in 2001, the worst performance since the 1981-1982 recession. Lingering concerns about outstanding debt and financial reporting problems may also serve as a drag. In addition, the manufacturing sector is still burdened by the excessive build-up of capacity in the 1990s, most notably in the fiber optic sector. Overall, capacity utilization rates in manufacturing stand at 75 percent, over ten percentage points below 2000's level and close to record lows.

Therefore, the outlook for corporate profits and investment remains grim in the near term even after the recent tax incentives enacted in the Federal budget. After falling by 3.1 percent in 2001, investment spending (non-residential) is forecast to decline again in 2002 by just over four percent before picking up by about seven percent per year in 2003-2006. Corporate profits are only expected to grow by 4fi percent from 2002-2006, and the forecast for the S&P 500 follows this profit forecast, averaging five percent growth.

INVESTMENT AND CORPORATE PROFITS



Given this overall modest outlook, employment is forecast to grow by just under 1fi percent per year in 2002-2006. Wage rate pressures are also expected to be contained at about 3fi percent per year. With productivity gains averaging just over 2fi percent, the outlook for inflation is expected to be quite modest, provided of course that energy prices remain relatively stable. Finally, overall personal income is forecast to rise by about 5 percent per year from 2002-2006.

This current outlook relies once again on the strength of the consumer to keep the economy afloat. U.S. consumers have held up remarkably well in the current downturn. Any shocks to consumers, a sudden spike in oil prices, or a considerable worsening in the unemployment rate would pose a serious downside risk to the forecast. At the same time while the outlook is not bullish on the business sector, it does assume that the worst is behind us.

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1. Corporate profits referred to in this text are before taxes and after certain depreciation and inventory adjustments.

The New York City Economy

After years of record growth, the City's economy started to exhibit signs of weakening during the beginning of 2001. As early as the first quarter of the year, the number of unemployment insurance beneficiaries in the City started rising and the Business Conditions Index[1] began slipping, indicating further worsening. Subsequently, employment fell, and vacancy rates began to rise. Until the September 11 tragedy occurred, many believed that the City would recover quickly, minimally battered by the national slowdown, which appeared to be predominantly concentrated in manufacturing. After September 11, the City's situation abruptly deteriorated. The fourth quarter of 2001 was a dismal one for the New York City economy, with almost all the major sectors experiencing severe job losses.

New York City lost 41,000 private sector jobs in the first three quarters of 2001, which largely encompasses the period before September 11.[2] Government fell by 6,100 jobs, leaving total employment down just over 47,000 jobs. The service sector contracted by 18,500 jobs. The business services sub-sector lost 28,000 jobs, as companies cut back on computer services, as well as temporary workers, advertising services, and other easy-to-cut positions. As expected, only the non-cyclical components of the service sector, like educational services and medical services, gained jobs in the first three quarters of the year, although not many. Manufacturing also suffered heavily, losing 11,000 jobs in the first three quarters of 2001. FIRE

NYC Job Growth (Loss)
(Thousands)

	2001 Prior to September 11*	2001 After September 11**	December 2001 over December 2000
Total	(47.2)	(69.1)	(132.3)
Private	(41.1)	(72.7)	(130.9)
FIRE	(3.4)	(24.2)	(30.4)
Securities	(1.1)	(11.4)	(13.5)
Banking	(1.2)	(9.2)	(11.1)
Services	(18.5)	(16.7)	(41.9)
Business	(27.9)	(7.1)	(38.6)
Educational	7.0	(0.4)	5.5
Medical	4.2	1.3	5.0
Manufacturing	(11.1)	(5.8)	(17.5)
Construction	(0.1)	(0.9)	(2.3)
Trade	(4.5)	(16.4)	(23.7)
Retail	(0.1)	(12.9)	(14.6)
Wholesale	(4.4)	(3.4)	(9.1)
TPU	(3.4)	(8.8)	(15.1)
Government	(6.1)	3.6	(1.4)

* *Growth (loss) in first three quarters of 2001, Seasonally Adjusted*
** *Growth (loss) in last quarter of 2001, Seasonally Adjusted*

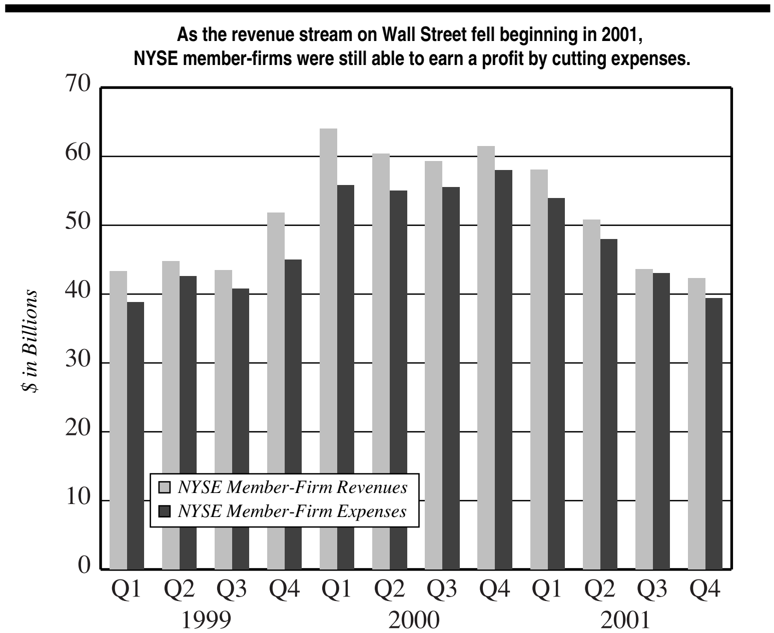
1. *Published by the National Association of Purchasing Managers, New York, the Business Conditions Index is based on a monthly survey of business conditions among manufacturing and non-manufacturing firms doing business in the City.*
2. *Based on the recently revised BLS (Bureau of Labor Statistics) payroll employment data.*

(finance, insurance, and real estate) lost 3,400 jobs, including 1,100 securities jobs and 1,200 banking jobs. Trade dropped by 4,500 jobs, most of which were in wholesale. TCPU (transportation, communication, and public utilities) lost 3,400 jobs, and construction was flat.

September 11 dealt a severe blow to the employment base of the City. In the months following the attack, the unemployment rate skyrocketed and the Help Wanted Advertising Index[3] dropped to its lowest level in over ten years. The FIRE sector was hardest hit by the tragedy, due to its concentration in and around the World Trade Center. Over 24,000 high-paying FIRE sector jobs were lost in the fourth quarter of 2001, almost five percent of the total FIRE workforce. Securities and banking each lost approximately 10,000 jobs, or six percent and nine percent of their respective workforce. The tourism-related industries were also severely impacted as the number of visitors to the City shrank enormously in the months following the attack, and employment was cut in airline travel, hotels, museums, and retail businesses. TCPU, which includes the airlines, dropped by almost 9,000 employees in the fourth quarter. Trade lost more than 16,000 jobs, 13,000 of which were in retail trade. The hotel sector shed almost 3,500 jobs, or almost nine percent of its personnel, and the service sector saw 17,000 jobs disappear. Manufacturing lost 5,800 jobs and construction lost almost 1,000 jobs. All told, almost 73,000 private sector jobs disappeared from the City in the fourth quarter of 2001.

Although the City's economy has been battered by the events of September 11, the employment situation is expected to stabilize in the first half of the year, with many sectors showing moderate growth in the second quarter. Private sector employment is expected to gain 4,000 jobs in the second quarter after losing 24,000 in the first quarter, and improve by 5,000 and 12,000 jobs in the third and fourth quarters, respectively. Government is expected to remain essentially flat. FIRE is forecast to lose 9,000 jobs in the first half of the year. The bearish financial markets continue to threaten the sector's employment situation even during the latter part of the year. The service sector, after losing 10,000 jobs in the first quarter, is expected to rise by more than 5,000 jobs per quarter for the rest of the year. Most of these jobs appear in business services and medical services. Trade is expected to experience minor losses for the first three quarters before finally hitting positive growth in the fourth quarter. Construction and TCPU are both expected to show gains by the second quarter, and then continue to grow by at least 2,000 jobs per quarter for the rest of the year. With the exception of manufacturing, which maintains its secular decline unabated, and the FIRE sector, which staggers out of its stagnation sluggishly, all major private sectors are forecast to rise in 2003 and continue to climb in the outyears.

WALL STREET PROFITABILITY



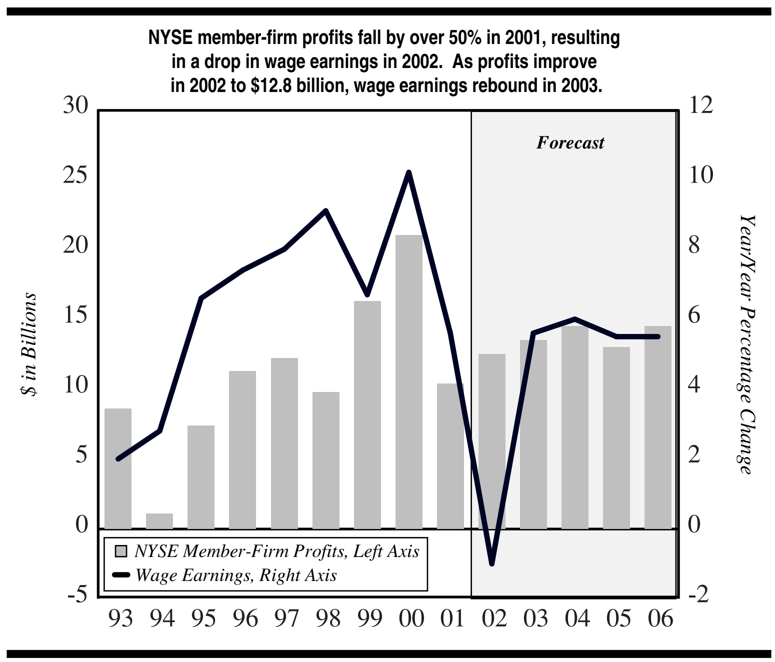
3. *Released by the Conference Board for the New York PMSA.*

Job losses are only one facet of the City's current economic condition. A combination of interrelated events occurring over the year, i.e. a stock market collapse, a U.S. recession, and the attack on the World Trade Center, have impacted the City's income base. Revenues on Wall Street began to fall precipitously from the beginning of 2001 as nearly all of the revenue streams seemed to dry up at once. New York Stock Exchange member-firm revenues plummeted by an average of almost 9 percent per quarter in 2001. In response to the falling revenues, the securities sector showed skill in cutting back on expenses, by an average of 10 percent each quarter over the same time period, enabling them to remain profitable. In total Wall Street earned $10.4 billion in 2001, down over 50 percent from its previous year's $21 billion record.

More specifically, firms were able to cut their expenses in two ways. First, Wall Street benefited from the 11 successive Federal Funds rate cuts in 2001, which brought borrowing costs to a record low of 1.75 percent. Equally important, though, was the fact that Wall Street firms were quick to cut compensation costs, both by reducing their labor force and by cutting back annual bonuses. The FIRE sector bonus pool is estimated to have fallen by 28 percent in the 2001-2002 bonus pay period.[4] Smaller bonuses lower the average FIRE sector wage rate in 2002 by almost two percent, the first such drop since the bond-market collapse in 1994 and quite a let down from growth of 10 percent in 2001. In 2002, Wall Street is expected to rebound mildly, as NYSE member firms earn $12.8 billion, after which they are forecast to earn an average of over $13 billion a year from 2003-2006. FIRE wages are, therefore, expected to rebound in 2003, by seven percent, and average growth of six percent from 2004-2006.

Outside of the FIRE sector, average employee wages increase at a rate of nearly four percent in 2002, following a rise of nearly five percent in 2001. From 2003-2006 the non-FIRE sector average wage is expected to average growth of about four percent. With inflation expected to remain stable at approximately 2.8 percent each year from 2003-2006, real average wage grows at a little over one percent over the same period. With the average wage in all sectors growing by only 1.2 percent in 2002, combined with the significant losses to employment, wage earnings, the aggregate dollar amount earned by all employees in the City, falls by 1.0 percent in 2002 before growing by an average of 5.6 percent in 2003-2006.

NYSE MEMBER-FIRM PROFITS AND WAGE EARNINGS

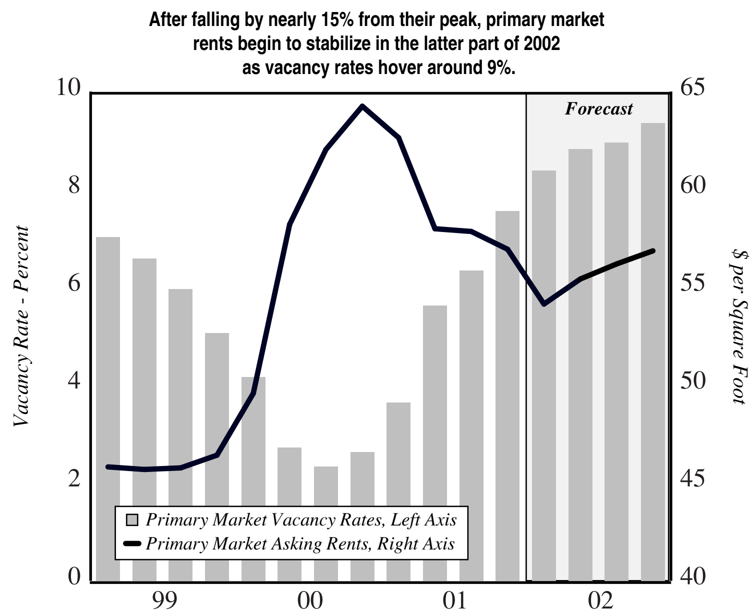


The calamitous year of 2001 also affected New York City's commercial real estate market. Even prior to the attack on the World Trade Center, which destroyed nearly 14 million square feet of prime commercial real estate and rendered an additional 16 million square feet temporarily useless, the commercial market had begun to loosen from the heady days of the dot-com deluge.

4. The 2001-2002 bonus pay period includes the fourth quarter of 2001 and the first quarter of 2002.

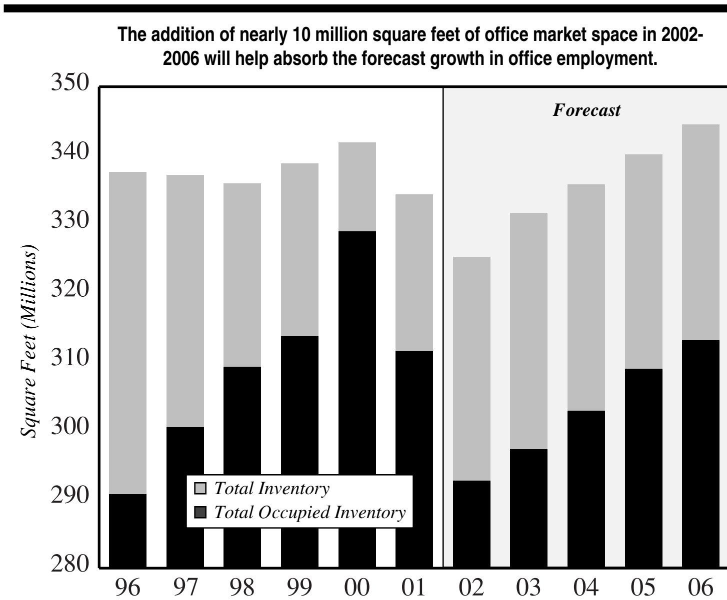
The real estate market appears to have peaked sometime during the end of 2000.[5] Vacancy rates had fallen to 2.3 percent in the primary market, enabling landlords to fetch escalating rents. Firms signed large leases in order to secure space in the expectation of continued expansion, which further contributed to lower vacancy and higher rents. When the dot-com/new media industry in the City began to collapse along with the stock market correction, the market quickly turned sour, causing vacancy rates to climb each quarter, reaching 6.3 percent in the primary market and over 10 percent in the secondary market by the third quarter of 2001.

VACANCY RATES AND ASKING RENTS IN THE OFFICE MARKET



The attack on the World Trade Center reaffirmed the fact that firms had surplus space available. Within weeks of the disaster, a surprising amount of space appeared on the market. In fact, despite the loss of millions of square feet of prime real estate, vacancy rates climbed further. By 2001 Q4, vacancy rates rose to 7.6 percent in the primary market and 11.2 percent in the secondary market as the newly available space was more than sufficient to absorb the thousands of displaced employees. While many of the displaced employees were quickly able to find space in NYC, (either through backfilling, or signing new leases) less than half of the firms remained Downtown.

OFFICE INVENTORY



With firms unwilling to remain or relocate Downtown and further job losses expected (especially FIRE sector jobs), overall primary market vacancy rates are expected to continue rising through 2002, averaging 8.9 percent for the year. Likewise vacancy rates in the secondary market climb to over 13 percent. Asking rents, which are down nearly 15 percent from their peak throughout both the primary and secondary markets, do not stop falling until 2002 Q2, and remain flat for the rest of the year, as landlords provide new tenants with incentives like free rent rather than lowering nominal rents. In addition, federal tax incentive programs allow downtown tenants certain rebates that effectively lower

5. *Office market data are compiled using statistics published by Cushman & Wakefield.*

their rents further. By 2003, the lower "real rent" (adjusted for landlord and tax incentives) Downtown should help revitalize the area and once again provide a viable alternative market to Midtown.

The forecast assumes the completion of nearly 10 million square feet of additional prime office space already in the pipeline by 2006.[6] This added inventory, along with the restoration of the damaged buildings around the WTC complex, not to mention the possibility of additional building at the site of the WTC complex, provides significant room to absorb the expected resumption in growth of New York City office employment.[7] As a result vacancy rates begin to fall only slightly in 2004 through 2006 with asking rents rising a little above inflation at an average rate of four percent each year from 2003-2006.

6. Buildings expected to be online by 2006 include the AOL Time Warner Towers and 5 Times Square.

7. While much of the construction in the pipeline is pre-leased, it is anticipated that firms will still have to vacate other space in the City prior to consolidating in their new buildings, which should free up space for firms.

Executive Budget 2003
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	9,332	9,569	9,934	10,304	10,610	10,903	
Percent Change	1.2	2.5	3.8	3.7	3.0	2.8	3.2
Non-Agricultural Employment							
Millions of Jobs	132.2	131.7	133.7	136.6	138.7	140.3	
Change from Previous Year	0.5	0.5	2.0	2.9	2.1	1.6	
Percent Change	0.4	-0.4	1.5	2.2	1.6	1.1	2.1
Consumer Price Index							
All Urban (1982-84=100)	177.1	180.2	184.9	189.8	194.8	199.9	
Percent Change	2.8	1.8	2.6	2.6	2.7	2.6	5.1
Wage Rate							
Dollars Per Year	38,557	39,769	41,269	42,831	44,298	45,876	
Percent Change	5.0	3.1	3.8	3.8	3.4	3.6	5.3
Personal Income							
Billions of Dollars	8,724	9,001	9,500	10,057	10,565	11,084	
Percent Change	4.9	3.2	5.5	5.9	5.1	4.9	7.9
Before-tax Corporate Profits							
Billions of Dollars	698.5	727.1	774.4	790.7	823.9	865.9	
Percent Change	-17.4	4.1	6.5	2.1	4.2	5.1	8.2
Unemployment Rate							
Percent	4.8	5.9	5.7	5.1	5.0	5.1	6.3 (avg)
10-Year Treasury Bond Rate							
Percent	5.0	5.3	5.8	5.9	5.9	5.9	8.2 (avg)
Federal Funds Rate							
Percent	3.9	2.0	4.0	5.0	5.0	5.0	7.4 (avg)
NEW YORK CITY ECONOMY							
Real Gross City Product**							
Billions of 1996 Dollars	428.6	429.2	449.4	465.0	471.1	494.5	
Percent Change	-0.5	0.1	4.7	3.5	3.0	3.2	3.0
Non-Agricultural Employment							
Thousands of Jobs	3,702	3,621	3,656	3,703	3,740	3,771	
Change from Previous Year	-20.9	-81.2	35.3	46.4	36.8	31.0	
Percent Change	-0.6	-2.2	1.0	1.3	1.0	0.8	-0.2
Consumer Price Index							
All Urban NY-NJ Area (1982-84=100)	187.1	190.5	195.7	201.1	207.0	213.0	
Percent Change	2.5	1.8	2.7	2.7	3.0	2.9	5.1
Wage Rate							
Dollars Per Year	61,664	62,428	65,256	68,285	71,318	74,631	
Percent Change	6.1	1.2	4.5	4.6	4.4	4.6	6.5
Personal Income							
Billions of Dollars	310.5	311.5	324.7	344.6	363.3	381.7	
Percent Change	4.4	0.3	4.2	6.1	5.4	5.1	7.0
NEW YORK CITY REAL ESTATE MARKET							
Manhattan Primary Office Market							
Asking Rental Rate***							
Dollars Per Sq Ft	58.85	55.65	58.53	61.61	64.28	65.92	
Percent Change	0.6	-5.4	5.2	5.3	4.3	2.5	N.A
Vacancy Rate***							
Percent	5.8	8.9	8.9	8.5	8.1	7.8	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 REVENUE

Overview

Tax revenue is forecast to decline 5.8 percent in 2002*, and rebounds 2.8 percent in 2003.

Immediately after the WTC attack, both consumer and investor confidence deteriorated and GDP declined in the third quarter of calendar year 2001 for the first time in over ten years. New York City's downtown economy and infrastructure were shattered. Tourism plummeted and the City's employment, which had begun to erode at the beginning of calendar year 2001, saw a loss of 73,000 private sector jobs in the fourth quarter–a loss, in percentage terms, which was three times greater than the rest of the country's. In the aftermath of the attack, the tax revenue forecast for 2002 was revised downward from the Adopted Budget forecast by over $1 billion and a personal income tax reduction was not extended. Collections in the second quarter of the fiscal year were distorted with payment due dates for all the taxes postponed until December, so the impact of September 11th on tax collections was not readily apparent. Now, though, with several more months of complete collection information available, we can see that the September 11th terrorist attack did indeed have the devastating effects on tax collections that we projected.

Personal income tax collections through March have declined 14.0 percent from the same prior year period, and have led to a 2002 forecast decline of 11.9 percent (common rate and base). Declines in FIRE sector bonus payouts, employment losses in the aftermath of the September 11th attack, as well as large drops in capital gains realizations have all contributed to the decrease. Business tax collections (general corporation tax, unincorporated business tax and banking corporation tax) declined 17.1 percent through March and are

2002 and 2003 Tax Revenue Forecast
($ Millions)

Tax	2002 Forecast	2003 Executive Budget	Increase/(Decrease) From 2002 to 2003 Amount	Growth
Real Property	$8,562	$8,866	$304	3.6%
Commercial Rent	375	364	(11)	(2.9)
Mortgage Recording	442	384	(58)	(13.1)
Real Property Transfer	434	422	(12)	(2.8)
Personal Income†	4,329	4,399	70	1.6
General Corporation	1,379	1,428	49	3.6
Banking Corporation	353	317	(36)	(10.2)
Unincorporated Business	799	870	71	8.9
Sales and Use	3,370	3,564	194	5.8
Utility	268	277	9	3.4
All Other	581	587	6	1.0
Subtotal	$20,892	$21,478	$586	2.8%
STAR Aid	632	645	13	2.0
Tax Audit Revenue	462	427	(36)	(7.7)
De-coupling from Federal Depreciation Rule	0	128	128	
Total	**$21,987**	**$22,678**	**$691**	**3.1%**

† *Excludes revenue for TFA debt service of $473 million in 2002 and $678.2 million in 2003.*

* *The April 3, 2002 report, "Tax Revenue Forecasting Documentation" discusses the tax forecasting techniques used in this Executive Budget.*

expected to decline 10.9 percent (common rate and base) for the year, reflecting the 50 percent drop in Wall Street profits and the slump in national corporate profits, down 15.0 percent in calendar year 2001.

Of course, the weakness in the tourism sector in the wake of September 11th has meant large declines in visitor spending. Hotel tax revenue is down 30.9 percent through March, and the decline in hotel occupancy and room rates, as well as visitor spending, contributed to the 9.6 percent drop in sales tax collections through March. Sales tax revenue is now projected to show a 7.2 percent decline (common rate and base) for 2002. Our earlier expectations for sales tax, in fact, were not quite low enough. Our December modification forecast, a 4.3 percent decline in sales tax revenues from 2001, reflected the first half of collections from the Christmas holiday season. We have since received complete information for the collections quarter which include holiday sales and have lowered the sales tax forecast considerably. In contrast, the real estate transaction taxes have held up better than expected. The mortgage recording and the real estate transfer taxes through March have declined just 2.4 percent and for the year are forecast to show 2.4 percent growth (common rate and base), as residential strength continues to offset modest weakness in commercial transactions. Overall, non-property taxes are forecast to decline 13.1 percent in 2002. On a common rate and base, non-property taxes are forecast to decline 9.0 percent in 2002.

Property tax collections are forecast to grow 5.0 percent in 2002, an increase of $406 million from 2001. The levy is up 6.2 percent in 2002, compared to 4.3 percent growth the prior year and accounts for most of the increase in property tax collections seen in 2002. Collections growth lags levy growth in 2002, however, because of a large year-over-year decline in lien sale proceeds.

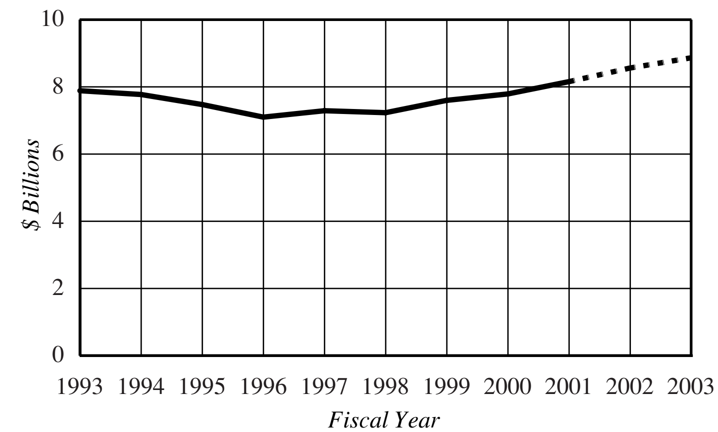
The non-property taxes are forecast to rebound a modest 2.3 percent in 2003 as growth from increases in wage earnings and securities industry profits are dampened by the lingering effects of employment losses. In addition, growth is held back by an increase in TFA retention of $205 million. On a common rate and base, the non-property taxes are forecast to increase 3.0 percent. Personal income tax revenue is forecast to grow 2.9 percent (common rate and base) as wage increases and a stabilizing FIRE sector bonus payout offset year-over-year employment declines. Business tax collections (general corporation tax, unincorporated business tax and banking corporation tax) grow 4.2 percent as rebounding FIRE sector payments offset continued payment weakness from the City's non-FIRE sectors. The sales tax is forecast to rebound with 5.9 percent growth (common rate and base) as the local economy recovers and as the tourism industry continues to gain strength. The mortgage recording and the real estate transfer taxes decline 13.7 percent (common rate and base) as the residential market softens.

Property tax collections are forecast to grow 3.6 percent in 2003, an increase of $304 million from 2002. The levy grows 5.0 percent in 2003, compared to 6.2 percent growth the prior year, with the decline in growth attributable in part to the large reductions in hotel market values as the result of the declining profitability of hotels, as well as due to the damage to values in areas surrounding Ground Zero. Collections growth lags levy growth in 2003 because of year-over-year increases in the reserve for uncollectible taxes. Higher delinquency, cancellations and refunds are all forecast to lower revenue in 2003. The citywide delinquency rate is forecast to rise from 2.9 percent in 2001, to 3.1 percent in 2002, and to 3.5 percent in 2003 (adjusted for the impact of the WTC), due in part to a higher unemployment rate.

REAL PROPERTY TAX

The real property tax is projected to account for 40.1 percent of tax revenue in 2003, or $8,866 million.

REAL PROPERTY TAX 1993-2003



Tax Base and Administration: In December 1981, Chapter 1057 of the Laws of 1981, commonly referred to as S.7000A, amended Article 18 of the Real Property Tax Law, significantly restructuring the tax beginning in 1983. Prior to that time, a single tax rate was applied to all taxable real property, regardless of type or use. With the enactment of S.7000A, real property was classified into one of four classes: Class 1, consisting of one-, two- and three-family residential property and small condominiums; Class 2, consisting of all other residential property including multi-family cooperatives and condominiums; Class 3, consisting of utility real property; and Class 4, consisting of all other real property, such as office buildings, factories, stores, lofts and vacant land.

All properties in the City are reassessed each year between June and January. In mid-January a tentative assessment roll is produced and taxpayers are notified of their new assessment level. Taxpayers may protest this tentative assessment level by applying to the Tax Commission for a hearing. Owners of Class 2, 3 and 4 properties must file their applications before March 1; Class 1 property owners must file by March 15. The assessment may be protested because the underlying property is misclassified, or because it is unlawful, unequal or excessive. Adjustments resulting from this process or from Department of Finance (DOF) changes by notice are integrated into the final assessment roll, which is normally released in late May.

Properties are not assessed at full market value, but at some proportion of market value. The Class 1 assessment percentage has varied over time. It was 18 percent of market value in 1983, but has dropped over time to eight percent currently. The Class 2 and Class 4 assessment percentage was reduced to 45 percent from 60 percent in 1985. Class 3 properties are assessed either by DOF or by the State of New York Office of Real Property Services (ORPS). Prior to 1994, locally assessed property (plant and equipment, known as real estate of utility corporations, or REUC) was assessed at 50 percent. Special franchise property*, assessed by ORPS, used the State equalization ratio, which fell to 22 percent in 1993. In 1994, a uniform 45 percent assessment ratio was adopted for all types of Class 3 property.

The law also established restrictions on annual assessment increases. Assessments of Class 1 properties may not increase by more than six percent annually and 20 percent over five years. Class 2 assessment increases for rental buildings of less than 11 units, and since 1994, cooperatives and condominiums of less than 11 units as well, are limited to eight percent a year and 30 percent over five years. For all other Class 2 and Class 4 properties there are no annual restrictions on assessment increases. Instead, market value changes are reflected in changes to actual assessments and are phased in over five years for tax purposes. Both increases and decreases are phased in. The interim value during the phase-in period is represented by the transitional assessment. The billable or taxable assessment amount in any given year is the lower of the actual or transitional assessment. Increases that are the result of new construction, demolition, alterations or change in taxable status (physical changes) are taxable immediately and are not subject to the assessed value caps or the phase-in requirement. There are no statutory limitations on annual assessed value changes in Class 3.

* *The right to locate, maintain and operate property in the public domain; special franchises cover not only tangible property like pipelines, cables and other equipment on, below, or over public property, but also the intangible right to use the public right-of-way.*

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

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

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

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

Beginning with the fiscal year 1997 roll, telephone company central office equipment and station equipment (except public telephones) installed in public rights-of-way were exempt from real property taxation. Also starting in 1997, owners of cooperative and condominium properties began to receive a reduction in their real estate tax burden. In the case of properties where the average assessment is $15,000 or less per unit, a tax abatement of 2.0 percent, 16.0 percent and 25.0 percent was granted in 1997, 1998 and 1999, respectively. For properties where the valuation is greater than $15,000 per unit on average, the tax abatement in 1997, 1998 and 1999 was 1.375 percent, 10.75 percent and 17.5 percent, respectively. The 1999 abatement levels were extended by an additional two years through June 30, 2001 and again in 2001 by an additional three years through June 30, 2004.

The State enacted School Tax Relief (STAR) program which began in the 1998-99 school year (fiscal year 1999) is designed to provide property tax relief to one-, two- and three-family homes, and to co-ops and condominiums where the property serves as the primary residence of the owner. An enhanced exemption is available for senior citizens with incomes less than $60,000. During the first year, the exemption was limited to properties owned by senior citizens who meet income eligibility criteria. The exemption is based on a fixed market value exemption adjusted for differences between local and statewide median home prices, levels of assessment and the portion of the real estate tax that represents the school tax (for New York City this portion is fixed at 50 percent).

Class Shares and City Discretion: The City adopts property tax rates annually for each of the four classes of property. Under the provisions of the Real Property Tax Law, the total levy is apportioned to each of the four classes by the "class shares" (the portion of the total levy allocated to each class). Once the class levies are set, the City Council sets the tax rate by dividing the levy for each class by the billable assessed value for the class.

Discretionary Adjustments [1] and Class Shares

	Class 1		Class 2		Class 3		Class 4	
	Discretionary Shift (%)	Class Share	Discretionary Shift (%)	Class Share	Discretionary Shift (%)	Class Share	Discretionary Shift (%)	Class Share
1983	(3.88)	0.141	(2.85)	0.263	4.80	0.180	1.25	0.416
1984	(0.58)	0.139	0.00	0.260	0.00	0.180	0.53	0.421
1985	(3.22)	0.134	(0.37)	0.259	(1.28)	0.178	1.83	0.429
1986	(9.15)	0.129	(0.68)	0.255	(2.02)	0.182	1.96	0.434
1987	(4.95)	0.125	2.69	0.254	(4.60)	0.166	1.76	0.455
1988	(2.81)	0.122	0.60	0.255	(4.51)	0.157	2.07	0.466
1989	(4.36)	0.116	0.58	0.256	(4.95)	0.150	2.49	0.478
1990	(5.00)	0.111	0.23	0.257	(4.49)	0.139	2.44	0.493
1991	(5.00)	0.109	(2.18)	0.258	(4.50)	0.103	3.19	0.530
City Council's discretion to adjust class shares no longer applicable beginning in 1992.								
1992	—	0.115	—	0.280	—	0.078	—	0.527
1993 [2]	—	0.113	—	0.290	—	0.066	—	0.532
1994	—	0.116	—	0.308	—	0.058	—	0.518
1995 [3]	—	0.119	—	0.316	—	0.059	—	0.505
1996 [3]	—	0.122	—	0.326	—	0.062	—	0.490
1997 [3]	—	0.125	—	0.336	—	0.064	—	0.475
1998 [3]	—	0.127	—	0.339	—	0.069	—	0.465
1999 [3]	—	0.130	—	0.332	—	0.071	—	0.467
2000 [3]	—	0.133	—	0.341	—	0.074	—	0.452
2001 [3]	—	0.135	—	0.345	—	0.076	—	0.444
2002 [3]	—	0.137	—	0.349	—	0.074	—	0.440

(1) From 1983-1991, City Council had authority to reallocate the tax levy among the classes, as long as the resulting share was within five percent of the prior year's share (before taking into account physical change).

(2) In 1993, State law capped the maximum increase in current base proportion over 1992's share to two percent instead of five percent. Class 2 exceeded the two percent ceiling and the excess was distributed to Class 1 and Class 3.

(3) State law capped the maximum increase in current base proportion over the prior year's shares at 2.75 percent for 1995 and 1996 and 2.50 percent for 1997, 1998, 1999 and 2000 instead of five percent. For 1995 - 1997 Classes 1, 2 and 3 exceeded the revised cap. In 1998, 1999 and 2000, Classes 1 and 3 exceeded the revised cap. All of the excess was distributed to Class 4 for 1995-2000. In 2001, the State law capped the maximum increase in current base proportion over prior year's shares at 2.0 percent. Class 1 and 3 exceeded the cap. All of the excess was distributed to Class 4. In 2002, the state law capped the maximum increase in current base proportion over the prior year's share at 2.0 percent. Class 1 exceeded the cap. The excess was distributed between Class 3 and Class 4.

As originally enacted, S.7000A required that the class shares for the 1981 roll be certified as base proportions. These base proportions were to be modified periodically by ORPS for relative changes in market values among the four classes as well as for physical change. While the adjustment for physical change took place each year, the first market value adjustment was not scheduled until 1987. At that time legislation postponed the implementation of market value changes until calendar year 1989 (for use in fiscal year 1990).

This legislation also substituted the 1984 class shares for 1981 base proportions in calculating market value changes. Legislation passed in the spring of 1989 amended S.7000A, changing the mechanics of the market value adjustment and further postponing it until 1992 in order to prevent a significant shift in tax burden towards Class 1 taxpayers in fiscal year 1990. From 1983 to 1991, the City apportioned the tax levy by using the 1981 proportions, as adjusted annually for physical change. In addition, during this period the City Council had discretion in setting class shares as long as each class's share was within five percent of the previous year's share.

Since 1992, class shares have been adjusted annually for relative changes in market value (subject to a "cap" of five percent over the prior year's share) in addition to physical change. The resulting shares are called adjusted base proportions. In 1993 and 1995-2002, State legislation lowered the five percent cap.

Real Property Tax Operating Limit

Fiscal Year	Operating Limit ($ Millions)	Unused Margin ($ Millions)	Unused Margin (Percent)
1983	$2,718.1	$15.1	0.6%
1984	3,181.6	209.7	6.6
1985	3,589.1	407.6	11.4
1986	4,010.5	361.7	9.0
1987	4,432.0	476.0	10.7
1988	4,969.5	537.2	10.8
1989	6,808.5	1,812.2	26.6
1990	7,789.1	2,387.8	30.7
1991	9,109.3	2,892.9	31.8
1992	10,631.8	4,369.0	41.1
1993	11,945.0	5,475.1	45.8
1994	13,853.8	7,932.9	57.3
1995	13,380.2	7,832.6	58.5
1996	8,633.4	3,451.2	40.0
1997	7,857.3	2,924.0	37.2
1998	7,599.7	1,665.5	21.9
1999	7,170.3	862.6	12.0
2000	7,268.7	45.5	0.6
2001	7,573.1	140.4	1.9
2002	8,128.0	41.2	0.5

Components of the Tax Levy: The real property tax is the primary source of revenue for the General Debt Service Fund. Under the State Constitution, the City's ability to levy a real property tax for the payment of principal and interest on the City's long-term debt is unlimited. There is a limit, however, on the amount of real property tax that can be raised for operating purposes. This operating limit is equal to 2.5 percent of the average full value of taxable real estate for the current and prior four years, less payments for City short-term debt and business improvement district levies. In addition, total debt outstanding including business improvement district debt may not exceed 10 percent of the five-year average full value. ORPS estimates the full value as of January 1 for each of the five years of the average. The 2000 market value survey, which reflected the third year of increase in real estate market values since 1989, was incorporated into the calculation of 2002's operating limit.

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

Tax Rates: From 1983 through 1992, with the tax levy increasing at a rate in excess of the growth in billable assessed value, the average tax rate rose from $9.120 to $10.591 per $100 of assessed value. In 1992, there was a significant shift in class shares as a result of the introduction of the market value adjustment mechanism. Class 1, 2 and 4's tax rates increased significantly while Class 3's rate declined, reflecting a sizeable drop in its share. Although there was a commitment to freeze the average tax rate at $10.591 per $100 of assessed value after 1992, class tax rates continued to change due to the market value adjustment. Class 3's rate declined considerably in 1994, mainly as a result of a change in the assessment percentage which caused the class's billable assessed value to increase dramatically while the Class 3 share decreased proportionally less. The increase in billable assessed value which did not reflect market value change did not yield additional tax levy, and as a result the "freeze" tax rate of $10.591 fell to $10.366. where it has remained since that time.

Class Tax Rates*

	Class 1	Class 2	Class 3	Class 4	Average
1983..............	$8.950	$8.950	$9.109	$9.294	$9.120
1984..............	9.100	9.057	9.237	9.323	9.206
1985..............	9.100	9.150	9.051	9.460	9.255
1986..............	9.100	9.150	9.051	9.460	9.256
1987..............	9.330	9.150	9.172	9.460	9.315
1988..............	9.330	9.150	9.942	9.460	9.434
1989..............	9.452	9.272	11.289	9.582	9.703
1990..............	9.452	9.229	12.903	9.539	9.797
1991**...........	9.840	9.154	15.079	9.924	10.135
1992.............	10.888	9.885	13.083	10.631	10.591
1993.............	10.888	9.910	12.794	10.698	10.591
1994.............	10.900	10.369	7.404	10.724	10.366
1995.............	10.694	10.552	7.702	10.608	10.366
1996.............	10.725	10.807	7.922	10.402	10.366
1997.............	10.785	11.056	7.840	10.252	10.366
1998.............	10.849	11.046	8.282	10.164	10.366
1999.............	10.961	10.739	8.800	10.236	10.366
2000.............	11.167	10.851	9.398	9.989	10.366
2001.............	11.255	10.847	10.540	9.768	10.366
2002.............	11.609	10.792	10.541	9.712	10.366

* *Tax Rate per $100 of assessed value.*

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

Reserve for Uncollectible Taxes: The property tax levy, approved by the City Council each year, includes a reserve for uncollectible taxes. Uncollectible taxes fall into three general categories: delinquency, cancellations of tax liability due to reductions in assessed value and tax expenditures for a number of housing

Real Property Tax Collections and Delinquency
($ Millions)

Fiscal Year	Tax Levy [1]	Tax Collection on Current Year Levy [2]	Tax Collection as a Percentage of Tax Levy	Prior Year (Delinquent Tax) Collections	Refunds	Cancellations, Net Credits, Abatements, Exempt Property Restored and Shelter Rent	Delinquent as of end of Fiscal Year [3]	Delinquency as a Percentage of Receivable/ Tax Levy	Lien Sale [4]
1989	$6,233.0	$5,913.4	94.9%	$108.4	($78.9)	($166.7)	($152.7)	2.45%	—
1990	6,872.4	6,507.1	94.7	109.6	(74.1)	(135.0)	(230.2)	3.35	—
1991[5]	7,681.3	7,199.2	93.7	149.7	(62.7)	(166.4)	(315.7)	4.11	—
1992	8,318.8	7,748.4	93.1	193.7	(124.3)	(200.2)	(370.2)	4.45	—
1993	8,392.5	7,766.1	92.5	227.7	(107.2)	(215.2)	(411.2)	4.90	—
1994	8,113.2	7,520.3	92.7	223.1	(199.1)	(189.5)	(403.4)	4.97	$200.6
1995	7,889.8	7,377.4	93.5	210.8	(164.2)	(130.8)	(381.6)	4.84	223.1
1996	7,871.4	7,306.9	92.8	240.6	(399.7)	(275.5)	(289.1)	3.67	169.1
1997	7,835.1	7,371.3	94.1	146.8	(271.4)	(179.4)	(284.4)	3.63	43.9
1998	7,890.4	7,414.2	94.0	148.2	(345.1)	(199.1)	(277.1)	3.51	21.7
1999	8,099.3	7,519.0	92.8	127.7	(167.2)	(303.4)	(276.2)	3.40	118.6
2000	8,374.3	7,768.1	92.8	149.2	(189.4)	(345.7)	(260.5)	3.11	62.2
2001	8,730.3	8,069.1	92.4	132.3	(241.1)	(410.5)	(250.7)	2.87	195.8
2002[6]	9,271.2	8,585.1	92.6	141.0	(220.0)	(329.6)	(356.6)[7]	3.85[7]	55.6

(1) As approved by the City Council.
(2) Quarterly collections on current year levy. Amounts for fiscal year 1994, 1995 and 1996 are adjusted to eliminate the effects of the 1994 and 1995 sales of delinquent tax receivables.
(3) These figures include taxes due on certain publicly-owned property and exclude delinquency on shelter rent and exempt property restored in 1995 and 1996.
(4) Net of defective lien reserve and repurchase of prior year defective liens.
(5) Does not include supplemental levy of $61.7 million raised in mid-year for the "Safe Streets, Safe City" program.
(6) Forecast.
(7) Includes a $68.1 million delinquency from the World Trade Center. The delinquency rate adjusting for this is 3.1%.

and economic development programs. The improvement in delinquency rates since 1996 is partly due to the sale of real property tax liens, which prompted delinquent taxpayers to settle their arrears. Current and prior year tax liens of $206 million in 1996, $100 million in 1997, $79 million in 1998, $145 million in 1999, $232 million in 2000 and $94 million in 2001 have been sold. Remissions in assessed value, granted by the City Tax Commission during the summer hearings after the final assessment roll is produced, are reflected in the reserve for cancellations. These actions represent most of the value of cancellations, which also include reductions resulting from court decisions and Law Department settlements.

Each year the City forgoes revenue that it could collect under the basic tax structure in order to protect certain taxpayers or to create an economic incentive for taxpayers to take certain actions that would be beneficial to the City as a whole. The foregone revenue is commonly referred to as a tax expenditure. Generally, tax expenditures are considered to be a targeted preference to a specific group or activity, a clear exemption to the tax law and specific to New York City.

Real property tax exemptions and abatements, which totaled $1,637 million in 2001, can be grouped into three general categories: economic development, residential and other, which includes utility exemptions. Economic development exemptions are granted under the City's Industrial and Commercial Incentive

Program (ICIP), the Commercial Revitalization Program and by City and State development corporations. The New York City Housing Authority is the single largest source of residential exemptions. The remainder of residential tax relief is provided by a variety of legislatively mandated exemption and abatement programs. The other exemptions are for certain utility properties, public authority properties and special incentives. The Commercial Revitalization Program provides substantial tax relief and is aimed at spurring economic activity by encouraging the conversion and/or renovation of obsolete commercial buildings. DOF, which administers many of the City's taxes and maintains records on these expenditures, has aided in the estimation of their value (see the table following titled: "Estimated Value of Real Property Tax Exemptions and Abatements").

The reserve for refunds covers reimbursement to taxpayers who have overpaid their tax liabilities, or whose liabilities were reduced after payment was made. The level of refunds which had risen dramatically in the mid-90s, reaching a peak of $400 million in 1996, has decreased to forecast $220 million in 2002, as a result of reductions in *certiorari* settlements.

Property Tax Revenue
($ Millions)

	1997	1998	1999	2000	2001	*2002f*	*2003f*
Levy	$7,835.1	$7,890.4	$8,099.3	$8,374.3	$8,730.3	$9271.2	9,730.0
Current Year Reserve*	(463.8)	(476.0)	(579.6)	(606.2)	(658.4)	(686.2)	(807.0)
Prior Year Collections	146.8	148.2	127.7	149.2	129.5	141.0	125.0
Refunds	(271.4)	(345.1)	(167.2)	(189.4)	(241.1)	(220.0)	(248.0)
Sub-Total	$7,246.7	$7,217.5	$7,480.2	$7,727.9	$7,960.3	$8,506.0	$8,800.0
Lien Sale Proceeds **	43.9	21.7	118.6	62.2	195.8	55.6	66.0
Total	**$7,290.6**	**$7,239.2**	**$7,598.8**	**$7,790.1**	**$8,156.1**	**$8,561.6**	**$8,866.0**

* *Includes cancellations, delinquency, net credits, abatements, exempt property restored, shelter rent and STAR.*
** *Net of defective lien reserve and repurchase of prior year defective liens.*
f=forecast

Forecast: The real property tax revenue is forecast at $8,562 million in 2002, an increase of $406 million over the prior year, and growth of 5.0 percent. Property tax revenue is forecast at $8,866 million in 2003, growth of 3.6 percent over 2002.

The increase in 2002 resulted primarily from a strong levy growth of 6.2 percent, resulting from the double digit market value growth seen on the 2002 final roll. The 2003 property tax revenue forecast is based on the tentative roll which was released by the Department of Finance on January 15, 2002. The billable assessed value on the tentative roll (before veterans and STAR exemptions) increased by $5.6 billion to $95.1 billion, a growth of 6.2 percent over last year.

Class 1 properties (one-, two-, and three-family homes) saw a 13.5 percent market value growth on the tentative roll, the largest increase for any tax class, attributable to strong sales prices. All boroughs shared in the double digit increase, with Staten Island showing the highest growth at 16.0 percent. The operation of the real property tax law (S.7000A) limits the annual assessment increases for Class 1 properties to no more than six percent annually and 20 percent over five years. Due to this limitation, the billable assessed value of Class 1 properties on the 2003 tentative roll showed growth of only 5.6 percent over 2002. Class 2 properties (apartments, condominiums and cooperatives) saw 9.6 percent market value growth on the tentative roll. This increase is largely driven by rental properties in Manhattan, which registered a market value growth of 12.7 percent. The strength in market value on the 2003 tentative roll coupled with momentum from the previous three years leads to billable assessed value growth of 8.8 percent on the 2003 tentative roll. Since Class 2 properties are assessed as income producing properties, market value increases stem mainly from increases in

Estimated Value of Real Property Tax Exemptions and Abatements 1994-2001
($ Millions)

	1994	1995	1996	1997	1998	1999	2000	2001
Economic Development Exemptions								
I.C.I.B/I.C.I.P.	$119.7	$107.1	$105.7	$99.3	$111.9	$132.5	$144.6	$177.7
Battery Park City Authority*	124.5	113.7	94.2	87.2	81.6	79.5	71.2	79.8
Industrial Development Agency*	37.3	52.6	48.5	47.2	47.8	61.5	84.5	66.0
Urban Development Corp.	77.9	78.3	77.0	76.9	80.0	84.5	101.0	107.6
Economic Development Corp.*	2.8	4.3	3.7	3.4	4.1	7.4	3.8	3.9
World Trade Center*	95.8	80.7	79.8	64.0	54.7	61.5	60.5	59.0
Teleport, Port Authority	1.2	0.9	2.2	1.1	1.3	1.5	6.7	6.7
Madison Square Garden	9.1	9.0	8.8	8.7	8.6	8.7	8.5	8.3
Commercial Revitalization Program	—	—	—	1.3	3.6	7.0	14.1	14.4
Subtotal	$468.3	$446.6	$419.9	$389.1	$393.6	$444.1	$494.9	$523.4
Residential Exemptions								
Public Housing, Housing Authority*	$312.2	$295.2	$281.7	$264.0	$255.3	$241.2	$239.5	$244.0
Private Housing, Publicly Assisted								
J-51 (exemption)	88.4	70.8	67.9	59.5	54.6	54.9	55.9	60.8
J-51 (abatement)	112.7	113.8	108.7	105.4	104.6	105.7	106.9	99.5
421-a New Multiple Dwelling	142.2	117.2	103.4	96.5	87.9	78.9	104.8	111.3
421-b New Private Housing	12.0	10.9	10.3	9.9	9.5	9.8	10.5	11.7
Other**	242.0	287.4	270.3	257.7	252.1	234.2	235.8	236.6
Senior Citizen Homeowner Exemption	13.8	15.1	17.2	18.2	19.8	21.1	25.6	26.7
Senior Citizen Rent Increase Exemption (abatement)	60.7	59.8	91.9	54.1	61.0	62.5	63.5	63.5
Division of Alternative Management Programs	3.1	3.9	3.7	4.0	4.3	4.6	5.4	5.8
Veteran Exemption	9.8	10.1	9.1	10.0	11.0	16.1	18.0	18.5
Co-op/Condo Abatement	—	—	—	9.0	91.8	152.7	157.8	170.1
Subtotal	$996.9	$984.2	$964.2	$888.3	$951.9	$981.7	$1023.7	$1,048.5
Other Exemptions								
NY Power Authority	$30.8	$31.8	$34.5	$35.5	$38.5	$41.3	$44.7	$49.4
Jamaica Water Supply	6.6	6.8	7.2	7.4	7.8	8.2	8.6	9.5
Trust for Cultural Resources	5.0	5.1	4.8	4.8	5.7	5.7	5.7	5.8
Subtotal	$42.4	$43.7	$46.5	$47.7	$52.0	$55.2	$59.0	$64.7
TOTAL	**$1,507.6**	**$1,474.5**	**$1,430.6**	**$1,325.1**	**$1,397.5**	**$1,481.0**	**$1,577.6**	**$1,636.6**

Source: Department of Finance

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

** *"Other" includes miscellaneous State-assisted housing, housing development fund companies, limited dividend housing companies, redevelopment companies, limited profit housing companies and the Urban Development Action Area Program, net of Payments in Lieu of Taxes (PILOTS).*

Notes:

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

a building's net income. With flat market value growth, the billable assessed value of Class 3 (utility) properties grew by 0.6 percent over the prior year on the 2003 tentative roll. The tentative roll reflects the destruction of two Con Ed substations at 7 World Trade Center in addition to damaged equipment owned by Verizon which was located at 140 West Street. Class 4 properties (office and commercial space) saw 4.4 percent market value growth on the tentative roll, after averaging 6.0 percent over the last four years. This slowdown results from the September 11th terrorist attack, which destroyed office buildings (WTC market value excluding land is down 100 percent). The attack also disrupted the economy and transportation infrastructure of lower Manhattan (WTC neighbors' market value is down 25 percent). In addition, the market values of the hotel sector were adversely affected, as the terrorist attack resulted in lower hotel room occupancy rates due to the general decline in tourism and travel. Even with slowing market value growth, the considerable pipeline* built in previous years leads to a billable assessed value growth on the 2003 tentative roll of 5.8 percent.

The final roll, to be released in May, is estimated to be about $1.1 billion lower than the tentative roll level as a result of Tax Commission actions, Department of Finance changes by notice and completion of exemption processing.

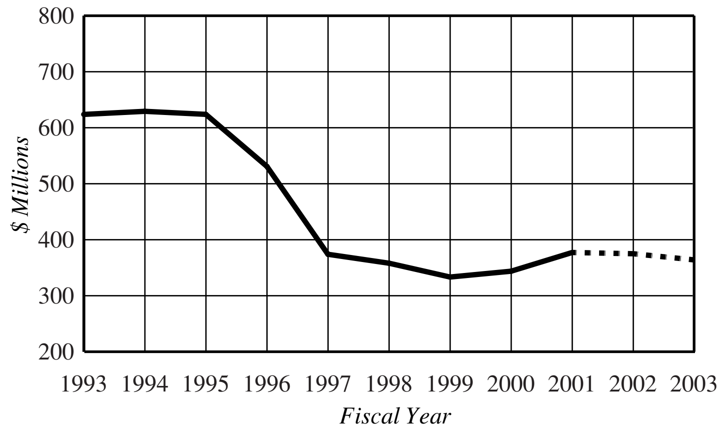
In 2003, the levy is expected to increase by $459 million to $9,730 million, an increase of 5.0 percent over 2002. Revenue from the property tax is forecast at $8,866 million, an increase of $304 million and a growth of 3.6 percent over 2002. Revenue growth lags levy growth due to sizable increase in the reserve for uncollectible taxes in 2003. This stems from expected increases in delinquency, refunds, cancellations and a reduction in cash overpayment, all of which are typical in an economic slowdown. The market value growth estimated for 2003's final roll is 8.9 percent, which, coupled with average market value growth of 7.1 percent seen over the last four years, generates a substantial pipeline of assessed value to be phased in. This pipeline leads to growth in billable assessed value of about 5.0 percent in 2003. However, with a forecast slowdown in market value growth, the real property tax is expected to grow at a more moderate pace in 2004, 2005 and 2006 at 4.8 percent, 4.3 percent and 4.3 percent, respectively.

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

COMMERCIAL RENT TAX

The commercial rent tax is projected to account for 1.6 percent of tax revenue in 2003 or $364 million.

COMMERCIAL RENT TAX 1993-2003



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

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

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

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

In 1985, the City instituted a tax reduction program which lowered the commercial rent tax for taxpayers in certain locations. As of January 1, 1986, the base rent for taxable premises located in Manhattan north of 96th Street and in the Bronx, Brooklyn, Queens and Staten Island was reduced by 10 percent. The base rent was reduced by 20 percent as of June 1, 1987, and by 30 percent as of June 1, 1989 for a total reduction worth $34 million in 1995. In 1994, a 25 percent tax credit was granted to taxpayers located in Manhattan below 96th Street whose base rent was between $11,000 and $14,000, and to those located north of 96th Street in Manhattan and in the other boroughs whose base rent was between $15,715 and $20,000. The cost of this credit was $2.5 million. In 1995, this credit expanded to a full exemption for taxpayers with base rent up to $21,000 in central and lower Manhattan and up to $30,000 elsewhere. The estimated cost of this exemption was $28 million.

Beginning in 1996, the base rent exemption was raised to $31,000 in central and lower Manhattan and $44,286 elsewhere, at an estimated cost of $28 million. In addition, primary tenants became eligible to deduct the rent received from sub-tenants, even if the sub-tenant was exempt from tax. This legislation also raised the base rent exemption for tenants located in Manhattan south of 96th Street to $40,000 in 1997, and allowed a sliding scale of credit for base rents ranging between $40,000 and $59,999, and completely eliminated the commercial rent tax in the rest of the City. However, legislation passed in 1995 accelerated the effective date of these changes to September 1, 1995. The 1995 legislation further allowed tenants to reduce rent subject to the tax by 15 percent for the tax period from March 1, 1996 to May 31, 1996, and by 25 percent for tax years beginning on or after June 1, 1996, bringing the effective tax rate down to 5.1 percent as of March 1, 1998 and to 4.5 percent as of June 1, 1998.

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

Effective December 1, 2000, the base rent exemption was further increased to $150,000 with a sliding scale of credit up to $190,000. The estimated cost of this increase is $8 million in 2001.

The base rent exemption was again increased to $250,000 with a sliding scale of credit up to $300,000 effective June 1, 2001. The estimated cost of the increase is $40 million in 2002.

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

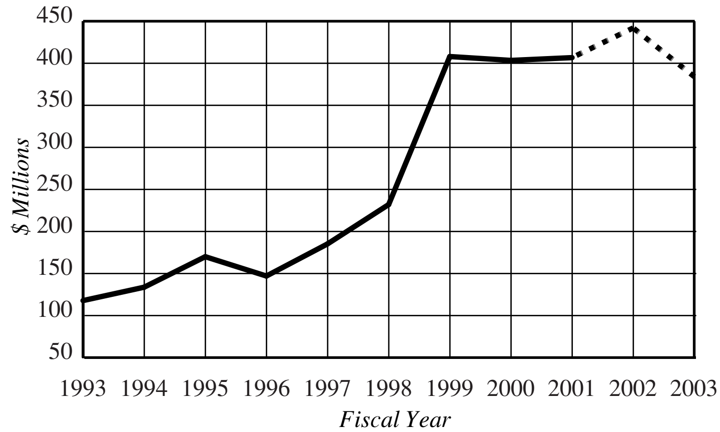
Forecast: The commercial rent tax revenue is forecast at $375 million in 2002, a decline of $2 million from the 2001 level or 0.6 percent. The projected decline in 2002 commercial rent tax collections is largely due to the tax program enacted on June 1, 2001 which is estimated to cost $40 million. The 2002 forecast also reflects the tax revenue reductions due to tenant displacement from commercial buildings in lower Manhattan to other locations outside the City. These declines in 2002 revenue, however, are offset by a $14 million non-recurring payment. The 2003 commercial rent tax revenue is forecast at $364 million, a decline of $11 million or 2.9 percent. Adjusting for the one-time payment, revenue is forecast to grow 1.0 percent in 2003. With asking rents forecast to grow moderately and vacancy rates forecast to decline in the outyears from the post September 11 high forecast for calendar years 2002 and 2003, commercial rent tax collections are projected to grow an average of 3.1 percent from 2004 to 2006.

MORTGAGE RECORDING TAX

The mortgage recording tax is projected to account for 1.7 percent of tax revenue in 2003, or $384 million.

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

MORTGAGE RECORDING TAX 1993-2003



Mortgage Recording Tax Rates

Distribution of Revenue	All Mortgages Under $500,000	Mortgages of $500,000 or More on 1, 2 & 3 Family Homes	Commercial Mortgages of $500,000 or More
State Taxes			
NYC General Fund	0.500%	0.500%	0.500%
MTA/SONYMA	0.500	0.500	0.500
City Taxes			
NYC General Fund	1.000	1.125	1.125
NYCTA, Paratransit and Franchised Bus Operators	—	—	0.625
Total	**2.000%**	**2.125%**	**2.750%**

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

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

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

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

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

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

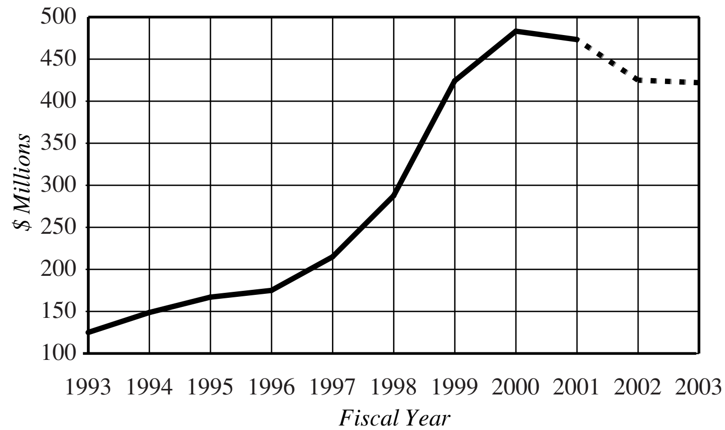
Beginning in 1996, credit line mortgages (i.e. mortgages which allow a series of advances, repayments, and readvances) under $3 million are not subject to additional mortgage recording taxes. Previously, this advantage was available only to credit line mortgages on owner-occupied one- to six-family homes.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

Forecast: The mortgage recording tax revenue is forecast at $442 million in 2002, an 8.7 percent increase over 2001. The growth in 2002 reflects the continued strength in residential real estate sales and mortgage refinancings attributable to the historically low interest rate environment. Residential collections in 2002 are forecast at $275 million, the highest on record, exceeding the 2001 level by 27.1 percent. In contrast, commercial collections are expected to decline 11.9 percent in 2002, despite the recording of the World Trade Center (WTC) mortgage at the onset of the fiscal year. Mortgage recording tax revenue is forecast at $384 million in 2003, a decline of 13.1 percent from 2002. Adjusting for the WTC mortgage recorded in 2002, the mortgage recording tax is forecast to decline 9.4 percent in 2003. Activity is forecast to slow in 2003 due to rising interest rates. In 2004 through 2006, the tax slowly rebounds with average growth of 5.4 percent.

REAL PROPERTY TRANSFER TAX

The real property transfer tax is projected to account for 1.9 percent of tax revenue in 2003, or $422 million.

REAL PROPERTY TRANSFER TAX 1993-2003



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

Real Property Transfer Tax Rates

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

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

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

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

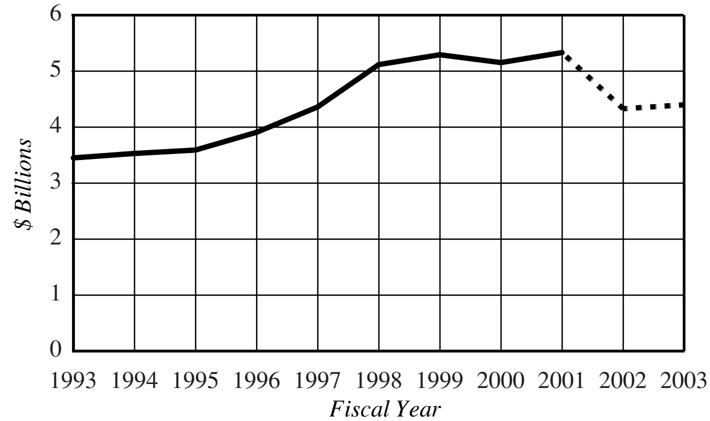
In August 1989, general fund revenue was increased by raising the transfer tax rate from 1.0 percent to 1.425 percent for commercial transactions of $500,000 or less and residential transactions of more than $500,000. For commercial sales with consideration greater than $500,000, the tax rate rose from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

In June of 1994, a State law was passed which provided a temporary 50 percent reduction in the rate of the real property transfer tax for certain transfers to newly organized Real Estate Investment Trusts (REITs). This provision is now permanent. In addition, a 50 percent reduction is applicable to transfers to pre-existing REITs occurring between July 13, 1996 and August 31, 2002, provided the transferor receives and retains for at least two years an ownership interest in the REIT. Starting July 1, 1997, a deduction on the real property transfer tax payable on the transfer of a one- to three-family home, or an individual residential co-op or condo unit, is allowed for the amount of any mortgage assumed by the transferee.

Forecast: The real property transfer tax revenue is forecast at $434 million in 2002, a decline of 8.3 percent from the 2001 level. As a result of historically low mortgage interest rates in 2002, residential transactions have continued at the unprecedented levels seen in 2000 and 2001, showing an increase of 0.2 percent from 2001. However, commercial activity has declined 18.9 percent from the 2001 level despite several large transactions year-to-date. In 2003 collections from residential transactions are forecast to show near flat growth as employment gains offset interest rate increases, while collections from commercial transactions decline 7.7 percent as the recovery in the commercial real estate market lags the rest of the city economy. In 2004 through 2006, the tax slowly rebounds with average growth of 8.1 percent.

PERSONAL INCOME TAX

PERSONAL INCOME TAX 1993-2003



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

The personal income tax is projected to account for 19.9 percent of tax revenue in 2003, or $4,399 million.

Tax Base and Rates: The personal income tax is imposed on the taxable income of resident individuals, estates and trusts. The starting point for determining taxable income is Federal adjusted gross income (AGI). This amount is adjusted for statutory modifications to yield New York AGI. Taxable income is derived by subtracting the New York deduction and New York exemptions from New York AGI. Taxpayers may claim the New York standard deduction or the New York itemized deduction (Federal amount subject to New York modifications). High income taxpayers are subject to percentage reductions in their New York itemized deductions. Finally, taxpayers are allowed a flat exemption amount for each dependent. There are different tax rate schedules for single, head of household, married taxpayers filing jointly and married taxpayers filing separately. These separate schedules were introduced in 1987. The current top marginal rate is 3.65 percent. In addition to the base tax, taxpayers who make extensive use of tax preferences are liable for a tax of 2.5 percent on their New York minimum taxable income.

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

2002 Rate Schedule

	Over	But Not Over	Pay	Plus	Of the Amount Over
Rate Schedule for Single Filers	$ 0	$12,000	$ 0	2.907%	$ 0
If net income is:	12,000	25,000	349	3.534	12,000
	25,000	50,000	808	3.591	25,000
	50,000		1,706	3.648	50,000
Rate Schedule for Joint Filers	$ 0	$21,600	$ 0	2.907%	$ 0
If net income is:	21,600	45,000	628	3.534	21,600
	45,000	90,000	1,455	3.591	45,000
	90,000		3,071	3.648	90,000
Rate Schedule for	$ 0	$ 14,400	$ 0	2.907%	$ 0
Head of Household Filers	14,400	30,000	419	3.534	14,400
If net income is:	30,000	60,000	970	3.591	30,000
	60,000		2,047	3.648	60,000

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

New York Dependent or Personal Exemptions and Standard Deductions, 1966-2002

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

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

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

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

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

The most significant changes to the law were large increases in the standard deduction and the introduction of a household credit to replace the low-income exclusion. For a joint filer with two dependents, these changes raised the threshold below which no tax is due from $11,000 in calendar year 1986 to $14,025 in 1987, $15,550 in 1988, and $16,046 in 1989 and 1990. Imposition of the 14 percent increase in 1991 lowered the threshold to $15,484 from 1991 to 1994. The taxable threshold increased again in 1995 to $16,691 and in 1996 to $17,499, as a result of increases in the standard deduction. An increase in the base rates in 1997 lowered the threshold to $15,001 from 1997 to 1998. The taxable threshold grew to $16,164 in 1999 as a result of the STAR program increasing to $17,831 in 2000, with an increase in STAR credits and rate cuts. In 2001, the taxable threshold grew to $20,079, with the full phase-in of STAR, the reduction in the 14 percent additional tax and the increase in the joint filer standard deduction. In 2002, the taxable threshold grows to $20,546, the result of a further increase in the joint filer standard deduction.

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

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

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

Personal Income Tax Increases
($ Millions)

	1998	1999	2000	2001	2002	2003
Components of the 12.5 Percent Surcharge:						
Criminal Justice Account	$ 185	—	—	—	—	—
General Fund	297	367	—	—	—	—
12.5 Percent Surcharge Total	$482	$367	—	—	—	—
14 Percent Increase	$566	$609	$656	$640	$488	$705

Beginning in tax year 1991, the City imposed a three-year 14 percent income tax increase on City residents, increasing the top rate from 3.91 percent to 4.46 percent through tax year 1998. Low income taxpayers were not exempt from the increase. The increase has been extended four times, in 1993, 1995, 1997 and 1999. State legislation in 1999 extended the increase through tax year 2001, while also granting local authority to lower by local law the 14 percent additional tax, effective July 24, 2000. On December 4, 2000, legislation reducing the 14 percent additional tax was signed into law, effective January 1, 2001. The reduction in the additional tax was structured as follows: for taxable income below the top tax bracket for each filing type ($50,000 for single filers, $90,000 for joint filers, $60,000 for head of household filers) the 14 percent additional tax was reduced to 7 percent. For taxable income at or above the top tax bracket the additional tax remained 14 percent. On June 18, 2001, local law granted a further reduction in the 14 percent additional tax, retroactive to January 1, 2001. The further reduction, intended as an across the board 3.5 percentage point cut effective for one-half year, was implemented as a retroactive 1.75 percentage point cut effective for the full-year. In August of 2001, the State legislature again extended the 14 percent additional tax, through December 31, 2003 also extending the authority for the City to reduce the 14 percent additional tax through local law. After September 11, 2001 the extension of the reductions in the 14 percent additional tax was no longer sought. Consequently, the full 14 percent additional tax is in effect again as of January 1, 2002.

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

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

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

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

State Sponsored Personal Income Tax Reductions
($ Millions)

	1999	2000	2001	2002	2003	2004	2005	2006
STAR Program:								
Credit	($85)	($131)	($180	($252)	($252)	($252)	($252)	($252)
Rate Cut	—	(69)	(235)	(268)	(288)	(342)	(366)	(416)
STAR Program Total	($85)	($200)	($415)	($520)	($540)	($594)	($618)	($668)

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

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

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

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

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

The Federal Job Creation and Worker Assistance Act of 2002 includes an extension of two nationwide business relief tax provisions, a 30 percent depreciation allowance and net operating loss extensions. Additionally, this act established the New York Liberty Zone (NYLZ) in New York City and provides a number of special tax incentives for businesses within the NYLZ. Since the New York City tax laws couple to federal definitions, the Federal tax reduction flows directly through to the New York City tax base and is consequently expected to reduce personal income tax collections beginning in 2003 by approximately $12 million with the largest components of the cost relating to a 30 percent depreciation deduction.

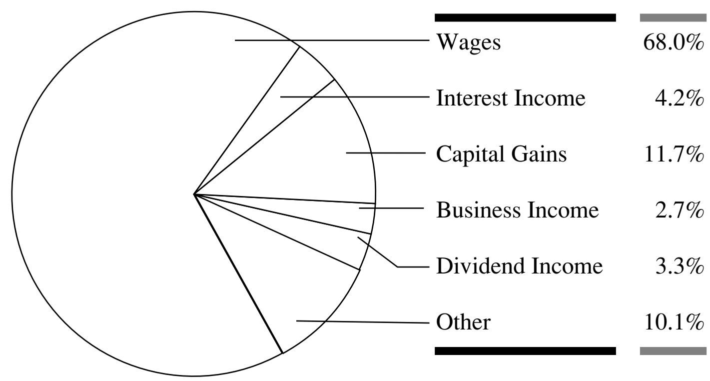
Distribution of Liability: A sample of 1998 tax returns reveals that the majority of resident returns were filed by taxpayers with adjusted gross income less than $50,000 (see charts on this page). However, the 22 percent of taxpayers with income greater than $50,000 paid 81 percent of the tax. Wage income was 68 percent of total reported income on resident returns. Capital gains realizations and interest income were the second and third largest sources of income, accounting for approximately 12 percent and four percent, respectively, of total reported income. Generally, higher income taxpayers earned most of the nonwage income in the City.

Administration: The New York City personal income tax has been administered by New York State since 1976. All collection information received is from the New York State Department of Taxation and Finance. Daily collection and refund reports are produced by the Accounting Bureau and sent to the City. At the end of the month the City receives a letter from the State Comptroller verifying the final amount of personal income tax revenue by component due to the City for that month. Each month the State charges the City for the administration of the tax. The charge is based on State expenditures for data entry, processing of tax returns and taxpayer services which can be attributed to the City. For 2001 the administrative charge paid by the City was $32 million.

Withholding Tables: Withholding tables are adjusted to reflect changes made to tax rates, standard deductions or the dependent exemption. To implement the New York City Tax Reduction Act of 1987, withholding tables were adjusted in October 1987, October 1988 and

COMPONENTS OF INCOME

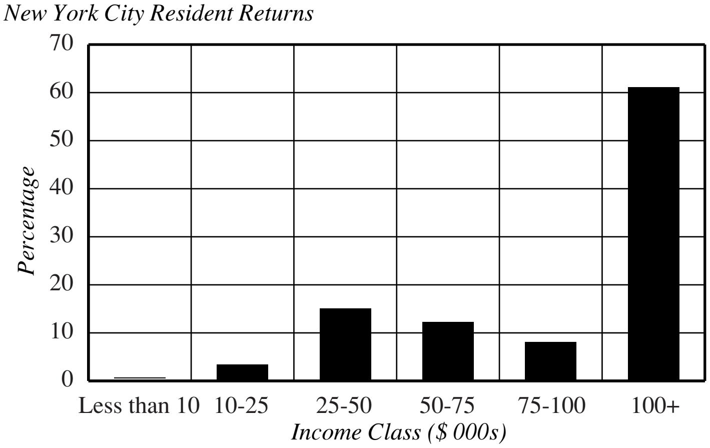
New York City Resident Returns—Tax Year 1998



Source: NYC Department of Finance, Office of Tax Policy

SHARE OF LIABILITY

Tax Year 1998
New York City Resident Returns



Source: NYC Department of Finance, Office of Tax Policy

NUMBER OF FILERS

Tax Year 1998
New York City Resident Returns

Source: NYC Department of Finance, Office of Tax Policy

October 1989. To implement the temporary surcharge, withholding tables were changed in October 1990 and again in October 1991 to reflect the implementation of the 14 percent increase. Withholding tables were changed in January 1999 to reflect the expiration of the 12.5 percent surcharge and again in July 1999 to reflect a reduction in rates due to implementation of the STAR program. Effective January 1, 2000, the City nonresident withholding tables were changed to reflect a reduction in nonresident rates from 0.45 to 0.25 percent on wages, and from 0.65 to 0.375 percent on net earnings from self-employment. The lower rates applied to out-of-state nonresidents only, as in-state nonresidents were exempt from the nonresident earnings tax from July 1, 1999 on. The nonresident earnings tax repeal did not apply to out-of-state nonresidents until April 4, 2000. Effective January 1, 2001, the withholding tables were changed to reflect the first reduction of the 14 percent additional tax and the last installment of the STAR program rate cut. In response to the second reduction of the 14 percent additional tax effective for tax year 2001, the withholding tables were changed again, effective October 1, 2001. Effective June 1, 2002, the withholding tables will be again changed to reflect the full imposition of the 14 percent additional tax.

Forecast: The personal income tax is forecast at $4,329 million in 2002, a decline of 18.8 percent from the prior year. In 2003, the personal income tax is forecast at $4,399 million, growth of 1.6 percent over the prior year. The forecast reflects the effects of the STAR program tax cut, the nonresident earnings tax repeal, reductions in the 14 percent additional tax in tax year 2001 and the subsequent full imposition of the 14 percent additional tax beginning in tax year 2002. Moreover, the forecast reflects reductions in personal income tax collections deposited in the general fund due to the TFA retention of $473 million in 2002 and $678 million in 2003. Adjusted for these reductions, the personal income tax is forecast to decline 11.9 percent in 2002 followed by a moderate 2.9 percent resumption of growth in 2003.

Personal income tax receipts have been depressed by a falling FIRE sector bonus payout and employment declines in the aftermath of the September 11th terrorist attack. Concurrently, the national recession and a pronounced decline in asset valuations have also depressed collections. As a result, personal income tax collections on a common rate and base declined 11.9 percent in 2002, after average growth of 14.3 percent from 1999 through 2001.

Withholding is forecast to decline 4.7 percent on a common rate and base in 2002, after average growth of 14.3 percent from 1999 through 2001. This weakness stems from a 1.1 percent decline in wage earnings and a 28 percent drop in the bonus payout on calendar year 2001 Wall Street earnings. From July through November, withholding collections on a common rate and base fell 2.8 percent paralleling the decline in wage earnings. From December through March (the bonus period), withholding collections fell 3.3 percent, after growth of 8.0 percent the prior year. During the remaining quarter of the year, withholding is forecast to decline 10.1 percent on a common rate and base, reflecting the employment losses since September 2001.

Installment payments on liability year 2001 declined 13.6 percent on a common rate and base after growth of 17.8 percent in 2000. Installment payments have suffered from the sharp declines in capital gains realizations, forecast to decline 40 percent in tax year 2001, and from moderate growth in nonwage income sources.

Settlement payments (final returns, extensions, State/City offsets, and refunds) on liability year 2001 are forecast to decline over $300 million from the prior year level. This sharp correction results from both the inability of prepayments to capture the sharp decline in liability occurring in tax year 2001, particularly that resulting from capital gains, and the October 1, 2001 withholding table implementation of a tax cut enacted in June 2001 retroactive to January 1, 2001. Total liability on tax year 2001 is forecast to decline 1.6 percent (common rate and base), and to decline 11.1 percent after including the impact of the tax programs.

For 2003, personal income tax revenue is forecast forecast at $4,399 million, an increase of $70 million from the prior year or growth of 1.6 percent. This forecast includes the full-year effect of the restoration of the full 14 percent additional tax and TFA retention. Additionally, the City estimates a revenue loss of approximately $12 million in 2003 stemming from the depreciation allowance created through the Federal Job Creation and Worker Assistance Act of 2002. On a common rate and base, the personal income tax is forecast to grow 2.9 percent in 2003.

Withholding is expected to grow 4.4 percent in 2003 on a common rate and base, reflecting an increase in wage earnings of 4.1 percent. This wage earnings forecast reflects a flat private employment growth in 2003, with trend non-FIRE wage rate growth of 3.9 percent, and rebounding FIRE wage rate growth of 7.0 percent. Installment payments are forecast to decline 2.0 percent in 2003 on a common rate and base, reflecting a 5 percent decline in capital gains realizations in tax year 2002. The full liability year growth is achieved by a rebounding settlement payment in tax year 2002.

Personal income tax revenue is forecast to average 7.3 percent growth from 2004 through 2006 on a common rate and base, as wage and nonwage income sources rebound with the national economy and as capital gains realizations recover with stabilized equity markets.

Personal Income Tax Collections By Component
($ Millions)

	2000	2001	2002 *f*	2003 *f*
Withholding	$4,048	$4,179	$3,773	$4,172
Estimated Payments [1]	1,298	1,390	1,108	1,134
Final Returns	472	483	282	281
Other [2]	279[3]	444[3]	427[4]	184[4]
Gross Collections	$6,097	$6,496	$5,590	$5,771
Refunds	(677))	(751)	(788)	(694)
Net Collections	$5,420	$5,745	$4,802	$5,077
Less TFA Retention	(267)	(414)	(473)	(678)
Total	$5,153	$5,331	$4,329	$4,399

(1) Includes extension payments.

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

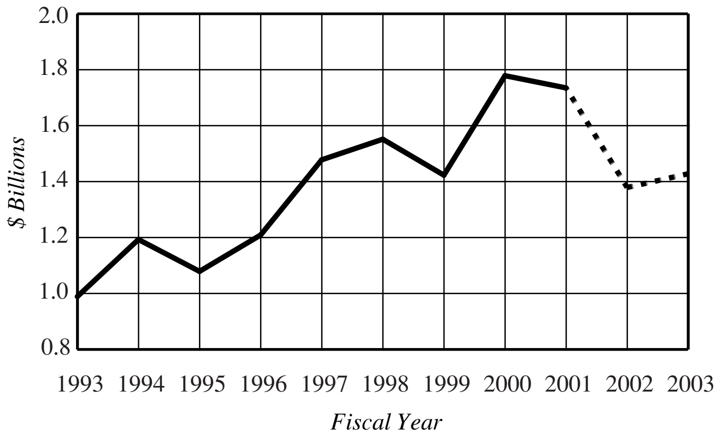
(3) In 2000, gross collections are reduced by a liability accrual of $114 million from 2001 for the commuter taxes withheld from New York State nonresidents for the period July 1, 1999 through April 2000. 2001 is likewise increased.

(4) In 2002, gross collections are increased by a liability accrual of $129 million from 2003 for the surcharge taxes not withheld from New York city taxpayers for the period January 1 through June 1, 2002.

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

GENERAL CORPORATION TAX

GENERAL CORPORATION TAX 1993-2003



The general corporation tax is projected to account for 6.5 percent of tax revenue in 2003, or $1,428 million.

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

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

The starting point for determining the net income base, 76 percent of corporate liability in tax year 1998, is Federal taxable income, which must be modified to account for differences between New York City and Federal treatment of various items, including depreciation, tax-exempt interest and net operating loss deductions. This modified income must be divided between business income and investment income, and then allocated between income derived from New York City activities and income derived from activities outside of the City. Business income is defined as the firm's entire net income less its investment income (dividends and interest from nonsubsidiary operations). Investment income is allocated according to the amount of capital employed in New York City by the issuing corporation. The allocation formula used by most firms for business income is the average of the following ratios: (1) New York City tangible property to total property; (2) New York City receipts to total receipts; and (3) New York City payroll to total payroll. Manufacturing firms are allowed to "double weight" the receipts factor for tax years beginning on or after July 1, 1996. Slightly over half of the general corporation tax paid on the net income basis is from firms which allocate business income because they have operations both inside and outside of New York City.

The income–plus–compensation base accounted for approximately 15 percent of corporate tax liability in tax year 1998. The purpose of this alternative base is to tax firms which may lower their taxable income by disguising dividends (which are not deductible) as salaries and other forms of compensation (which are deductible). The starting point for determining this base is New York City allocated net income, to which must be added back the compensation paid to shareholders owning more than five percent of the corporation's outstanding stock. After a statutory deduction of $40,000, the firm applies the 8.85 percent rate to 30 percent of this base (hence the 2.655 percent effective tax rate).

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

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

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

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

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

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

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

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

In 1994, New York State enacted legislation which allowed for the formation of a new type of business entity in New York State, a limited liability partnership or company (LLC). LLCs have some of the limited liability aspects of corporations and the tax treatment of partnerships for Federal, State and local tax purposes. LLCs pay a fee to the State, and those conducting business in the City are subject to the City unincorporated business tax. Over time, the number of corporations is expected to decline as new businesses increasingly opt for the LLC business form. The shift of filers from the general corporation tax base to the unincorporated business tax base is forecast to decrease the corporation tax collections by an estimated $135 million in 2003 and $155 million by 2006.

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

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

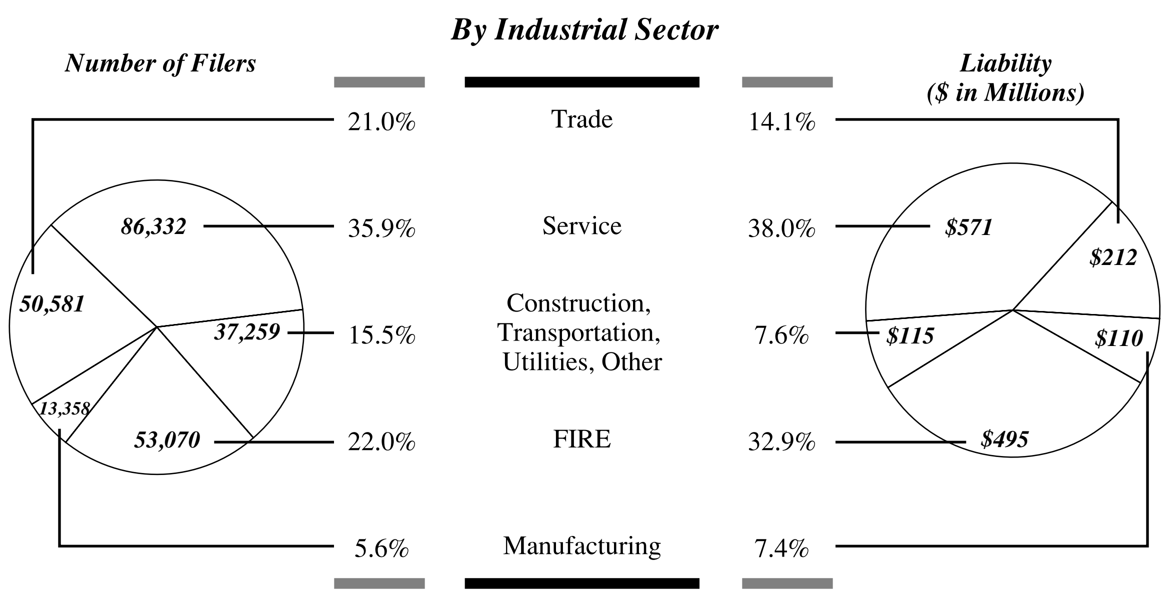
For tax years beginning on or after July 1, 1996, manufacturing firms are allowed to “double weight” the receipts factor in the allocation formula for the general corporation tax. This enables City located manufacturers to allocate more of their income outside the City, thus reducing their City business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

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

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

The Federal Job Creation and Worker Assistance Act of 2002 includes an extension of two nationwide business tax relief provisions, a 30 percent bonus depreciation and net operating loss extensions. Additionally, this act established the New York Liberty Zone (NYLZ) and provides a number of special tax incentives for businesses within the NYLZ. Since the New York City business tax laws couple to federal definitions, the federal tax reduction flows directly through to the New York City tax base. The City estimates a revenue loss of $97 million in the general corporation tax in 2003 from this act with the largest components of the cost relating to a bonus 30 percent depreciation deduction.

GENERAL CORPORATION TAX *(Tax Year 1998)*



Source: NYC Department of Finance, Office of Tax Policy

Industrial Mix of General Corporation Tax Revenue: The importance of the finance, insurance and real estate sector (FIRE) and the service sectors (information, professional/ technical/managerial and other sectors) to the New York City economy is clear. Together these sectors account for approximately 71 percent of corporate tax liability and 58 percent of all filers. The trade sector represents 14 percent of corporate liability and 21 percent of filers while manufacturing accounts for seven percent of liability and six percent of filers. The remaining eight percent of corporate liability is generated by construction, transportation, utilities and other firms.

Historically, growth and decline in corporate tax revenue have paralleled the declining and expanding fortunes of the FIRE sector. Within the FIRE sector, it is the securities and commodities subsector that drives liability and consequently swings total corporate tax liability (the other FIRE subsectors include insurance companies, credit agencies, holding companies and real estate firms). The securities and commodities subsector contains a relatively small number of filers that generate a very high share of corporate tax liability. In tax years 1996, the securities and commodities subsector accounted for only one percent of corporate tax filers, but generated 16 percent of corporate tax liability. This subsector's liability increased to 18 percent of total corporate liability in 1997 and to 20 percent of the total in 1998.

An understanding of FIRE sector payment swings, as driven by earnings in the securities and commodities subsector, sheds light on the movement in overall corporate tax liability. Following the stock market crash in October of 1987, FIRE sector liability declined precipitously in 1988, then remained flat through 1990. However, in 1988, the rest of the corporate tax base grew just enough to offset the decline in FIRE sector liability, yielding a total liability growth of just over one percent. With the local economy stagnating in 1989 and 1990, non-FIRE liability began to fall as well, leading to year-over-year declines in total liability. In 1991 and 1992, however, a strong rebound in FIRE sector liability mitigated the somewhat deepening recession's corrosive impact on non-FIRE corporate liability. By 1993, a then record increase in profitability sent FIRE sector payments to a new level, helping push overall liability up by double-digit rates. In 1994, financial firms that made investment decisions assuming a continuation of the four-year decline in long and short-term interest rates saw heavy losses when the Federal Reserve began raising rates in February, 1994. The price of longer term bonds fell precipitously, leading to large drops in bond trading income. At the same time short-term rates jumped, pushing up expenses. These two trends combined to shrink profitability and consequently tax liability. In 1995, FIRE sector liability rebounded with pre-tax profits from New York Stock Exchange member firms reaching $7.4 billion over the $1.1 billion earned in calendar year 1994. The rebound in FIRE sector profits stemmed from a reversal of events which depressed earnings in calendar year 1994. The Federal Reserve stopped raising interest rates and actually eased the Federal Funds rate twice in 1995, having achieved a much touted soft landing. The financial markets responded with a strong recovery, leading to impressive gains across all securities industry market segments. Record profits in the securities industry in 1996 increased FIRE sector liability by 34 percent while total corporate liability grew by over 19 percent. The securities industry continued its successful trend in 1997 and equity markets in the U.S. had a banner year with equity prices as measured by the Dow Jones Industrial Average (DJIA) posting a 23 percent gain. This followed a 26 percent rise in 1996 and a 34 percent advance in 1995. Corporate tax liability increased by 6.4 percent in tax year 1997 boosted by 11.9 percent growth in FIRE liability, but in 1998 the securities industry posted lower profits as a result of global volatility in financial markets in the third quarter sparked by Russia's economic crisis. This led to a decline in FIRE liability in tax year 1998, and total corporate liability increased by less than one percent.

Forecast: The 2002 general corporation tax is forecast at $1,379 million, a decline of 20.5 percent from the prior year. For 2003, general corporation tax is forecast at $1,428 million, growth of 3.6 percent from the 2002 level.

The general corporation tax forecast is reduced by $97 million in 2003, $90 million in 2004, $82 million in 2005 and $12 million in 2006, for the accelerated depreciation provisions contained in the Job Creation and Worker Assistance Act of 2002 which will reduce the starting point for calculating the City tax–Federal taxable income. On a common rate and base, general corporation tax revenue is forecast to decline 12.6 percent in 2002 and increase 3.4 percent in 2003.

Through March, general corporation tax collections have declined 24.7 percent from the prior year period. First quarter corporate tax revenue fell significantly from the prior year in the wake of the September 11th terrorist attack and while this was partly due to a delay in the receipt of payments, collections have continued to decline since then but at a slower rate. A significant increase in refunds is also contributing to the decline in revenue, as corporate taxpayers correct for overpayments built up in previous years.

The securities industry had a challenging year in calendar year 2001 with NYSE member-firm profits recording their biggest decline since 1994. Earnings for every quarter were down from the prior year period and total pretax profits for the year fell to $10.4 billion from $21.0 billion in calendar year 2000. Bond underwriting surged to a record in calendar year 2001, as firms took advantage of low interest rates, but this did not offset the sharp falloff in IPOs which are far more lucrative in terms of investment banking fees. Revenue from the other primary business areas such as trading and commissions fell significantly from the prior year due to the volatility in equity markets and an overall decrease in the volume of trading. Corporate tax liability in the FIRE sector of the City's economy is estimated to have declined 24 percent in calendar year 2001.

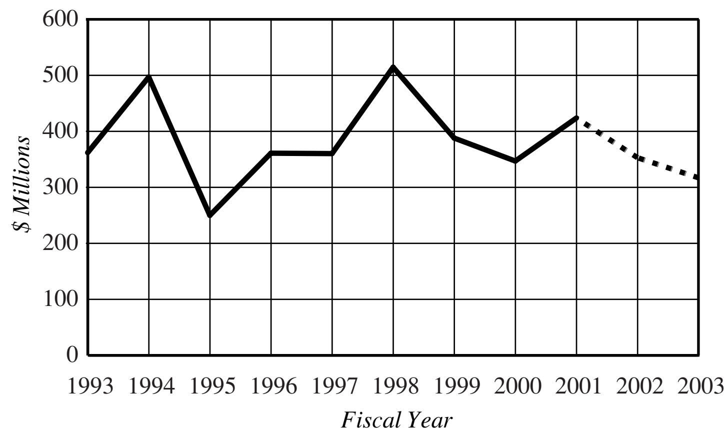
Liability in the non-FIRE sector of the City's economy is also projected to have fallen in liability year 2001 but by less than five percent. National pre-tax corporate profits declined 15 percent in calendar year 2001 and real gross city product fell by 0.5 percent. Although some service sectors recorded job losses in calendar year 2001, total service sector employment in the City increased by 8,000 jobs.

In 2003, general corporation tax revenue is forecast to increase 3.6 percent reflecting a moderate recovery in the national and local economies as well as modest improvements in Wall Street profitability. National pre–tax corporate profits are projected to increase 4.1 from the previous year and while NYSE member-firm profits are forecast to increase to $12.8 billion, real gross city product is forecast to remain essentially flat as weakness persists in some sectors of the City's economy. A year-over-year decline in the refund forecast also boosts net collections in 2003. Modest growth is projected for both the securities industry and national before-tax profits from calendar year 2004 through 2006, leading to 5.3 percent growth on average (common rate and base), in the outyears of the plan.

BANKING CORPORATION TAX

The banking corporation tax is projected to account for 1.4 percent of tax revenue in 2003, or $317 million.

BANKING CORPORATION TAX 1993-2003



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

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

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

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

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

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

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

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

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

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

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

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

The Federal Job Creation and Worker Assistance Act of 2002 includes an extension of two nationwide business tax relief provisions (30 percent bonus depreciation and net operating loss extensions). Additionally, this act established the New York Liberty Zone (NYLZ) and provides a number of special tax incentives for businesses within the NYLZ. Since the New York City business tax laws couple to federal definitions, the federal tax reduction flows directly through to the New York City tax base. The City estimates a revenue loss of $26 million in the banking corporation tax in 2003 from this act with the largest components of the cost relating to a bonus 30 percent depreciation deduction.

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

For years banks had faced competition from securities firms whose product innovations in debt underwriting, loan syndication and brokerage offerings put pressure on the traditional bank profit centers of commercial lending and retail saving. In response, banks pushed for reform of the Glass-Steagall Act and sought to, expanding on their ability to underwrite some bonds, underwrite securities and offer investment services. Even before the repeal of Glass-Steagall, banks were expanding into the securities industry in the U.S. and abroad through the acquisition of securities firms as subsidiaries. Passage of the Gramm-Leach-Bliley Act in November 1999 effectively repealed Glass-Steagall, allowing banks, insurers and securities firms to affiliate under a financial holding company. This reform has altered the playing field for banks and securities firms. The merger of Citicorp and Salomon Smith Barney under Travelers Group has been consummated, creating one of the largest financial conglomerates in the world. The result is that now banks provide a variety of financial services to the commercial and retail market directly or through subsidiaries, previously available only through securities firms.

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

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

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

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

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

Earnings at money center banks are not likely to rebound significantly in 2002. Nonperforming commercial loans are expected to continue to drag down interest revenue and while profits from investment banking, trading and securities will probably improve from calendar year 2001, this will not be enough to boost total earnings.

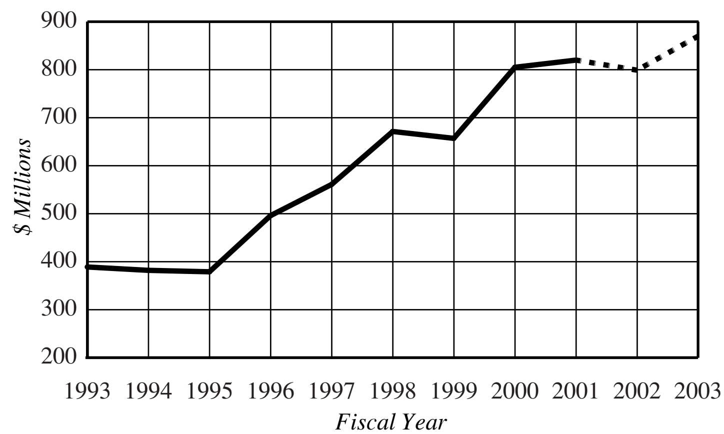
Forecast: The 2002 banking corporation tax is forecast at $353 million, a decline of 16.7 percent from the prior year. The banking corporation tax is forecast at $317 million in 2003, a decline of 10.2 percent from 2002.

Through March, banking corporation tax collections are down 8.0 percent from the prior year period. Payments from all banking sectors have declined as a result of reduced profitability in calendar year 2001 and also due to overpayments by some banks in previous quarters. Refund payouts have also declined from the prior year, however, which has lessened the drop in net collections.

Banking corporation tax collections are forecast to decline in 2003 partly due to the loss of $26 million in revenue from the accelerated depreciation provisions of the Job Creation and Worker Assistance Act of 2002 which will flow through to the City. The decline in collections is also a result of a high refund forecast in 2003 to account for significant overpayments not expected to be liquidated through reductions in cash payments. Collections are forecast to increase moderately in the outyears of the plan.

UNINCORPORATED BUSINESS TAX

UNINCORPORATED BUSINESS TAX 1993-2003



The unincorporated business tax is projected to account for 3.9 percent of tax revenue in 2003, or $870 million.

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

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

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

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

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

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

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

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

Also in July 1994, New York State passed legislation allowing the formation of limited liability companies (LLCs). These business entities have the limited liability of corporations, but the organizational flexibility and tax treatment of partnerships. At the Federal level, LLCs are not taxed as separate entities, but partners are taxed on their share of the income. For New York State tax purposes, LLCs pay a $50 per partner fee, with a minimum fee of $350 and a maximum of $10,000. In New York City, LLCs pay the unincorporated business tax. It is expected that businesses will increasingly opt to form LLCs rather than corporations. As a result, a shift of taxpayers is expected from the general corporation tax base to the unincorporated business tax base. Unincorporated business tax revenues are expected to increase by $63 million in 2002 as a result of this shift, rising to $77 million in 2004.

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

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

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

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

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

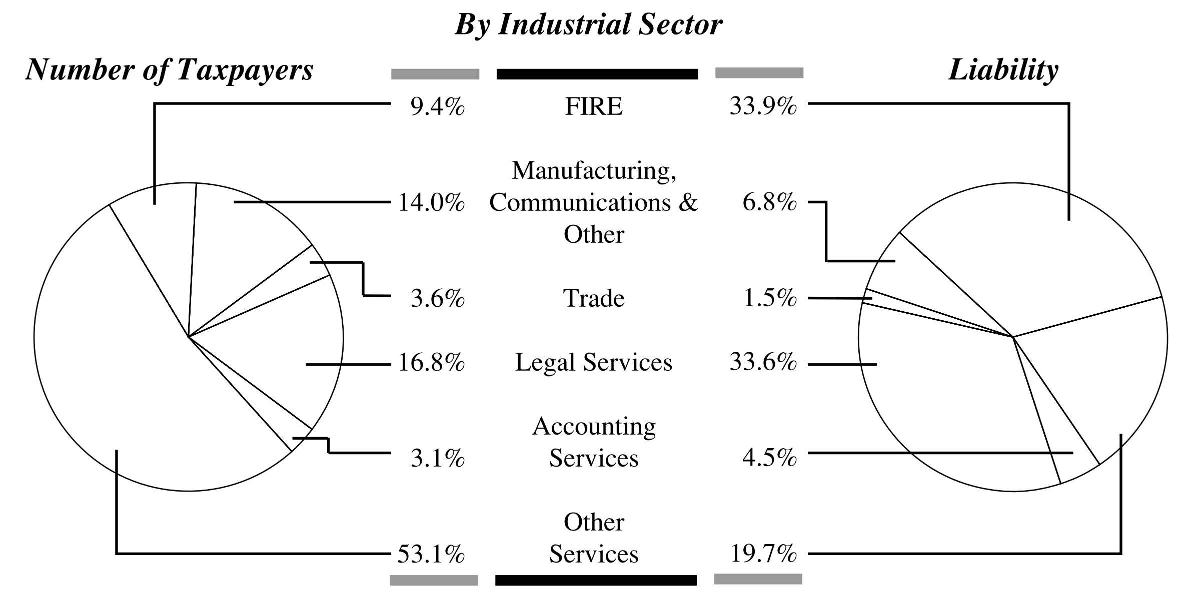
Effective for tax years on or after January 1, 2000, the receipts factor of the income allocation formula of the City's unincorporated business tax was amended to permit receipts from management, administration or distribution services for regulated investment companies (mutual funds) to be allocated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

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

The Federal Job Creation and Worker Assistance Act of 2002 includes an extension of two nationwide business relief tax provisions (30 percent bonus depreciation and net operating loss extensions). Additionally, this act established the New York Liberty Zone (NYLZ) and provides a number of special tax incentives for businesses within the NYLZ. Since new York City business tax laws couple to federal definitions, the Federal tax reduction flows directly through to the New York City tax base. This provision, in particular the 30 percent depreciation deduction, is expected to have a negative impact on the unincorporated business tax revenue beginning in 2003.

Distribution and Industrial Mix of Filers: In 1998, there were 192,050 partnership and sole proprietorship filers of which 25,125 paid tax. Sole proprietorships comprised 76.5 percent of all taxpayers but paid only 15.7 percent of total liability. Partnerships accounted for 23.5 percent of all taxpayers and paid 84.3 percent of total liability. Because of the tax credit and exemptions, 86.9 percent of filers in 1998 were exempt from the tax. Proprietorships with net income less than $25,000 (68.2 percent of all filers) paid no unincorporated business tax. The additional exemption for each partner creates higher thresholds for partnerships (18.8 percent of all filers in 1998 were partnerships with no liability). The service sector, made up of the legal, accounting and other subsectors, accounted for 57.8 percent of total unincorporated business tax liability. Legal services and FIRE comprised only 26.2 percent of taxpayers but incurred 67.5 percent of total liability.

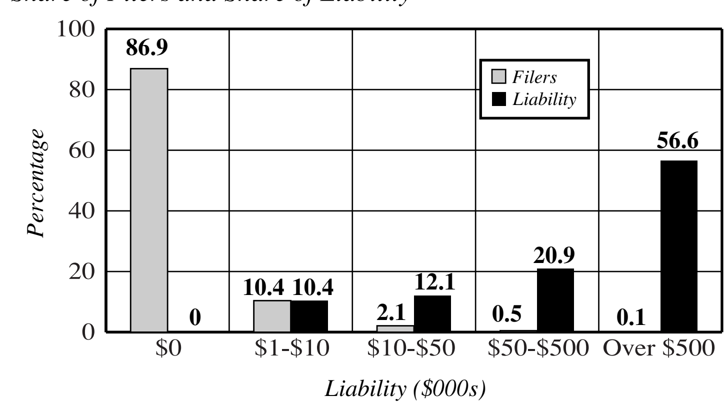
UNINCORPORATED BUSINESS TAX *(Tax Year 1998)*



Source: NYC Department of Finance, Office of Tax Policy

UNINCORPORATED BUSINESS TAX *(TAX YEAR 1998)*

Share of Filers and Share of Liability



Source: NYC Department of Finance, Office of Tax Policy

Forecast: The unincorporated business tax revenue is forecast at $799 million in 2002, a decline of 2.5 percent. The unincorporated business tax revenue is forecast at $870 million in 2003, growth of 8.9 percent over the prior year, corresponding to the rebound in both the national and local economies in calendar year 2002.

Unincorporated business tax revenues in recent years have been particularly robust, with average annual growth from 1996 through 2001 reaching 13.7 percent. This unusually high rate of collections growth came in spite of substantial business tax cuts, which returned $50 million to unincorporated business taxpayers in 1998 alone, and is partially accounted for by the unprecedented strength seen in New York Stock Exchange member-firm profits in recent years. Non-FIRE sector collections have also been robust over the same period, however, due to the unprecedented growth in service sector employment since 1993. In 1999, unincorporated business tax revenues declined 2.2 percent reflecting international financial turmoil in the third quarter of calendar year 1998 which reduced FIRE sector collections. In 2000, unincorporated business tax revenues rebounded 22.6 percent reflecting the robust growth in New York Stock Exchange member-firm profits in tax year 1999 and substantial private sector job gains in 2000. In 2001, unincorporated business tax revenues grew at just 1.8 percent over the prior year. This modest growth reflects cash payments in 2001 being suppressed through the liquidation of overpayments received in 2000.

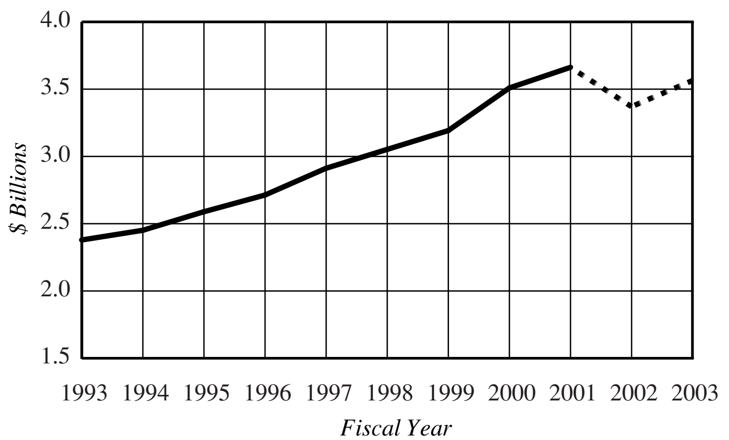
The 2002 unincorporated business tax revenue is forecast at $799 million, a decline of 2.5 percent from the prior year. Although collections year-to-date through March are up 2.3 percent from the same prior year period, lower collections on final returns (due in April) are expected reflecting the severe deterioration in the City's FIRE sector. The payments from the non-FIRE sectors on calendar year 2001 liability are forecast to grow 2.4 percent, due to strength in the service sector employment in the first half of the year. Additionally, the April and June installment payments on tax year 2002 reflect a weakened but recovering local and national economy.

For 2003, the forecast increase in New York Stock Exchange member-firm profits in calendar year 2002 leads to growth in FIRE sector liability in tax year 2003, while the national economic recovery supports non-FIRE tax payments. The Job Creation and Worker Assistance Act of 2002, particularly the bonus depreciation rules, will reduce unincorporated business tax collections by approximately $5 million each year in 2003 through 2005. In 2004 through 2006 unincorporated business tax revenue is forecast to average 7.2 percent growth, as both New York Stock Exchange member-firm profits and the national economy achieve sustainable growth.

SALES AND USE TAX

The sales and use tax is projected to account for 16.1 percent of total tax revenue in 2003, or $3,564 million.

SALES TAX 1993-2003

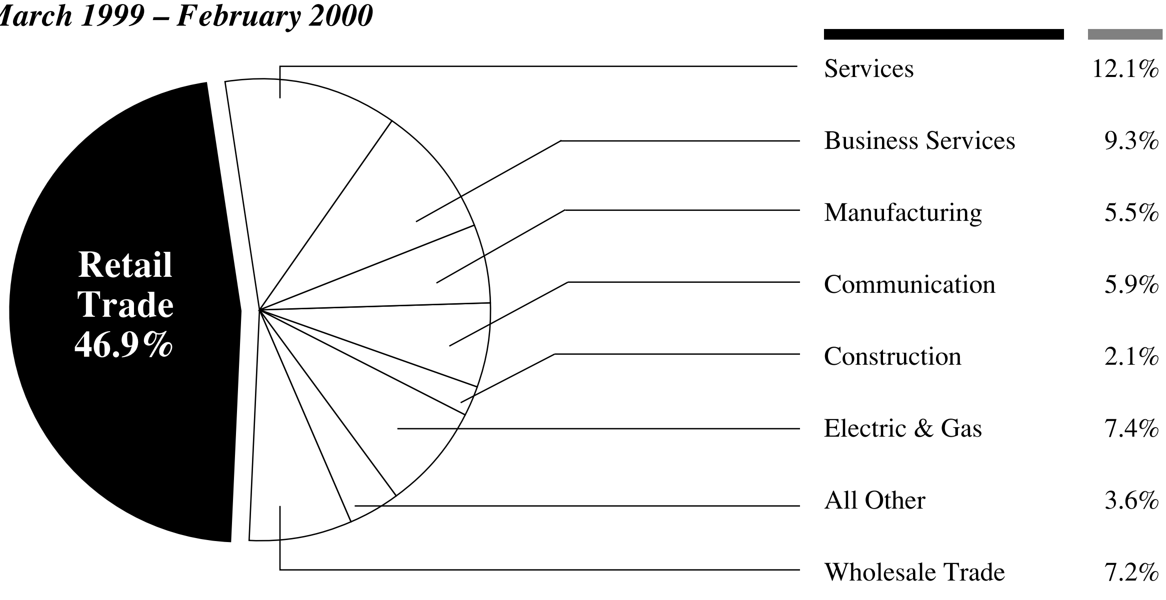


Tax Base and Rate: The sales tax rate is four percent and applies to: (1) sales and use of tangible personal property and services; (2) sales of gas, electricity, steam, refrigeration, and intrastate telephone and telegraph services; (3) food and beverages sold by restaurants and caterers; (4) hotel and motel occupancies; (5) admission charges to certain places of amusement; and (6) club dues. Exemptions include food (except certain drinks, candies and alcoholic beverages), rent, prescription and non-prescription drugs, newspapers and periodicals, textbooks for college students, and public transportation. These exemptions are designed to reduce the regressivity of the tax. Exemptions are also allowed for purchases of tangible goods and services intended for resale. The tax does not apply at the time of purchase for resale, but rather at the time the items are sold at retail. Other exemptions include fuel sold to airlines, energy used for research and development, transmission and distribution of energy (to be phased in over four years beginning September 1, 2000), certain promotional materials, internet access services, interstate and international telecommunications services, and clothing and footwear purchases under $110. With the State sales tax rate of four percent, and a 0.25 percent sales tax in the Metropolitan Commuter Transportation District, the aggregate sales tax rate in the City is 8.25 percent.

Retail trade, comprising 46.9 percent of the sales tax base, is the largest expenditure category. Business services and other services combined account for 21.4 percent of the sales tax base. Since 1981 the proportion of business services in the taxable base has increased from 3.5 percent to 9.3 percent, making it the fastest growing component of the base. Various business and utility expenditures make up the remainder of the tax base.

COMPONENTS OF THE SALES TAX BASE

March 1999 – February 2000



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

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

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

1965 New York State introduces its own two percent sales tax and begins to collect, administer and enforce the sales tax for all localities. New York City lowers its own tax rate to three percent.

1969 The State raises its tax rate to three percent.

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

1971 The State raises its tax rate to four percent.

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

1975 A four percent Municipal Assistance sales and use tax is levied in lieu of the City's sales tax. The revenue from this tax is pledged to the Municipal Assistance Corporation (MAC) to meet the interest payments on bonds issued by the corporation. Revenue resulting from future expansions of the City's sales tax base does not belong to MAC but flows directly to the City (effective date: July 1, 1975). On July 1, 2008, the sales tax imposed by the City will again be in effect. At that time the City-imposed sales tax will take effect at the rate of three percent.

1975 Protective and detective services and credit reporting and collection services are added to the City's non-MAC tax base (effective date: September 1, 1975).

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

1977 Sales and use taxes paid on machinery used in the production of tangible personal property, gas, electricity or refrigeration, and steam for sale can be claimed as a credit against the City's general corporation, unincorporated business or utility taxes (effective date: July 1, 1977).

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

Total Manhattan Parking Tax

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

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

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

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

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

1989 Interior decorating, contract cleaning and maintenance services are added to the City's non-MAC tax base (effective date: December 1, 1989). Service charges on floor covering installations are added to the State and MAC tax bases (effective date: June 1, 1989). Excise taxes on cigarettes (effective date: June 1, 1989) and tobacco products (effective date: July 1, 1989) are included in the calculation of the sales tax, and are added to the State and MAC tax bases. The City's credit for sales tax paid on machinery and equipment used in the production of tangible personal property is changed to an exemption, reducing the MAC base (effective date: December 1, 1989).

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

1991 Services and sales of prewritten software are added to the State and MAC tax bases (effective date: September 1, 1991).

1995 Interior decorating and design services are exempt from the City tax, reducing the City's non-MAC tax base (effective date: December 1, 1995). The State requires cigarette stamping agents to prepay State and local sales taxes (at a seven percent blended rate) on sales of cigarettes distributed to licensed wholesalers, chain stores and retailers (effective date: September 1, 1995).

1996 The State and City repealed their taxes on clothing and footwear purchases under $500 during the week of January 18-24, 1997, reducing the State and the City's MAC tax bases. Printed promotional materials delivered through the mail and associated shipping services are exempt from State and City taxes, reducing the State and MAC tax bases (effective date: March 1, 1997). Vehicles leased by Manhattan residents are exempt from the eight percent parking and garaging surcharge, reducing the City's non-MAC tax base (effective date: December 1, 1996). Parking charges paid to municipally-owned and operated parking facilities are exempt from State and City sales taxes, other than the eight percent Manhattan parking surcharge (effective date: December 1, 1996).

1997 The State and City exempt clothing items under $100, excluding footwear, during the week of September 1-7, 1997, and repeal their taxes on clothing and footwear purchases under $500 during the weeks of September 1-7 and January 17-23, 1998, reducing the State and the City's MAC tax bases. The State permanently repealed its four percent sales tax on clothing items and footwear purchases under $110, and gave local governments the option to match the repeal. If a locality within the MCTD opts to repeal, clothing is also exempted from the 0.25 percent MCTD sales tax. The locality reimburses the MCTD for one half of the tax foregone and the State reimburses the MCTD for the other half (effective date: December 1, 1999).

1998 The State and City exempt clothing items under $500, including footwear, during the week of January 17-24, 1999, reducing the State and the City's MAC tax bases. Textbooks purchased by full- or part-time college students for their courses at accredited institutions are exempt from the State and the City's MAC tax base (effective date: June 1, 1998). Parking charges paid to homeowners' associations (including co-ops and condominiums) by their members for parking in a facility owned or operated by the association are exempt from the six percent City sales tax and the eight percent Manhattan parking tax (effective date: September 14, 1998). Since 1997 the exemption includes facilities owned by such an association, but operated by a third party.

1999 The State and City exempt clothing and footwear purchases under $500 from September 1-7, 1999 and from January 15-21, 2000. The permanent exemption of clothing and footwear purchases under $110, scheduled to become effective December 1, 1999, is postponed until March 1, 2000. New exemptions include: computer system hardware used in designing and developing internet websites (effective date: March 1, 2001); machinery or equipment used or consumed directly and predominantly to upgrade cable television systems to allow for the receiving, amplifying, processing, transmitting, re-transmitting, switching or monitoring of telecommunication services for sale and communications equipment used in the transmission of internet access services (effective date: March 1, 2001). The sales tax special recordkeeping and on-site inspection requirements for Manhattan parking garages is extended until November 30, 2004. These special requirements were originally enacted in 1992 to improve sales tax compliance.

2000 Purchases of gas and electricity from out-of-state suppliers are subject to State and local compensating use taxes (effective date: June 1, 2000). An exemption for purchases of the service of transporting, transmitting or distributing gas or electricity, when such services are bought from a company other than the vendor of the gas or electricity, is phased in over four years, beginning September 1, 2000, with such services fully exempt beginning September 1, 2003. Purchases of gas or electricity used in operating a gas pipeline or gas distribution line or an electric transmission or distribution line, are exempt (effective date: June 1, 2000).

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

Administration: New York State and local sales tax laws provide that the State Department of Taxation and Finance will administer the sales taxes imposed by both the State and the localities. A general sales tax is collected from approximately 589,000 vendors in New York State. The State charges an administrative fee for this service, which is allocated to each locality based on the locality's share of statewide collections. For 2001, the administrative charge paid by the City was $22 million.

Vendors are responsible for collecting the sales tax from the purchaser at the time of sale. These vendors must file tax returns periodically. The frequency and timing of filing is determined mainly by their level of receipts. Large vendors submit estimated payments to the State for the first two months of each reporting quarter. In the third month they submit a return with remittances for complete quarterly collections. Small vendors submit returns quarterly or annually. The State distributes estimated monthly payments to the City based on prior year payment patterns. At the end of a reporting quarter remittances are conveyed to the City based on vendor returns received by the end of the third month. In subsequent months, the State reviews returns for accuracy and processes late returns. This may lead to substantial reconciliations of the distributions made in prior periods giving rise to what are known as prior period adjustments (PPAs).

Forecast: The sales tax revenue is forecast at $3,370 million in 2002, a decline of 8.0 percent from the prior year. The 2003 sales tax revenue is forecast at $3,564 million, 5.8 percent growth over 2002.

Sales tax revenue growth had been strong through 2001, averaging 8.2 percent from 1997 through 2001 (common rate and base). Historic employment gains and strong growth in the tourism industry spurred the growth in sales tax revenue over this period. Increased discretionary income in the City, as robust Wall Street profits were translated into strong bonus payouts and a wealth effect resulting from the steep appreciation of equities held by households, also buoyed consumption.

This came to an end in 2002, with sales tax revenue falling $292 million from the prior year level of $3,662 million. Immediately following the September 11th terrorist attack, hotel occupancy and room rates plummeted, as business and tourism travel to the City came to a standstill. The result has been declines in tourism driven consumption not seen since the 1991 Gulf War. The drop in hotel occupancy and room rates alone is expected to cost approximately $40 million in sales tax in 2002, while the dramatic drop in overall tourism spending is expected to generate a $69 million decline in sales tax in 2002. The forecast 5.5 percent drop in non-tourist spending expected in 2002, an estimated $195 million decline in sales tax revenue, results from the 1.1 percent decline in wage earnings forecast for 2002, employment losses averaging 95,000 over the course of the fiscal year, and a 28 percent decline in the FIRE bonus payout on calendar year 2001. Collections in the first three quarters of 2002 also reflect a suppression of sales activity in lower Manhattan in the weeks immediately following September 11th. As the economy of lower Manhattan begins to recover, sales activity is also expected to experience a slow recovery, although remaining at levels below normal for the rest of the year.

In 2003, sales tax revenue is forecast to increase by 5.8 percent (growth of 5.9 percent on a common rate and base), reflecting a rebound in tourism consumption, growth of 20.5 percent over the prior year, and an increase in non-tourism consumption paralleling the 4.1 percent forecast wage earnings growth for the year.

The deregulation of the energy industry and consequent legislative actions have had a large impact on the sales tax revenue forecast. Beginning in 1997 the Public Service Commission (PSC) and Con Ed, and subsequently other utilities, entered into agreements that set a schedule for competitive retail access and the deregulation of the electric industry in New York State. The natural gas industry has been deregulated since 1991. The deregulation of electricity created a large loophole in the sales tax when the commodity portion of the electric bill was unbundled from the transmission and distribution (T & D) service. Transportation services have typically been exempt from the sales tax. This loophole was closed administratively by the State on April 1, 2000. Subsequently, the State enacted utility reform legislation that phases out the State and local sales and use tax on the T & D portion of the electric and natural gas charge. Effective September 1, 2000, the State and local sales tax rates on T & D were reduced by 25 percent. By September 1, 2003, the phase-out of the sales tax on T & D will be complete. Additionally, the State imposed a use tax on the commodity component of energy purchased from out-of-state vendors at a rate of 4.0 percent.

The impact of deregulation on the City sales tax revenue depends also upon the participation of businesses and individual consumers in competitive gas and electric retail access. Prior to November 1, 2000, the portion of the Con Ed electric load available for competitive retail access was set by PSC agreement. On November 1, 2000, 100 percent of the Con Ed electric load was made available to competition. Since the January Financial Plan, estimates of participation in competitive electric and gas retail access have been revised downward. Fewer businesses and consumers are participating in competitive retail access than previously estimated, reducing the estimated revenue loss in the near-term from energy deregulation. The impact of energy deregulation and State utility reform legislation is estimated to reduce sales tax revenue by approximately $7 million in 2002 and, with increasing public participation in the deregulated market, will reduce revenues by almost $140 million in 2006.

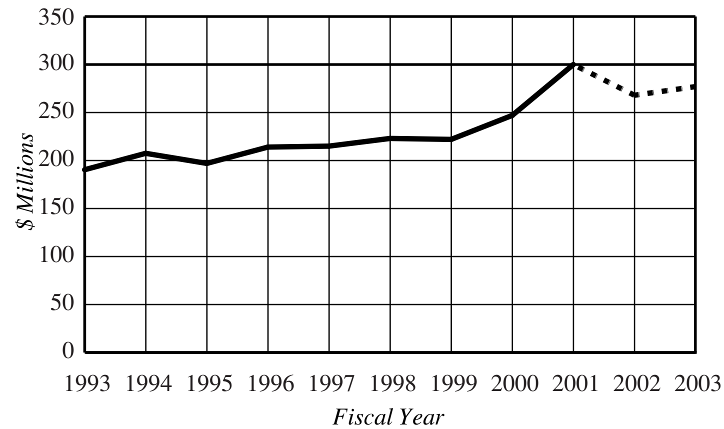
Sales tax revenue is forecast to grow an average of 4.6 percent on the continuing base in 2004 through 2006.

UTILITY TAX

The utility tax is projected to account for 1.3 percent of tax revenue in 2003, or $277 million.

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

UTILITY TAX 1993-2003



Legislative History: In 1933 enabling legislation allowed New York City to levy a gross income tax on utilities and vendors of utility services. The current rate of 2.35 percent was imposed on January 1, 1966. Since 1985, utility tax collections have been reduced by the Energy Cost Savings Program (ECSP) which granted a 30 percent rebate on electricity charges and a 20 percent rebate on natural gas charges to eligible nonresidential users operating in Brooklyn, the Bronx, Queens, Staten Island and Manhattan north of 96th Street. Non-retailers outside the City which relocate to the designated areas (after May 3, 1985) are also eligible. Effective November 1, 2000, legislation changed the ECSP rebate on electricity and gas from a discount on all utility charges to a discount solely on utility delivery charges. The legislation raised the rebate percentage to 45 percent of eligible electricity charges and 35 percent of eligible natural gas charges in an effort to maintain roughly the same benefit levels, in dollar terms, as previously. Currently, there are 819 companies participating in the rebate program. A similar program, the Lower Manhattan Energy Program, was incorporated into the Commercial Revitalization Program (effective 1995) and focused on stimulating economic development in lower Manhattan. The program offers a 12-year (13 years for buildings designated as landmarks) rebate on the electric bills of building owners who have improved their buildings by at least 20 percent of assessed value. The program reduced utility tax revenue by $11 million in 2001 and is expected to reduce revenue by $11 million in 2002 and $12 million in 2003.

The Competitive Business Energy Costs Program became effective in 1987 as part of an effort to lower the cost of doing business in New York City. Under this program, the City no longer required utility corporations selling electricity, natural gas and steam to pay the utility tax on revenue derived from business customers. These savings were to be passed on to businesses through lower utility rates. The program was in effect for only one year and is estimated to have reduced City tax revenue by approximately $30 million in 1988. The program was subsequently cancelled.

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

On March 13, 1997, Con Ed and the PSC entered into a settlement agreement with respect to the PSC's Competitive Opportunities proceeding, with PSC approval occurring on August 29, 1997. The settlement agreement features a five-year rate plan to facilitate the transition to competition, effective January 1, 1998. The five-year rate plan called for an immediate 25 percent electric rate reduction for Con Ed's largest industrial customers, a 10 percent rate reduction for other large industrial and commercial customers (which include office buildings, hospitals, colleges and universities) and a 3.3 percent rate reduction for residential and small commercial customers. The five-year rate plan superceded the prior 1995 rate agreement as of March 31, 1997, and the revenue requirement increase for the third rate year of the 1995 agreement was reversed. In calendar year 2000, Con Ed agreed to further reduce retail electric rates and extend the electric restructuring agreement by three years, to 2005. Effective October 1, 2000, the total reduction in retail distribution rates was 16.8 percent. Also an additional 200 megawatts of capacity became eligible for business rate incentives. The settlement agreement reduced utility tax revenue by $9 million in 2001, and is expected to reduce revenue by $10 million in 2002 and 2003.

As a result of the 1996 PSC Competitive Opportunities proceeding, the PSC ordered a complete restructuring of the State's energy utilities to encourage competitive markets. This agreement originally set the pace of deregulation in the State with the expectation of full retail access by 2006. The original PSC agreements provided a transition to a competitive retail market through the development of retail access plans, a reasonable recovery of strandable costs and the divestiture to unaffiliated third parties of approximately 50 percent of electric generating capacity in the City. The PSC agreements were revised in 2000, allowing for full retail access for all customers as of November 1, 2000. Additionally, Con Ed has completed the process of divesting itself of all its generating capacity. The impact of energy deregulation and State utility reform legislation is estimated to reduce utility tax revenue by approximately $2 million in 2002, $6 million in 2003 and with increasing public participation in the deregulated market, is expected to reduce revenue by approximately $25 million by 2006.

Forecast: The 2002 utility tax revenue is forecast at $268 million, a 10.6 percent decline over the prior year. In 2003, utility tax revenue is projected to increase 3.4 percent over 2002 to $277 million. The 2002 forecast is weak for a number of reasons. Since approximately 60 percent of the tax is paid by energy utilities, lower energy prices and a mild winter have reduced customer bills and subsequently, utility tax collections. The WTC attack also suppressed demand by interrupting and dislocating businesses in much of lower Manhattan for weeks and even months. In addition, ECSP credits of $7.3 million attributable to seven prior fiscal years were taken against 2002 tax payments in November. The growth in 2003 reflects a projected increase in energy prices due to a return to average seasonal temperatures. The ECSP is estimated to reduce collections by $35 million in 2002 and $29 million in 2003. In 2004 through 2006, utility tax revenue is forecast to decline an average of 0.7 percent as a result of the increasing public participation in competitive retail access. After adjusting for competitive retail access, growth from 2004 through 2006 averages 1.6 percent.

OTHER TAXES

All other taxes are projected to account for 2.7 percent of total City tax revenue in 2003, or $587.1 million.

2002-2003 Other Taxes Forecast
Excluding Tax Audit Revenue
($ Thousands)

Tax	2002 Forecast	2003 Executive Budget	Increase/(Decrease) From 2002 to 2003 Amount	Percent Growth
Hotel Room Occupancy	$190,000	$229,000	$39,000	20.5%
Auto Related Taxes				
Auto Use	33,200	33,200	0	0.0
Commercial Motor Vehicle	44,100	47,500	3,400	7.7
Taxi Medallions Transfer	3,600	3,600	0	0.0
Excise Taxes				
Beer and Liquor	21,500	21,500	0	0.0
Cigarette	27,000	25,000	(2,000)	(7.4)
Liquor License Surcharge	3,000	3,000	0	0.0
Horse Race Admissions	100	100	0	0.0
Off-Track Betting	3,700	9,400	5,700	154.1
Off-Track Betting Surtax	21,000	21,500	500	2.4
Miscellaneous				
Other Refunds	(15,200)	(15,200)	0	0.0
Payments in Lieu of Taxes (PILOTs)	143,639	107,200	(36,439)	(25.4)
Stock Transfer				
Waiver	70,800	67,300	(3,500)	(4.9)
Penalty & Interest Real Estate				
(Current Year)	10,000	10,000	0	0.0
Penalty & Interest Real Estate				
(Prior Year)	39,000	38,000	(1,000)	(2.6)
Penalty & Interest - Other Refunds	(14,000)	(14,000)	0	0.0
Total	$581,439	$587,100	$5,661	1.0%

HOTEL TAX

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

In 1994, both the State and City acted to reduce the hotel occupancy tax burden. Effective September 1, the State eliminated its five percent tax. Effective December 1, the City repealed its one percent tax increase, including the dedication of the one-quarter percent to tourism, returning the rate to five percent.

The hotel tax is forecast at $190 million in 2002, a decline of 21.5 percent from the prior year. The hotel industry suffered a major setback in the wake of the September 11th terrorist attack as tourism and business travel ground to a halt. Hoteliers cut room rates aggressively to boost demand but average daily occupancy rates fell 22 percent year-over-year for the month of September. Occupancy rates have gradually recovered since then and remain only slightly below the prior year levels for the first three months of calendar year 2002. Average daily room rates fell 30 percent in September and the decline has persisted, although to a lesser degree. For fiscal year 2002, room rates are forecast to average a decline of 15.0 percent and occupancy rates are forecast to decline an average of nine percent.

It is expected that this trend will reverse in the fall when demand is at its peak. In fiscal year 2003, average daily room rates are forecast to increase seven percent, to an average of $210. This remains below the nominal average price in 1999, but hoteliers are unlikely to regain the pricing power they enjoyed in recent years any time soon. Average occupancy levels are forecast to increase to almost 80 percent leading to a forecast of $229 million in hotel tax collections in 2003, growth of 20.5 percent. In the outyears of the plan, 2004 through 2006, hotel tax collections are forecast to increase an average of 5.5 percent as a result of moderate growth in average daily room rates and slight increases in the supply of hotel rooms.

AUTO RELATED TAXES

Auto Use Tax: This tax is imposed by the City on privately-owned vehicles at the annual rate of $15 per vehicle. The tax was first imposed on October 1, 1974, and the amount has since remained unchanged. The tax is administered by the State Department of Motor Vehicles, with an administrative charge levied on the City for this service. In 1990, taxpayers were required to change from annual to biennial payments to conform to a change in State registration procedures. This new procedure resulted in roughly half of all registrants in 1990 paying for two years, while the other half continued to pay only the annual fee. Revenue from the tax is projected to be $33.2 million in 2002 and in 2003.

Commercial Motor Vehicle Tax: This tax was first levied in 1960 on vehicles used for the transportation of passengers (medallion taxicabs, omnibuses and other for-hire passenger vehicles) and on all other commercial trucks and vehicles. The tax is charged at different rates, based on the purpose for which vehicles are used. Significant legislative changes in 1990 resulted in a revision of the rate schedules for many commercial motor vehicles. The rate for medallion taxicabs was raised to $1,000 per year, from $100 the previous year. Other for-hire passenger vehicles (livery cabs and omnibuses) pay $400 per year, a $300 increase over the 1989 rate. The rate schedule for other commercial vehicles weighing less than 10,000 pounds was left unchanged at $40 per year, while the rate for heavier vehicles was increased, with trucks weighing over 15,000 pounds paying the highest rate of $300 per year. Medallion taxicabs pay twice a year, in December and June, while owners of other types of commercial vehicles pay annually in June. In 2001, following a Department of Finance initiative the City transferred the collection and administration of the commercial motor vehicle tax for livery taxicabs and light trucks to the State, thereby improving the rate of compliance. Until 2001, all registrants for taxi and livery vehicles ran from March 1 through the end of February. Beginning in 2002, the State Department of Motor Vehicles will stagger the registration period for these vehicles so that the renewals will be spread throughout the year resulting in a one-time cash flow loss of $3.5 million in fiscal year 2002. Revenue from the tax is projected to be $44.1 million in 2002 and $47.5 million in 2003.

Taxi Medallion Transfer Tax: This tax is imposed at a rate of five percent of the consideration paid for transfers of taxicab licenses (medallions). The tax is expected to generate $3.6 million in 2002 and 2003.

EXCISE TAXES

Beer and Liquor Excise Tax: Since 1980, the City has imposed a tax on licensed distributors and non-commercial importers on the sale of beer and liquor within New York City. The current tax rate is 12 cents per gallon of beer and 26.4 cents per liter of liquor with an alcohol content greater than 24 percent. The City does not impose a tax on wine. The tax is administered by New York State. The tax is expected to generate $21.5 million in 2002 and in 2003.

Cigarette Tax: The City has imposed a tax on the sale of cigarettes in the City since 1952. The current rate is eight cents for each pack of 20 cigarettes and two cents for each five cigarettes or fraction thereof past 20. This tax is imposed in addition to a State cigarette tax which is currently $1.50 per pack after the increase of 39 cents effective April 3, 2002. Other tobacco products are not subject to the tax. Revenue from the cigarette tax has been steadily declining due to a reduction in cigarette consumption and the increase to the New York State tax rate per pack. Receipts from the cigarette tax are expected to be $27 million in 2002 and and $25 million in 2003.

Liquor License Surcharge: This tax is imposed on distributors and non-commercial importers of beer and liquor at a rate of 25 percent of the license fees payable under the New York State Alcoholic Beverage Control Law. This tax is expected to generate $3.0 million in 2002 and 2003.

Horse Race Admissions Tax: A three percent tax was imposed in 1952 on the price of all paid admissions to horse races held either partly or wholly within the City of New York. Revenue from this tax is expected to be $0.1 million in 2002 and 2003.

Off-Track Betting (Dividend), and Off-Track Betting Surtax: A surcharge is exacted on most bets placed at New York City Off-Track Betting offices, and on most bets placed statewide on races held within New York City. The dividend payment, reflecting OTB's current year profit, is estimated to be $3.7 million in 2002 and $9.4 million in 2003. Revenue is forecast at $21.0 million from the Off-Track Betting surtax in 2002, and $21.5 million in 2003.

MISCELLANEOUS

Other Refunds: These refunds are primarily paid out on the commercial rent tax and waiver and are projected to be $15.2 million in 2002 and 2003.

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

There are four primary sponsor agencies which serve as intermediaries between the City and the PILOT facility owner: New York City Housing Authority, Port Authority of New York and New Jersey, Industrial Development Agency and Battery Park City Authority. These agencies administer projects that comprise approximately 95 percent of PILOT payments received. Two smaller sponsors are the Economic Development Corporation and the Triborough Bridge and Tunnel Authority. PILOT revenue is expected to be $143.6 million in 2002 and $107.2 million in 2003. These amounts reflect reductions in the WTC PILOT in 2002 and 2003 to the contract base payment of $1.7 million from the 2001 payment level of $26.8 million and reductions in the Battery Park City Authority PILOT in 2003 reflecting lower assessments and higher delinquency resulting from the September 11 attack.

Stock Transfer Tax: The State repealed the City's stock transfer tax in 1980 and provided for annual appropriations of not more than $120 million as compensation. Until 1988, the State appropriated to the City approximately $118 million annually. Following a slowdown in State revenue growth, the appropriation was reduced to $83 million in 1990 and to $56 million in 1991. In 1992, the appropriation was restored to $114 million. In 2001, the appropriation was eliminated by the State.

Waiver (Personal Income Tax Nonresident City Employees): Under section 1127 of the New York City Charter, the City may collect payments from nonresident employees of the City or any of its agencies in an amount which equalizes their personal income tax liability to what it would be if they were residents. Revenue is projected to be $70.8 million in 2002 and $67.3 million in 2003.

Prior Year and Current Year Penalty and Interest - Real Estate: Taxpayers who do not pay their real property tax on time are liable for interest charges on outstanding balances. Interest is charged at a rate of nine percent for taxpayers whose annual liability is under $2,750 and 18 percent for all other taxpayers. Penalties and interest received against current year delinquencies are expected to be $10 million in 2002 and 2003, while penalty and interest collections from prior year delinquencies is expected to be $39 million in 2002 and $38 million in 2003.

Penalty and Interest - Other: Penalty and interest charges collected on outstanding balances for all taxes except the real property tax are reflected in penalty and interest-other. Starting in 2001, the processing bank no longer reports the penalty and interest collected separately. Revenue tracking under this heading is discontinued. The penalty and interest collected is appearing as a diminutive addition to the collections reported for the following taxes: commercial rent tax, liquor license surcharge, taxi medallion transfer tax and cigarette tax.

Penalty and Interest - Other Refunds: The City currently pays out interest on refunds claimed on overpayments against the first installment paid on business income taxes, on audits of the general corporation and unincorporated business taxes already collected by the Department of Finance but overturned by Federal or State rulings, and on payments made under protest by taxpayers who subsequently substantiate their claims. As a result of legislation, interest on overpayments claimed on amended returns is currently no longer paid for tax years beginning with 1989 as long as the refund is paid within a 90-day period. Penalty and interest - other refunds is projected to be $14 million in 2002 and 2003.

TAX ENFORCEMENT REVENUE

The Department of Finance targets delinquent taxpayers through agency audit activities, selected use of collection agencies and computer matches. Audits are forecast at $462.1 million in 2002 and $426.6 million in 2003.

MISCELLANEOUS RECEIPTS

Forecast of Miscellaneous Receipts

The non-tax revenue portion of City Funds is referred to as miscellaneous revenues. The 2003 Executive Budget includes eleven classes of miscellaneous revenues, which are discussed below.

Miscellaneous Revenues
($ in Millions)

	2002 Forecast	2003 Executive Budget	Forecast to Executive Budget Increase (Decrease)
Licenses	$45	$46	1
Permits	90	86	(4)
Franchises and Privileges	197	211	14
Interest Income	80	66	(14)
Tuition and Charges for Services	427	429	2
Water and Sewer Revenues	853	883	30
Rental Income	110	266	156
Fines and Forfeitures	465	489	24
Miscellaneous	852	724	(128)
Total Miscellaneous Revenues	$3,119	$3,200	$81

Miscellaneous revenues are estimated at $3,200 million in 2003, an increase of $81 million from 2002, exclusive of private grants and intra-city revenues. The revenue classes listed above are regrouped and described in the following three areas: Cost-based Charges (Licenses, Permits and Charges for Services); Water and Sewer revenues; and Other Income (Interest Income, Franchises, Rental Income, Fines, and Miscellaneous).

Cost-based Charges

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

Licenses

The City issues approximately 485,000 licenses. About 85,000 are non-recurring, 145,000 are renewed annually, and 255,000 biennially. The major sources of license revenue are taxi and limousine licenses, pistol licenses, marriage licenses, and various business licenses under the jurisdiction of the Department of Consumer Affairs.

The 2003 forecast for license revenue is $46 million, $1 million more than 2002. The increase is due to the biennial renewal period for certain business licenses.

Permits

Permits are issued to 800,000 individuals or entities for the use of facilities, premises or equipment. Approximately 240,000 permits are renewable on an annual basis, 60,000 are renewable biennially, and 70,000 are renewable triennially. Seasonal or single occurrence permits, such as tennis and building permits account for 430,000 additional permits, all of which are issued and regulated by nine City agencies.

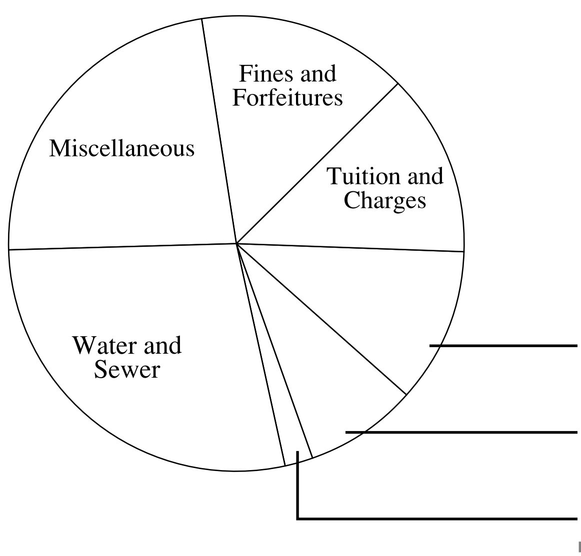
The major sources of revenue are permits for building construction and alterations, street openings, restaurants, hazardous materials, and air pollution control. The 2003 forecast for permit revenue is $86 million, $4 million less than 2002. The decrease is due to a decline in receipts for various construction-related permits issued by the Department of Buildings. This decrease is partially offset by new fees which will be implemented in 2003 by the Landmarks Preservation Commission and the Office of Film, Theater and Broadcasting.

Tuition and Charges for Services

The City collects tuition from students enrolled at community colleges. In addition, the City collects money from charges to the public and other governmental agencies for services rendered. There are over 100 different service fees in this category, including fees for parking, towing, Sheriff poundage, provision of school lunches, copies of reports, processing applications, searches, and performing fire and building inspections. The 2003 forecast for tuition and charges for services is $429 million, $2 million more than 2002. The increase is a result of increased tow and storage fees, new membership fees for adults at Parks Department recreation centers, and expanded commercial parking meter areas. Non-recurring revenues from the processing of 421-a tax exemption applications and the sale of several parking facilities in 2002 offset this increase.

COMPONENTS OF MISCELLANEOUS REVENUES

As a Percentage of 2003



28%	Water and Sewer
23%	Miscellaneous
15%	Fines and Forfeitures
13%	Tuition and Charges for Services
11%	Licenses, Permits and Franchises
8%	Rental Income
2%	Interest Income

Water and Sewer Revenues

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

The Water Board has proposed a 6.5 percent rate increase for 2003. The forecast for Water Board revenue is $1.58 billion, including a City payment of $35 million for municipal water and sewer charges and $93 million for interest on funds held by the New York City Municipal Water Finance Authority. The Water Board will pay $648 million for Water Board and Authority expenses and debt service. The City will receive $769 million for services rendered in the delivery of water and the collection, treatment, and disposal of waste water, and $114 million for the rental of the water supply and sewer system plant, in accordance with the lease agreement between the Water Board and the City.

Other Income

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

Interest Income

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

The 2003 forecast for interest earnings is $66 million, a decrease of $14 million from 2002. Lower cash balances and a change in the borrowing pattern and amount of revenue anticipation notes, partially offset by a projected increase in the interest rates, account for the change.

Franchises and Privileges

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

The 2003 forecast for franchise revenue is $211 million, compared to $197 million in 2002. The 2003 collections reflect additional revenue from new public pay phone franchises and a $10 increase in greens fees for adults at the City's public golf courses.

Rental Income

Rental income is derived from both long and short-term agreements for the occupancy of City-owned property, including condemnation sites and *in rem* buildings. Approximately 3,160 properties are rented from the City. Over 2,000 are *in rem* or condemnation sites, 160 are covered by long term agreements, and approximately 1,000 are schools that are rented on a per event basis after school hours.

The 2003 forecast for rental income is $266 million, $156 million more than in 2002. The increase is due to the City's expected ability to recover additional rental payments from the Port Authority of New York and New Jersey as a result of amounts owed, and the renegotiation of existing leases for Kennedy and LaGuardia airports. One-time rental income from Yankee and Shea stadiums, the declining inventory of residential units managed by the Department of Housing Preservation and Development, and lower revenue from percentage-based agreements collected by the Department of Citywide Administrative Services in 2002 offset this increase.

Fines and Forfeitures

The City collects fine revenue through courts and administrative tribunals for violations issued under the Administrative Code, Vehicle and Traffic Law, and other laws. Forfeiture revenue is obtained from the surrender and conversion of bail and cash bonds, and contractors' performance bonds. The 2003 forecast for forfeitures is $4.1 million, $2.4 million less than 2002. One-time revenues, resulting from the elimination of backlogs in several City agencies in 2002, account for the change. The revenue expected from fines in 2002 and 2003 is listed below:

Fine Revenue

SOURCE ($ in 000's)	2002 FORECAST	2003 EXECUTIVE BUDGET
Parking Violations	$364,427	$384,957
Environmental Control Board	42,000	39,231
Traffic Violations	12,000	18,067
Department of Health	9,500	12,907
Taxi and Limousine Commission	6,941	7,441
State Court Fines	7,085	7,085
Department of Buildings	7,000	6,250
Department of Consumer Affairs	4,452	5,132
Other sources	4,771	3,830
Total	$458,176	$484,900

The Parking Violations division of the Department of Finance is forecasted to collect $385 million in parking fines in 2003, $21 million more than 2002. Parking violation revenue in 2002 was lower due to a temporary decrease in issuance after the World Trade Center attack. The Department will continue to enhance customer service and improve collections by offering expanded electronic payment options, instituting various enforcement proceedings to increase payments from Diplomatic Missions and Consulates, and initiating a program to improve the processing of parking summonses that currently cannot be collected. The use of hand held computers by the Police Department to issue parking summonses will improve the accuracy of parking tickets and increase collections.

The Red Light Camera program is designed to promote safe, responsible driving by photographing and fining vehicles "running" red lights. To further enhance the effectiveness of the Red Light Camera program, DOT will install over 200 dummy and spare red light cameras at various intersections throughout the City. DOT will begin rotating red light cameras among various locations as drivers become aware of the operation of a red light camera at an intersection and the number of drivers "running" a red light at that intersection declines.

The Environmental Control Board (ECB) adjudicates approximately 650,000 notices of violations issued by over a dozen City agencies for infractions of the City's Administrative Code related to street cleanliness, waste disposal, street peddling, fire prevention, air, water and noise pollution, building safety and construction, and other quality of life issues. ECB will collect $39 million, $3 million less than in 2002. Unanticipated additional enforcement resources available in 2002 account for this change. In 2003 several fine increases will be implemented, including an increase in the minimum fine amount from $25 to $50 for recycling violations, an increase in the penalty structure for asbestos and lead infractions, and doubling of the fine amount for three of the most common street construction violations. The ECB conducts hearings and enforces judgments for all of these violations.

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

Miscellaneous

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

The 2003 forecast for miscellaneous revenue is $724 million, $128 million less than in 2002. This decrease is a result of Transitional Finance Authority reimbursement in 2002 for costs relating to the World Trade Center attack, and non-recurring revenues from the disposition of surplus commercial and residential real property, including economic development sites. Proceeds from the transfer of tax benefits of a City-owned asset to a private entity and reimbursement of landfill closure costs will partially offset this loss.

Private Grants

The Executive Budget includes $428 million in private grants in 2003, $317 million less than 2002. The reduction is a result of Transitional Finance Authority reimbursement in 2002 for costs relating to the World Trade Center attack. Additional private grant funding will be modified into the budget during the course of the year, as additional funding sources are identified and grants are defined.

Interfund Revenues

Interfund Revenues (IFA's) reflect reimbursement by the Capital Fund for expenditures of the General Fund for first-line architectural, engineering, and design costs incurred by the City's own engineering and support staff. These costs are assigned to particular capital projects and are valid capital charges under generally accepted accounting principles. In 2003, IFA reimbursements will be $324 million.

CAPITAL BUDGET

The Executive Capital Budget and Four-Year Plan, 2003-2006

The 2003 Executive Capital Budget includes new appropriations of $5.8 billion, of which $5.4 billion are to be funded from City sources. These appropriations, together with available balances from prior years, authorize total commitments for 2003 of $7.2 billion, of which $6.5 billion will be City-funded. City funds include proceeds of bonds issued by the City Municipal Water Finance Authority and the State Dormitory Authority, and the New York City Transitional Finance Authority as well as City general obligation and Tobacco Settlement bonds. As indicated in the table below, the targeted level for City-funded commitments is $6.2 billion in 2003. The aggregate agency-by-agency authorized commitments of $6.5 billion exceed the 2003 financial plan by $291.0 million. Excess authorizations in this proportion have proven necessary to achieve commitment spending targets by accommodating such factors as project scope changes and delays.

FY 2002-2006 Commitment Plan
($ in millions)

	2002		2003		2004		2005		2006	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Environmental Protection										
• Equipment	$209	$332	$84	$84	$56	$128	$47	$47	$14	$14
• Sewers	283	283	214	214	153	153	107	107	80	80
• Water Mains	589	593	363	363	366	366	467	467	407	407
• Water Pollution Control	946	971	944	974	1,612	1,637	632	657	354	379
• Water Supply	178	178	106	106	21	21	482	482	140	140
Subtotal	**$2,204**	**$2,357**	**$1,711**	**$1,742**	**$2,208**	**$2,306**	**$1,734**	**$1,759**	**$995**	**$1,020**
Transportation										
• Mass Transit	$535	$535	$106	$106	$106	$106	$106	$106	$106	$106
• Highways	302	329	291	350	280	324	305	344	335	353
• Highway Bridges	111	152	462	529	280	315	661	774	443	443
• Waterway Bridges	63	51	259	323	329	359	15	15	146	146
Subtotal	**$1,011**	**$1,068**	**$1,118**	**$1,308**	**$996**	**$1,104**	**$1,088**	**$1,240**	**$1,029**	**$1,048**
Education & Hospitals										
• Education	$1,168	$1,171	$870	$895	$888	$898	$836	$836	$1,085	$1,085
• Higher Education	65	75	8	8	6	6	3	4	21	28
• Hospitals	301	301	275	275	90	90	16	16	29	29
Subtotal	**$1,535**	**$1,548**	**$1,153**	**$1,179**	**$984**	**$995**	**$856**	**$856**	**$1,135**	**$1,142**
Housing And Economic Development										
• Housing	$423	$552	$296	$430	$268	$400	$310	$432	$403	$478
• Economic Development	574	957	203	235	81	81	85	85	233	233
Subtotal	**$997**	**$1,509**	**$499**	**$664**	**$349**	**$481**	**$395**	**$518**	**$636**	**$711**
City Operations & Facilities										
• Correction	$133	$133	$109	$109	$119	$123	$138	$138	$169	$169
• Fire	256	256	127	127	42	42	97	97	116	116
• Police.	164	164	227	227	66	66	47	47	88	88
• Public Buildings	185	185	165	167	93	93	84	84	138	138
• Sanitation	240	240	228	242	158	158	252	252	290	290
• Parks	322	342	156	185	76	76	52	52	171	174
• Other	1,693	1,853	1,017	1,289	1,226	1,293	356	369	1,079	1,128
Subtotal	**$2,992**	**$3,173**	**$2,028**	**$2,346**	**$1,781**	**$1,852**	**$1,025**	**$1,038**	**$2,051**	**$2,103**
Total Commitments	**$8,740**	**$9,654**	**$6,510**	**$7,239**	**$6,317**	**$6,737**	**$5,099**	**$5,412**	**$5,847**	**$6,024**
Reserve For Unattained Commitments	**(3,059)**	**(3,059)**	**(291)**	**(291)**	**(34)**	**(34)**	**414**	**414**	**(116)**	**(116)**
Commitment Plan	**$5,681**	**$6,595**	**$6,219**	**$6,948**	**$6,283**	**$6,703**	**$5,513**	**$5,826**	**$5,731**	**$5,908**
Total Expenditures	**$4,987**	**$5,550**	**$4,745**	**$5,406**	**$5,248**	**$5,896**	**$5,725**	**$6,228**	**$5,393**	**$5,780**

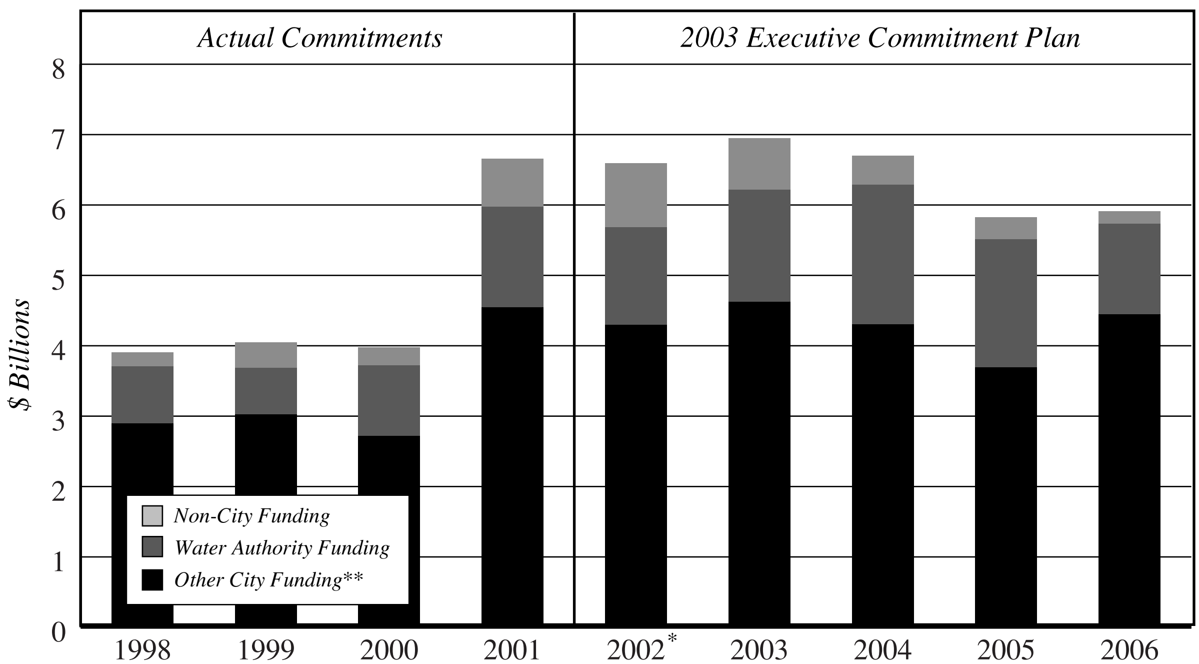
**Note: Individual items may not add to totals due to rounding*

Non-City Funding Sources

Non-City capital funding sources include $728.9 million in the 2003 plan and $1.6 billion over the 2003-2006 four-year plan period. The majority of non-City funding supports Transportation, Housing, and Environmental Protection programs.

Transportation programs are projected to receive non-City funding of $805.9 million over the 2003-2006 period, with $716.5 million from the Federal government and $89.2 million from the State, and private funds of $0.2 million. Housing programs anticipate non-City funding of $462.5 million in the 2003-2006 period, consisting of $405.0 million in Federal funding and $57.5 million in private funds. Environmental Protection programs anticipate receiving $178.0 million in non-City funding over the 2003-2006 period, with $5.4 million from the Federal government and $172.6 million in State funds.

FY 1998-2006 CAPITAL COMMITMENTS BY FUNDING SOURCE



* *Projected*

** *Includes general obligation and Tobacco Settlement bond-funded program, Courts program to be financed by the State Dormitory Authority.*

The Capital Program since 1998

The table below illustrates the changes in the size of the City's capital program over the 1998-2001 period.

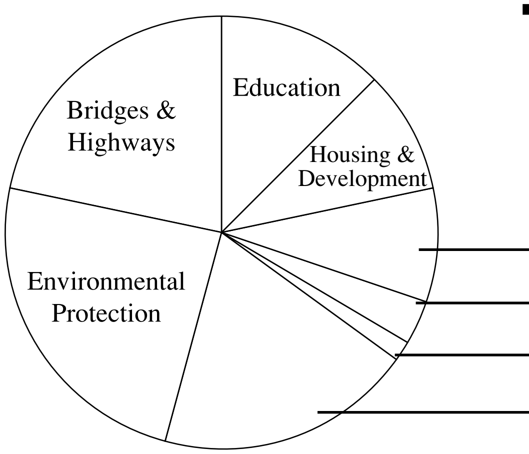
FY 1998 - 2001 Commitments
($ in millions)

	1998		1999		2000		2001	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Environmental Protection								
• Equipment	$98	$98	$81	$81	$74	$85	$60	$68
• Sewers	184	184	185	185	224	224	90	90
• Water Mains	152	152	200	203	212	212	178	178
• Water Pollution Control	320	321	198	198	408	412	970	970
• Water Supply	58	58	4	4	85	85	130	130
Subtotal	**$812**	**$813**	**$668**	**$671**	**$1,003**	**$1,018**	**$1,428**	**$1,436**
Transportation								
• Mass Transit	$123	$122	$116	$116	$109	$109	$91	$91
• Highways	168	185	171	184	111	115	214	223
• Highway Bridges	119	123	92	94	193	228	147	198
• Waterway Bridges	152	127	177	355	82	86	127	269
Subtotal	**$561**	**$557**	**$556**	**$749**	**$496**	**$538**	**$579**	**$781**
Education & Hospitals								
• Education	$1,246	$1,246	$1,400	$1,400	$1,123	$1,160	$2,178	$2,429
• Higher Education	9	11	12	14	10	11	7	8
• Hospitals	23	23	56	56	19	19	65	65
Subtotal	**$1,278**	**$1,279**	**$1,468**	**$1,470**	**$1,152**	**$1,191**	**$2,250**	**$2,502**
Housing And Economic Development								
• Housing	$116	$241	$161	$259	$182	$294	$261	$390
• Economic Development	55	69	54	59	21	21	202	213
• Port Development	4	4	0	0	0	0	0	0
Subtotal	**$175**	**$314**	**$215**	**$318**	**$203**	**$315**	**$463**	**$603**
City Operations & Facilities								
• Correction	$81	$81	$63	$74	$59	$59	$107	$108
• Fire	56	56	66	66	49	49	120	120
• Police	47	47	46	46	37	11	43	43
• Public Buildings	54	54	65	67	80	84	79	81
• Sanitation	102	102	63	63	198	198	150	150
• Parks	153	165	158	174	141	147	205	207
• Other	390	434	323	352	304	364	554	626
Subtotal	**$882**	**$939**	**$784**	**$842**	**$868**	**$912**	**$1,257**	**$1,336**
Total Commitments	**$3,709**	**$3,904**	**$3,691**	**$4,050**	**$3,721**	**$3,974**	**$5,977**	**$6,658**
Total Expenditures	**$3,631**	**$3,985**	**$4,385**	**$4,786**	**$3,919**	**$4,256**	**$4,389**	**$5,310**

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

2003 AUTHORIZED CAPITAL COMMITMENTS, BY PROGRAM

($ in Millions - All Funds)



% of Plan	Program	2003 Plan
24.1%	Environmental Protection	$1,742
21.7%	Bridges & Highways	1,572
12.5%	Education	903
9.2%	Housing & Development	664
8.5%	Administration of Justice	612
3.3%	Sanitation	242
1.5%	Mass Transit	106
19.2%	Other City Services	1,398
	Total	**$7,239**

Environmental Protection and Sanitation

- Water Supply: construction of the Hillview Chlorination Building ($43.3 million); modifications at the Hillview Chamber ($32.0 million); the continuation of the third water tunnel, Stage 2 ($18.5 million).

- Wastewater Treatment: construction related to the Newtown Creek Wastewater Treatment Plant upgrade ($112.2 million); upgrades to plants located in the Upper East River due to plant stabilizations and reducing nitrogen discharge levels ($445.0 million); the Alley Creek Water Quality Improvement Project ($124.0 million).

- Water Mains: investigation and reconstruction of the Delaware Aqueduct ($55.9 million); replacement of water mains in the Jamaica Water Supply ($13.7 million); water main reconstruction in Richmond Road, Staten Island ($13.3 million); continued purchases of upstate properties in the West Hudson Watershed ($17.2 million); reconstruction of the Middle Branch Dam ($17.5 million); design of the UV Disinfection facility ($26.0 million).

- Sewers: construction of storm and sanitary sewers in Gateway Estates ($16.3 million); reconstruction of sanitary and storm sewers in Clermont Avenue, Staten Island ($16.4 million); elimination of combined sewers in Fort Hamilton Parkway, Brooklyn ($4.5 million).

- Equipment: various water conservation initiatives, including water meter replacements ($18.0 million) and the toilet rebate program ($20.0 million).

- Sanitation: construction and reconstruction of sanitation garages city-wide ($197.8 million).

Transportation

- Bridges: the continued reconstruction/rehabilitation of the four East River Bridges; the reconstruction of 2 bridge structures rated “poor” and 25 bridge structures rated “fair”; protective coating of the Queensboro Bridge and Brooklyn Bridge ($851.8 million).

- Highways: the reconstruction and/or resurfacing of 276.3 linear miles (921.0 lane miles) of streets; reconstruction of sidewalks and installation of pedestrian ramps ($349.9 million).

- Ferries and Buses: the reconstruction and improvement of various ferry vessels and facilities; the purchase of CNG-fueled buses, equipment and the rehabilitation of bus facilities for the City’s subsidized franchise transit program ($242.7 million).

- Other Transit: contribution to the MTA’s capital program including subway and bus fleet enhancement, infrastructure and improvements, in-house track rehabilitation, reconstruction of bus and subway lines and facilities ($106.3 million).

Education, Health and Social Services

- Education: a total program of $895.2 million; new school construction ($328.9 million); expand facilities through leases, building additions, transportables, modular classrooms and new athletic fields and playgrounds ($100.3 million); rehabilitate, replace and upgrade building components ($202.3 million); modernize school buildings ($30.6 million); make capital improvements that enhance educational programs ($58.3 million); address the need for security systems, emergency lighting and code compliance ($11.9 million); and cover emergency projects, research and development, and prior plan completion costs ($162.9million).

- Higher Education: a total program of $7.9 million; the purchase and installation of EDP and other equipment ($2.4 million); expansion of the Library Café at Brooklyn College ($1.1 million); other renovations and rehabilitation ($3.9 million).

- Health: construction of a Queens County Mortuary ($11.0 million); continued upgrade of the heating, ventilation, and air conditioning (HVAC) and fire alarm systems at the New York City Health Department Laboratory in Manhattan ($6.6 million); construction of a free-standing mortuary at Kings County Hospital in Brooklyn ($3.6 million); renovation of the Manhattanville Health Center ($3.5 million); continued renovation at the Jamaica Health Center and construction of a new tuberculosis clinic ($3.2 million); upgrade of the tuberculosis laboratory in Manhattan from Bio-level II to Bio-level III ($1.9 million); the replacement of the emergency generator at the Vector and Bioterrorism Level III laboratory in Manhattan ($1.8 million).

- Administration for Children’s Services: the renovation of congregate foster care facilities ($4.0 million); construction and renovation of child care facilities ($12.7 million); renovation and furnishing of ACS offices ($11.7 million); technology and telecommunication to streamline agency operations ($16.7 million).

- Aging: renovation of existing senior centers in neighborhoods with growing populations ($18.2 million); conversion of the Provider Data System (PDS) and Uniform Benefits System to a web based platform ($1.0 million); development of a grants management computer system to support contract monitoring and grant-related reporting requirements ($1.0 million).

- Homeless Services: renovation projects for homeless families, including the Emergency Assistance Unit, Dean Street, Jamaica Assessment and Auburn ($9.8 million); renovation of facilities for single adults including the Park Slope Armory, Brooklyn Women's Shelter, Charles Gay and Kingsboro facility ($18.7 million); renovation of administrative areas, computer systems and equipment purchases ($6.2 million).

- Human Resources: complete installation of the Paperless Office System at Job Centers ($42.3 million).

Housing and Development

- Housing: disposition and rehabilitation of approximately 2,500 dwelling units through various privatization initiatives ($186.3 million); development starts of over 1,800 new dwelling units through the New York City Partnership, Nehemiah, Alliance for Neighborhood and Home Ownership Revitalization (ANCHOR) programs ($49.5 million); provision of low-interest loans to finance the rehabilitation and preservation of approximately 4,800 low and moderate-income units in privately owned buildings under the Article 7A, Article 8A, Participation Loan, Small Homes, and Housing Preservation (also referred to as Third Party Transfer) programs ($110.4 million); and production of 400 units for low-income and homeless individuals, including those with HIV/AIDS or mental illness, through the Supportive Housing Loan Program ($38.5 million). Production levels will be dependent on the availability of federal HOME funds.

- Housing Authority: upgrade of underground steam mains at Bayview Houses, Brooklyn consisting of 1,610 dwelling units ($3.6 million); upgrade of steel bar fencing at Linden Houses, Brooklyn, consisting of 1,586 dwelling units ($1.3 million); and upgrade of underground steam mains at Marble Hill Houses, the Bronx, consisting of 1,682 dwelling units ($1.3 million).

- Economic Development: redevelopment of the BAM Cultural District ($8.5 million); reconstruction of Whitehall Ferry Terminal ($29.0 million); reconstruction of St. George Ferry Terminal ($38.0 million); infrastructure improvements at the Brooklyn Navy Yard ($5.0 million); rehabilitation of the Battery Maritime Facility ($4.0 million); rehabilitation of the Passenger Ship Terminal ($7.0 million); reconstruction of the South Brooklyn Marine Terminal-39th Street Bulkhead ($7.0 million).

Administration of Justice and Public Safety

- Correction: 448-cell addition to the George R. Vierno Center ($68.0 million); upgrade and replacement of computer and telecommunication equipment ($13.0 million); replacement of food service equipment ($4.0 million); replacement vehicles ($3.0 million).

- Courts: reconstruction of elevators in court facilities in the Bronx, Brooklyn and Manhattan ($20.9 million); electrical upgrade work in court facilities in the Bronx, Brooklyn, Staten Island and Manhattan ($3.2 million); Americans with Disabilities Act (ADA) compliance work in court facilities in Staten Island, Brooklyn and Manhattan ($4.8 million); systems upgrade work at the Midtown Community Court in Manhattan ($5.4 million); reconstruction of bathrooms in the Manhattan Criminal Court building ($4.2 million).

- Police: construction of a new 40th Precinct ($20.9 million); reconstruction of Central Park Precinct ($11.4 million); upgrade Automated Fingerprint Identification System ($0.7 million); lifecycle replacement of vehicles ($13.1 million).

- Fire: replacement of front-line fire-fighting and support vehicles ($44.0 million); rehabilitation and renovation of firehouses and EMS stations ($19.0 million); construction of two combined firehouse and EMS stations ($18.2 million); renovation and construction at the Randall's Island training facility ($10.7 million); the development of management information systems ($12.4 million); and the upgrade and development of communication systems ($8.6 million).

Recreation and Culturals

- Parks: focused reconstruction and replacement of safety surfaces, play equipment and paths to improve the overall condition of parks ($13.0 million); planting of street trees ($7.0 million); reconstruction of Marine Park Field House ($2.5 million); reconstruction of Columbus Circle ($5.0 million); environmental mitigation work at White Island ($6.6 million); and construction of the Tiger Mountain Exhibit at the Bronx Zoo ($8.1 million).

- Public Libraries: design for the full renovation and expansion of the Mid-Manhattan branch ($4.2 million); renovation of the Stapleton Branch on Staten Island ($2.1 million); construction of a new Bronx Borough Centre ($17.1 million); extensive renovation at the Kingsbridge branch library in the Bronx ($4.5 million); extensive renovations at the Brooklyn Central Library, which includes a new auditorium and a new front plaza ($6.8 million); the acquisition and renovation of the Kensington Branch Library ($2.9 million); construction of a new branch in Long Island City in Queens ($4.5 million); and the expansion of the Corona branch ($1.6 million).

- Department of Cultural Affairs: improvements to the New York Botanical Garden ($15.0 million); reconstruction and expansion at the Metropolitan Museum of Art ($10.8 million); reconstruction of the Hall of Ocean Life at the American Museum of Natural History ($10.6 million); new administrative building at the Queens Botanical Garden Society ($9.9 million); a Master Plan including renovations and upgrades at Lincoln Center for the Performing Arts ($10.0 million); conversion of the Lion House at the Bronx Zoo into a new Madagascar Exhibit and administrative space ($10.0 million); renovations at the Brooklyn Academy of Music ($7.5 million); an aquatic animal medical facility at the New York Aquarium ($7.1 million); major upgrade of the Jamaica Center for Arts and Learning ($6.9 million); addition to the existing Brooklyn Children's Museum building ($3.9 million); reconstruction at El Museo del Barrio ($3.9 million); reconstruction and an addition to the Bronx Museum of the Arts ($3.6 million); new Sculpture Garden at the Studio Museum of Harlem ($2.9 million); expansion of Queens Museum of Art ($2.2 million); restoring of the historic Hunterfly Houses at Weeksville ($2.0 million); renovations at Snug Harbor Cultural Center ($1.2 million).

Department of Citywide Administrative Services

- Public Buildings: the reconstruction of public buildings and City owned office space ($92.9 million); including interior rehabilitation of the Manhattan Municipal Building ($24.9 million) and construction of an new command center for the Office of Emergency Management ($15.0 million); compliance with legal mandates ($29.2 million), including vapor control and leak detection equipment for petroleum underground storage tanks ($11.7 million); lead and asbestos abatement ($11.3 million) and compliance with the Americans with Disabilities Act ($0.7 million); the renovation of leased space ($26.1 million), including the renovation of space for the Civilian Complaint Review Board ($4.1 million); and the reconstruction of waterfront and other properties ($11.1 million) and including construction at the Kingsbridge Armory ($7.5 million).

Borough Presidents' Allocations

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

FY 2003-2006 Borough Presidents' Allocations*
(City Funded Appropriations $ in thousands)

	2003	2004	2005	2006
Bronx Program				
Children's Services	$366	—	—	$109
Education	380	—	—	—
Economic Development	2,050	—	—	—
Housing Authority	500	—	—	—
Housing	2,143	475	—	—
Higher Education	—	—	18	261
Highways	—	1,411	—	—
New York Public Library	419	—	—	419
Parks	1,450	900	—	174
Cultural Affairs	210	879	—	—
Real Property	24	—	—	—
GRAND TOTAL: BRONX	$7,542	$3,665	$18	$963
Brooklyn Program				
Education	$1,000	—	—	—
Economic Development	—	3,077	1,710	11,279
Housing	2,000	—	—	—
Higher Education	696	922	53	27
Brooklyn Public Library	2,118	2,000	2,462	674
Parks	2,704	2,850	2,600	8,789
General Services-Equipment	350	—	—	—
Cultural Affairs	5,848	5,176	8,414	135
Public Buildings	506	—	—	—
GRAND TOTAL: BROOKLYN	$15,222	$14,025	$15,239	$20,904

** Appropriations include reallocation of prior amounts recommended by the borough presidents.*
***Note: Individual items may not add to totals due to rounding.*

FY 2003-2006 Borough Presidents' Allocations*
(City Funded Appropriations $ in thousands)

	2003	2004	2005	2006
Manhattan Program				
Economic Development	$1,463	—	—	$36
Housing	47	700	250	—
Higher Education	227	—	—	—
Hospitals	1	—	—	—
New York Public Library	26	—	—	26
Parks	311	—	—	—
General Services-Equipment	250	—	—	—
Cultural Affairs	815	322	93	1,250
Sanitation	80	—	—	—
Transit	250	250	—	—
GRAND TOTAL: MANHATTAN	$3,470	$1,272	$343	$1,312
Queens Program				
Education	$500	—	—	—
Economic Development	1,570	1,500	500	—
Higher Education	1,127	—	—	—
Hospitals	617	—	—	—
Parks	1,578	1,935	—	80
Cultural Affairs	6,300	8,545	7,500	5,555
Public Buildings	4,000	—	—	—
Traffic	1,000	—	—	—
GRAND TOTAL: QUEENS	$16,692	$11,980	$8,000	$5,635
Staten Island Program				
Children's Services	$218	—	—	—
Higher Education	137	—	—	11
Parks	2,500	—	—	—
Cultural Affairs	250	—	—	—
Public Buildings	513	—	—	—
Sewers	50	—	—	—
Water Mains	50	—	—	—
GRAND TOTAL: STATEN ISLAND	$3,718	$0	$0	$11

** Appropriations include reallocation of prior amounts recommended by the borough presidents.*
***Note: Individual items may not add to totals due to rounding.*

Management Initiatives

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

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

Capital Program Management

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

The consolidation of design and construction into a single agency allows for the elimination of duplicative program units within agencies; the standardization of construction procedures and practices; the implementation of reforms of current practices relating to procurement for construction projects; and the expansion of the use of construction-related technology, such as Computer-Aided Drafting and Design (CADD); and a project management information system. The Department also enables the city to coordinate a wide variety of construction projects with utilities, community representatives, and private industry, thus minimizing the disruption to individual neighborhoods caused by water-main projects, sewer construction, and road work, as well as reducing the costs associated with such projects. The Department of Design and Construction serves 15 client agencies.

Capital Asset Inventory and Maintenance Program

The charter requires an annual assessment of the city's major assets including buildings, piers, bulkheads, bridges, streets and highways, and the preparation of maintenance schedules for these assets. This message, used by agencies for capital planning purposes, includes, as a separate volume, a reconciliation of the amounts recommended in the condition assessment with amounts funded in the budget.

Value Engineering

Value Engineering (VE) is a systematic analytical methodology directed toward analyzing the functions of projects for the purpose of achieving the best value and most effective operation at the lowest life-cycle project cost. During the past three years, the VE program has utilized innovations in value management methodologies to evaluate a more diverse group of projects, widening the scope and depth of project reviews to include agencies' operations and processes, and independent cost estimating.

Value Engineering is a collaborative effort between all concerned city agencies with budgetary and operational jurisdiction over a project, and outside consultants with expertise on critical project components. The City has utilized VE effectively in the last dozen years on mainly large-scale capital projects with a view to controlling costs. However, the VE process does not only result in cost reductions, but also frequently generates project improvements, and anticipates and solves functional problems by raising relevant issues early in the design process which could adversely compromise the project's development, cost and schedule. Projects scheduled for upcoming VE reviews include several waste water and water treatment plants, reconstruction of two major hospitals, design for a criminal court and several bridges.

The VE Review has also been applied with equal success to small unique projects where the focus might not be on controlling costs but on some other aspect of project development. Value Analysis (VA) is applied to the review of the City's operational processes and functions to assist agencies in streamlining their procedures.

Independent Cost Estimating (CE) verifies the reliability of agency design estimates and the adequacy of the projected capital funding.

FINANCING PROGRAM

The City's financing program projects $32.9 billion of long-term borrowing for the period of 2002 through 2006 to support the City's current capital program and other expenses. Over 95 percent of the financing will be implemented through four bond issuing entities: the City, through its general obligation (GO) bonds, the New York City Transitional Finance Authority (TFA), the New York City Municipal Water Finance Authority (NYW or the Authority) and TSASC, Inc. In addition, the City will utilize the Dormitory Authority of the State of New York (DASNY), and the Jay Street Development Corp. (JSDC) to fund various capital initiatives. On September 13, 2001, the TFA was given statutory authority to finance costs related to or arising from the terrorist attack on New York City that occurred on September 11. Pursuant to that authority, the TFA also plans to issue approximately $2 billion of long-term debt in fiscal year 2003. The JSDC will issue bonds secured by City rental payments to fund the construction of a court building at 330 Jay Street in Brooklyn. Also through financing lease arrangements, DASNY is expected to issue bonds for the City's court facilities program and the expansion and reconstruction of three hospital facilities. The annual financing amount during the plan period for each of the bond issuing entities is listed in the table below. As shown, the City will issue approximately $13.7 billion of its GO bonds, which represents the largest share, 42 percent, of the total program. NYW's annual bonding amount will average about $1.7 billion, excluding $1.3 billion of refunding bonds issued in 2002. The aggregate NYW financing during the plan period will account for approximately 30% of the total program. TSASC, Inc. will postpone its FY2002 financing and will issue two $600 million transactions in FY2003 and completed its final $600 million issue in FY2004. TFA financing during the plan period will account for 18% of the total program, including the $2 billion financing for recovery costs.

Financing Program
(In Millions)

	2002	2003	2004	2005	2006	Total
City General Obligation Bonds	$2,650	$1,000	$2,340	$4,000	$3,680	$13,670
Transition Finance Authority *(1)*	3,200	2,100	555	0	0	5,855
TSASC *(2)*	46	1,309	604	0	0	1,959
Water Finance Authority *(3)*	2,966	1,598	1,648	1,909	1,859	9,980
DASNY and Other Conduit Debt *(4)*	0	753	230	230	230	1,443
Total	$8,862	$6,760	$5,377	$6,139	$5,769	$32,906

(1) TFA includes Bond Anticipation Notes (BANs) and bonds issued to fund the city's capital program, Recovery Notes and Recovery Bonds issued to pay costs related to the September 11 attack and excludes bonds issued to defease BANs and to defease Recovery Notes.

(2) $125 million of TSASC FY2002 financing will fund the closing costs of Fresh Kills landfill. The City expects to derive net proceeds of approximately $2.2 billion from TSASC for capital purposes, including the $604 million of proceeds from the November 1999 TSASC financing and the $150 million TIFIA loan. The $46 million in FY2002 represents actual amount drawn from TIFIA to date.

(3) NYW includes commercial paper, FY2002 refunding bonds issued to date and reserve amounts. Figures do not include bonds that defease commercial paper.

(4) DASNY and other conduit debt includes DASNY financing of the City court capital program and three HHC projects, Jay Street Development Corp. financing of the 330 Jay Street project, and other conduit financings.

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

Debt Outstanding
(In Millions)

(As of June 30)	2002	2003	2004	2005	2006
City General Obligation Bonds	$28,460	$28,030	$28,864	$31,349	$33,505
Transition Finance Authority	9,311	11,436	12,358	12,629	12,261
TSASC	694	2,024	2,516	2,494	2,470
MAC	2,880	2,525	2,151	1,758	1,354
DASNY and Other Conduit Debt	2,422	2,959	3,263	3,408	3,600
Total Debt Outstanding	$43,767	$46,973	$49,153	$51,639	$53,190
Water Finance Authority	11,222	12,822	14,257	15,930	17,549

Annual Debt Service Costs
(In Millions)

	2002	2003	2004	2005	2006
City General Obligation Bonds*	$2,553	$2,559	$3,025	$3,165	$3,365
Transition Finance Authority	473	678	893	1,031	1,051
TSASC	55	118	169	199	200
MAC**	463	255	489	490	492
DASNY and Other Conduit Debt**	169	199	221	260	339
Total Debt Service	$3,712	$3,809	$4,798	$5,146	$5,448
Water Finance Authority	668	759	885	1,019	1,145

* Includes short-term (RANs) interest costs. Excludes prepayments of debt service.
**Excludes prepayments of debt service.

Debt Burden

(As of June 30)	2002	2003	2004	2005	2006
Total Debt Service (NYC GO, Lease, MAC, TFA & TSASC) as %:					
a. Total Revenue*	8.87%	8.93%	11.37%	11.89%	12.30%
b. Total Taxes*	16.53%	16.31%	19.36%	19.75%	19.98%
c. Total NYC Personal Income	1.21%	1.20%	1.43%	1.45%	1.46%
Total Debt Outstanding (NYC GO, Lease, MAC, TFA & TSASC) as %:					
a. Total NYC Personal Income	14.27%	14.79%	14.69%	14.58%	14.30%

* Total revenues include amounts required to support TFA and TSASC debt service.
** Total tax includes amount required to support TFA debt service.

The Events of September 11, 2001

Within hours of the collapse of the Twin Towers of the World Trade Center, the bond financing staff of the City and of its various financing authorities had re-established regular and effective communication with its financial advisors, bond counsels, underwriters, remarketing agents, trustees and paying agents, auction agents, letter of credit banks, bond insurers, rating agencies and with the Depository Trust Corporation. This was particularly important with regard to the variable rate debt of the City and its financing authorities, much of which is remarketed on a daily or weekly basis. All of parties named above functioned effectively on behalf of the City in the hours and days immediately after the events of September 11th. There were no failed remarketings or auctions on variable rate debt and no missed debt service payments on any debt. The rating agencies were kept fully informed of the City's response to the tragedy and of its plans for recovery. Investor conference calls were held which were widely advertised as being open to participation by all investors. The bond finance and finance legal staff from the Office of Management and Budget, the City Law Department and the various City financing authorities established temporary office quarters in the headquarters of the City pension systems in Brooklyn until the Office of Management and Budget was able to move its staff and the bond finance staff back to Lower Manhattan in November 2001.

Transitional Finance Authority

The TFA is a corporate governmental agency constituting a public benefit corporation and instrumentality of the State of New York created by Chapter 16 of the Laws of 1997 in March 1997. The TFA was created to provide for the issuance of debt to fund a portion of the capital program of the City. The TFA was originally authorized to issue up to $7.5 billion of bonds and notes. In June 2000, the TFA received an additional $4 billion of bonding capacity, increasing its overall authorization to $11.5 billion. In addition, the State legislature increased the TFA variable rate bonding capacity to $6.1 billion or 20% of its authorized bonding amount (excluding the Recovery Bonds).

As noted above, on September 13, 2001, the State of New York authorized the TFA to issue additional debt to finance costs (whether capital or expense) related to or arising from the September 11th terrorist attack in an amount outstanding of up to $2.5 billion. In October 2001, the TFA issued the first $1 billion of New York City Recovery Notes to pay such costs. The Recovery Notes, which mature on October 2, 2002, have a yield of 2.13%. In July 2002, TFA plans to issue $1 billion floating-rate Recovery Bonds to cover additional costs and revenue losses associated with September 11 event. TFA also plans to issue another $1 billion of Recovery Bonds to redeem the Recovery Notes issued last October during the first quarter of FY2003. Both sets of Recovery Bonds are subordinate to the TFA Senior Bonds, which fund the City's regular capital program. TFA expects to receive the same credit rating on the Recovery Bonds as those for its senior bond program.

The TFA's well-established credit structure and market acceptance continue to provide the least costly source of capital financing for the City. For the 15 TFA bond financings (totaling $8.6 billion) issued to date, the average interest rates were approximately 10 basis points lower than those for the City GO bonds with comparable maturities. After September 11, the spread between GO and TFA debt in the secondary market widened, underscoring the value of the TFA as a financing vehicle for the City.

Since 1998, the TFA has completed three bond financings a year, averaging about $500 million to $600 million per issue to date. In fiscal year 2002, TFA completed three separate financings: Series 2002A in July 2001, Series 2002B in November 2001 and Series 2002C in April 2002. Series 2002A and 2002C were issued competitively with a par amount of $150 million and $250 million, respectively. The true interest costs (TIC) for the two competitive transactions are 5% for Series 2002A and 4.7% % for Series 2000C. The Series 2002B consists of $420 million tax exempt fixed-rate bonds, $955,000 of taxable fixed-rate bonds and $200 million of taxable floating rate bonds. The TICs for the 2002B tax exempt bonds is 5.4%. Five issues of bonds in amounts ranging from $550 million to $600 million are planned for the next three fiscal years. Proceeds of the first two $600 million financing will be used to redeem the Series 2002-3 and Series 2002-4 BANs. Proceeds of the remaining $1.7 billion bonds will fund the defeasance of future BANs. TFA is also considering various financing ideas to restructure its debt and to achieve a better match between underlying asset life and bond average life.

The TFA Bond Anticipation Note (BAN) program, initiated in November 1999, continues to provide low-cost interim financing for the City. In FY2002, TFA has issued four series of BANs. The 2002 Series 1 tax-exempt BANs issued in August 2001 realized a TIC of 2.47 percent, which was 7 basis points lower than the MIG-1 index. (The MIG-1 index is a short-term index for notes.). The 2002 Series 2 taxable BANs, also issued in August 2001, realized a TIC of 3.73 percent. This represented the first issuance of taxable notes by the TFA. The 2002 Series 3 tax-exempt BANs issued in November 2001 realized a TIC of 1.75 percent, which was the lowest ever for the TFA. The 2002 Series 4 BANs issued in February 2002 has a TIC of 1.42%, an even lower rate. TFA expects to continue to utilize its low cost BAN program for substantially all its future new money needs. Three more $555 million BAN issues are scheduled in the next two fiscal years: in November 02, February 03 and November 03, respectively. These BANs will have one-year maturity and will be refinanced with long-term TFA bonds shortly before their respective BANs maturity dates. By 2004, TFA will exhaust its authorized bonding capacity of $11.5 billion, excluding the bonds issued for costs associated with the September 11 attack.

TFA currently has about 15% (or $1.25 billion) of its debt in adjustable rate mode. The $1 billion of tax-exempt variable rate bonds have averaged 1.6 percent for the first nine months of 2002. Compared with a 5% fixed rate bonds, the adjustable-rate program will save TFA approximately $35 million on an annual basis. In November 2002, TFA added $200 million of taxable floating rate debt to its floating rate debt portfolio. The TFA taxable floating rate debt has averaged about 1.98% in the first five months of its existence, a record low rate.

The City's personal income tax revenues are projected to grow at an average of 5.6% percent between 2002 and 2006 despite the elimination of various surcharges and implementation of tax cuts. TFA is projected to continue to have very strong coverage of debt service. Recognizing the resilience of the TFA revenues as well as its strong legal framework and credit structure, two rating agencies raised TFA's rating in October 2000. S&P raised the rating from AA to AA+, Moodys from Aa3 to Aa2. Fitch maintains the rating at AA+.

New York City General Obligation Bonds and Cash Flow Financing

With the TFA assuming $3.8 billion of the City's new money financing needs and TSASC taking up $1.9 billion, the NYC GO will handle the preponderance of the remaining financing requirement at $13.7 billion during the Financial Plan period through FY2006. In FY2002, the City has issued $2.15 billion of GO to date and is planning to issue another $500 million of tax exempt bonds in May 2002. The amount of annual GO financings will be $1 billion and $2.4 billion for new money purposes in FY2003 and FY2004, respectively. Beginning in FY2005, when both TFA and TSASC have exhausted their bonding capacity, the City will increase its GO financing program to $4.0 billion and $3.7 billion in FY2005 and 2006, respectively. In addition, the City plans to implement a debt restructuring program for a portion of its debt to realize over $400 million in debt service savings in FY 2003. Federal legislation, which allows the City to advance refund tax exempt bonds for the second time, if the escrow on the prior refunded bonds is no longer outstanding, has been enacted, is expected to generate at least $150 million in debt service savings for the City.

Currently the debt service for the City and its related financing entities (GO, TFA, TSASC, MAC and lease debt, excluding the effect of pre-payments) is 8.8 percent of the City's total budgeted revenues in FY 2002. The ratio will rise to 12.3 percent in FY 2006. As a percentage of tax revenues, the debt service ratio is 16.5 percent in FY 2002 and is projected to increase to 19.9 percent in FY 2006. (See attached schedules above.)

In FY 2002 to date, short-term interest costs as reflected in the GO $3.5 billion of variable rate bonds have been 1.7 percent on average for tax-exempt debt and 3.0 percent for the taxable floating rate debt. These VRDBs, which have been traded on average at rates that are at least 300 basis lower than those for fixed-rate debt, are expected to generate an annual debt service savings of over $100 million.

In October 2001, the City issued $1.4 billion RANs for its seasonal cash flow needs. The TIC for the RANs was 2.04%. The City expects to issue $3 billion of RANs or TANs in the next fiscal year.

The City also expects to sell a participation in the Housing Preservation & Development mortgages before June 30, 2002. The sale is expected to result in approximately $200 million of revenues to the City.

Lease Appropriation Debt

On various occasions the City issues debt through a conduit to be repaid by a subject-to-appropriation lease obligation. This has been done through the New York State Housing Finance Agency, NYS Urban Development Corporation and DASNY. Most recently, projects the City has financed in this manner include Health and Hospitals Corporation projects under the Municipal Health Facilities program of DASNY and the City's courts capital program, financed through DASNY and through the newly created JSDC.

In May 2001, JSDC issued $270 million of lease appropriation bonds to finance the construction of a large multi-court facility at 330 Jay Street in Brooklyn. This financing covered a portion of the construction costs through approximately August 2002 and the JSDC is expected to finance the remaining construction costs in FY03 in accordance with the anticipated construction drawdown schedule. The May 2001 financing was fully supported by bond insurers and letter of credit banks, which allowed JSDC to issue floating-rate debt. Taking advantage of the low interest rate environment, JSDC's average interest rate for the period between May 2001 and March 2002 has been 1.8% .

In December 2001, the City also financed a portion of the costs for three hospital projects through DASNY, totaling $548 million. The projects include a new DNA lab, ambulatory service facilities at Bellevue hospital and phase two of the reconstruction of Kings County Hospital. Of the $548 million financing, $127 million was fixed rate and the remaining $421 million was variable rate debt in seven day auction mode. The fixed rate bonds, which were insured by FSA, were sold with yield ranging from 3.63% in 2005 to 4.91% in 2014. The auction-rate portion of the bonds has had an average interest rate of 1.2% since its inception in December 2001. In addition, the December financing, similar to the 1998 financing by DASNY for Kings and Queens Hospitals, is secured with a Medicaid intercept and the City's lease payments. The structure received a rating upgrade from both Moody's (from A3 to A2) and Fitch (from A to A+). S&P maintains its rating at A. The City plans to finance the remainder of the construction costs for the three hospitals in FY2004.

The New York City Municipal Water Finance Authority

NYW was created in 1985 to finance capital improvements to New York City's water and sewer system. Since its first bond sale in November 1985, the Authority has sold $17.55 billion in General and Second Resolution bonds and subordinated crossover refunding bonds. Refunding bond issuance amounted to $6.09 billion. Of this aggregate bond par amount, $10.9 billion is outstanding, $5.55 billion was refinanced with lower cost debt, and $1.1 billion was retired with Authority revenues as it matured. In addition to this long-term debt, NYW uses a tax-exempt $800 million commercial paper program as a source of flexible short-term financing.

NYW enjoys a strong credit rating by all three rating agencies. NYW is rated "AA" by Standard and Poor's and Fitch and "Aa2" by Moody's. Additionally, bonds issued by the New York State Environmental Facilities Corporation (EFC) for eligible NYW State Revolving Fund (SRF) projects are rated in the highest rating category by Moody's ("Aaa"), Standard & Poor's ("AAA") and Fitch ("AAA"). The bonds which NYW places with EFC are unrated Second Resolution bonds of NYW, but are an element of security for the EFC bonds.

To date in Fiscal Year 2002, the Authority has closed ten financing transactions. The First Resolution Series A, B, C, D, E, F and G issuances consisted of bond sales directly to the public. Series B through F were crossover refundings, providing NYW with over 5% savings in each case. The Second Resolution Series 1, 2 and 3 bonds were issued to the EFC and secure bonds issued by EFC.

The projected financing activity for the remainder of Fiscal Year 2002 is expected to consist of a bond sale by NYW directly to the public for $200 to $400 million and approximately $175 million in bonds issued to EFC. Additionally, NYW expects to refund $325 million of EFC bonds and may be able to take advantage of other potential refunding opportunities during the remainder of the year.

On June 13, 2001, the FY 2002 Series A bonds were sold, with a par amount of $216 million in a common plan of finance with $204 million of 2002 Series 1 EFC bonds. Interest rates on the Series A issue were very favorable relative to other comparable issuers, with yields 12 to 13 basis points higher in various maturities compared to the MMD Triple-A Scale. The structure included term bonds maturing in 2027, 2032 and 2033 with yields-to-maturity on the 2027 premium term bond selling at 5.33% and yields on the 2032 and 2033 term bonds selling at 5.32%. The true interest cost was 5.366%. Proceeds from this sale defeased NYW's Series Five commercial paper, funded the debt service reserve fund, and paid certain costs of issuance.

The 2002 Series 1 EFC bonds took advantage of the 33 to 50 percent interest rate subsidy available for qualifying projects, helping to minimize the overall costs of NYW's sizable financing program. The June sale was the first to incorporate the longer 30-year amortization now allowed under New York State's Clean Water SRF program by the United States Environmental Protection Agency. Relative yields on individual maturities for the NYW sale through EFC were very low, with yields ranging from 8 to 10 basis points above the MMD Triple-A Scale. The sale included serial bonds from 2002 through 2023 and 2026. Term bonds maturing in 2027 and 2031 were also included, with yields of 5.22% and 5.27%, respectively. The true interest cost was 5% with an effective all in yield of 2.87% after subsidy. Proceeds from this sale defeased a portion of NYW's Series Four commercial paper and paid certain costs of issuance.

On August 3, NYW sold $171 million of 2002 B Issue and $47 million of 2002 C Issue crossover refunding bonds, the second such issuance using this structure. The proceeds from the B and C Issue crossover refunding bonds were placed in escrow and invested in guaranteed investment contracts (GIC). Proceeds from the GICs will pay interest on the crossover refunding bonds prior to the crossover dates and will refund $166 million of Fiscal 1996 Series B term bonds on the crossover date in 2006 and $44 million of Fiscal 2000 Series B term bonds on the crossover date in 2010. The yield of 5.14% on the B Issue term bonds due in 2026 and the yield of 5.18% on the C Issue term bonds due in 2032 were among some of the lowest yields in NYW's history. Yields also continued to remain at historic lows when compared with the MMD Triple-A scale. The combined B and C issue bonds had a true interest cost of 5.17%. Present value savings of $11.7 million or approximately 5.6% over the refunded bonds exceeded NYW's 5% savings threshold.

Continuing to take advantage of an improvement in interest rates, the NYW's second issuance followed shortly thereafter on August 24, 2002 with a refunding of $361 million, again using a crossover refunding structure. The NYW sold $42 million of 2002 D Issue, $214 million of 2002 E Issue and $106 million of 2002 F Issue crossover refunding bonds. The proceeds from the D, E and F Issue crossover refunding bonds were placed in escrow and invested in guaranteed investment contracts (GIC). Proceeds from the GICs for the 2002 D, E and F Issues will pay interest on the crossover refunding bonds prior to the crossover dates. The Series D bonds will refund $40 million of Fiscal 1994 Series F term bonds on the crossover date in 2004, the Series E bonds will refund $211 million of Fiscal 1996 Series B bonds on the crossover date in 2006 and the Series F bonds will refund $100 million of Fiscal 1997 Series B bonds on the crossover date in 2007.

The yields of 4.97 % on the D Issue term bonds due in 2020, 5.07% on the E Issue term bonds due in 2026 and 5.10% on the F Issue term bonds due in 2029 were again among some of the lowest yields in the NYW's history. Yields also continued to remain at historic lows when compared with the MMD Triple-A scale. The combined D, E & F Issue bonds had a true interest cost of 5.1%. Present value savings of $18.8 million or approximately 5.4% over the refunded bonds exceeded NYW's 5% savings threshold.

On October 11, 2001, $216 million of FY 2002 Series G bonds were offered for sale in a common plan of finance with $72 million of 2002 Series 2 EFC bonds. Despite this being the first NYW financing after the events of September 11, relative interest rates on the Series A issue were only slightly higher than other recent NYW issues, ranging from 13 to 18 bp above the MMD Triple-A Scale. The structure included term bonds maturing in 2032 and 2034 with yields of 5.18% and 5.13%, respectively. The true interest cost was 5.2%. Proceeds from this sale defeased NYW's Series Five commercial paper, funded the debt service reserve fund, and paid certain costs of issuance.

The 2002 Series 2 EFC bonds were offered through a competitive sale using an internet-based bidding platform with nine bidders responding. The successful bid included serial maturities from 2002 through 2021 and two term bonds in 2026 and 2031. Yields ranged from 3% in 2002 to 5.01% on the term bonds due in 2031. The yield on the 2031 term bond was a very favorable 2 bp lower than the MMD Triple-A Scale. The true interest cost was 4.7 % with an effective all in yield of 2.9%, after subsidy. Proceeds from this sale defeased a portion of the NYW's Series Four commercial paper and paid certain costs of issuance.

NYW's latest transaction was also a sale of bonds through EFC. The $519 million 2002 Series 3 EFC bonds, the second largest offering made by NYW through EFC, were sold on January 25, 2002. The transaction fully refunded two earlier 20-year direct loans (NYW FY 2000 Series 1 and 2001 Series 1) with bonds extending to 30 years, defeased all of NYW's Series Three and a portion of the NYW's Series Four commercial paper and paid certain costs of issuance. The sale included serial bonds from 2002 to 2022 and two term bonds in 2027 and 2031. Yields on the term bonds were 5.15% (2027) and 5.17% (2031) with a 6 basis point spread above the MMD Triple-A Scale. The true interest cost on the EFC bonds was a favorable 4.9% with an effective all-in yield to the Authority of 2.9% after subsidy.

During the period of 2002 through 2006, NYW expects to sell an average of approximately $1.7 billion of new debt per year. Of this amount, NYW plans to issue a minimum of $300 million per year through EFC, taking advantage of the 33 to 50 percent interest rate subsidy available for qualifying projects, and minimizing the overall costs of its financing program.

TSASC, Inc.

TSASC, Inc., a special purpose corporation, was created by the City in November 1999 to issue bonds secured with the City's share of the Tobacco Settlement Revenues (TSRs) pursuant to a nationwide Master Settlement Agreement (MSA). TSASC issued the first of four expected series of Tobacco Flexible Amortization Bonds (Tobacco Bonds) in 1999 to finance a portion of the City's capital program. Those bonds are the highest-rated bonds secured by TSRs issued to date by various states and localities. The pricing for the TSASC bonds with longer maturities also compares favorably to those in other tobacco transactions with comparable flexible-payment structures or with super-sinker term structures. The only subsequent tobacco bond financings which compared well with TSASC were traditional serial bonds in the early maturities.

In December 2001, TSASC and the City completed a $150 million loan agreement with the US Department of Transportation (USDOT) under the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA). The loan agreement provides for funding by the USDOT for one third of the capital costs associated with the Staten Island ferries and ferry terminals project. The loan is scheduled to be drawn down over the next three to four years based on actual capital expenditures. The repayment of the loan is secured with TSASC's revenues, payable over the next 30 years on a parity with other TSASC senior bonds.

The 5.52% interest cost on the TIFIA loan was estimated to be at least 30 basis points lower than the TSASC's borrowing rate under comparable market conditions. TSASC plans to implement its second public offering in early FY2003 for approximately $660 million. A small portion of the proceeds is expected to fund the closing costs of Fresh Kill and the remainder will fund the City's overall capital program. The third and the fourth TSASC financings, each with approximately $600 million of par amount, are scheduled for the last quarters of FY2003 and 2004, respectively.

TSASC has acquired the City's 3.4% share of the national total TSRs payable under the Master Settlement Agreement (MSA) entered into between 46 States and the manufacturers of about 97 percent of cigarettes sold in the US. After TSASC retains sufficient TSRs to pay for its debt service and operating expenses, the excess TSRs flow to the City through ownership of a residual certificate. The MSA provides for an upfront payment, four Initial Payments payable on each January 10, beginning in 2000 and continuing through 2003 and an Annual Payment payable on every April 15, beginning in 2000. As listed below, TSASC has received a total of $549 million payments from tobacco manufactures since its inception.

TSASC's Tobacco Settlement Revenues Received
(In Millions)

Calendar Year	Upfront Payment	Initial Payment (due and Received on or about Jan 10	Annual Payment Due and Received on or about April 15	Total
1999	84	0	0	84
2000	0	73	118	191
2001	0	66	140	206
2002	0	68	177*	245
Total	84	207	435	726

* estimated

The TSRs received to date by TSASC have not varied significantly from the original forecast made in Series 1999-1 Bond issue. The 2002 Initial Payment was about $10 million lower than the originally projected amount, largely due to a dispute raised by an OPM on the methodology used by the Independent Auditor to calculate prior years' Annual Payments obligations of the OPM and on the application of the "non-participating manufacturer" (NPM) adjustment under the MSA. The dispute, which caused approximately $300 million of TSRs to be deposited in a disputed payment account, has been partially resolved and $200 million of the disputed payment is expected to be distributed to the 46 Settling States in the near future. TSASC expects to receive $177 million from the 2002 Annual Payment made by the PMs.

Based on data available to TSASC, the relative market share among the PMs changed from year to year and the overall US cigarette shipment in 1999 and 2000 were roughly the same as those forecast in the TSASC Series 1999-1 official circular. In general, the Annual Payments vary according to an inflation factor and the annual amount of cigarettes shipped in the US by tobacco manufacturers participating in the MSA, among other factors. Also, the amounts of TSRs received to date are subject to modification as the Independent Auditor receives updated cigarette shipment information from various sources. The adjustments were and will be made against subsequent TSRs. The City is lowering its projected residual revenues from TSASC by approximately $10 million in each of the following four fiscal years, reflecting lower interest earnings from the TSASC reserve fund.

All planned debt service due in fiscal years 2001, 2002 and 2003 were fully funded by the January preceding the start of each fiscal year upon receipt of the Initial Payment, assuming that the first year's interest costs on TSASC's next borrowing schedule in early FY2003 is fully capitalized and no principal amortization will be scheduled in the first year.

Analysis of Agency Budgets: Mayoral Agencies

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ADMINISTRATION OF JUSTICE

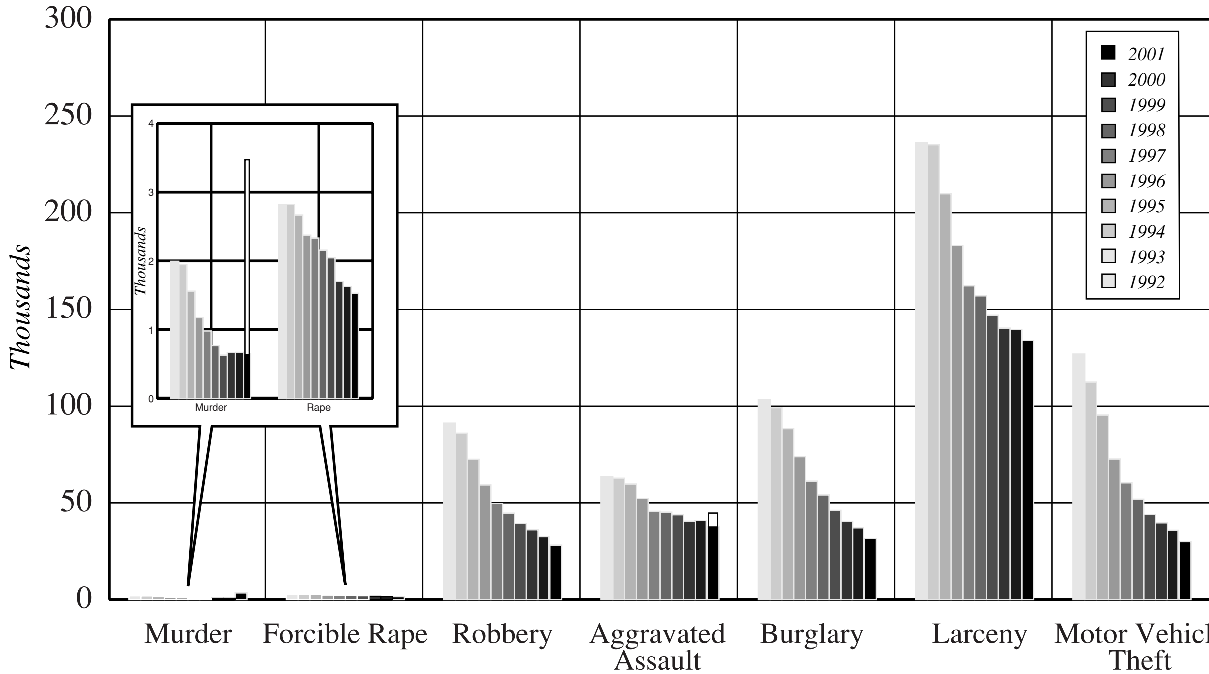
Overview

The attack on the World Trade Center affected every aspect of the criminal justice system in fiscal 2002. With a great proportion of the police force devoted to the recovery effort, arrest volume dropped after September 11. Jail admissions fell with arrests, but detainees spent more time in jail as court adjudication slowed.

Despite the diversion of police personnel to the World Trade Center recovery effort, crime was held in check in calendar year 2001. Excluding the murders and assaults associated with the terrorist attack, FBI Index Crime fell in all seven major categories and by nine percent overall. Motor vehicle theft experienced the largest decrease (16 percent), followed by burglary (15 percent), robbery (13 percent), aggravated assault (7 percent), forcible rape (6 percent), larceny (4 percent) and murder (4 percent).

NEW YORK CITY FBI INDEX CRIMES

*Calendar Years 1992-2001**

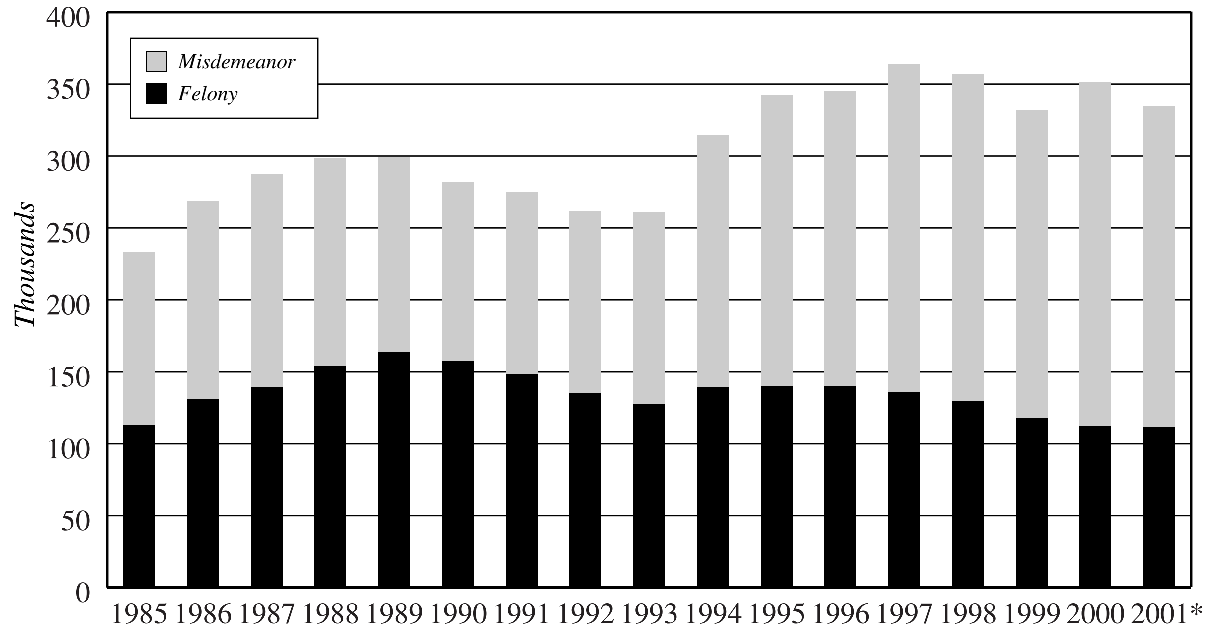


** In 2001, for Murder and Aggravated Assault, the unshaded portion represents World Trade Center victims.*

Arrests totaled 348,462 in calendar 2001, a decrease of four percent from 2000. Misdemeanor arrests decreased by seven percent to 223,144 in 2001. Felony arrests fell only slightly from 112,172 to 111,250. Much of the decline in arrests is directly attributable to the September 11 terrorist attack. Total arrests dropped by 11 percent in September through November 2001 compared to the same period in 2000. The decline during those three months accounted for 44 percent of the annual decrease.

NEW YORK CITY FELONY & MISDEMEANOR ARRESTS

Calendar Year 1985-2001



** Preliminary*
1985 – 2000 as per Official Crime Comparison Reports

The average daily inmate population (ADP) has decreased from 14,491 in 2001 to 13,875 as of February 2002. This four percent decrease can be explained by a sharp drop in inmate admissions offset by an increase in the average length of stay among all inmates. Inmate admissions fell 12 percent compared to last year, with a 23 percent decline occurring in September through November. System length of stay rose by 12 percent, with a 26 percent increase occurring during the three months after the attack. Lengths of stay and admissions trends were fairly consistent across all categories of inmates. Thus, the detainee, City sentenced, and State ready populations all declined. Only the alleged parole violator population has increased since 2001.

POLICE DEPARTMENT

The Police Department will reduce its peak uniform headcount from 40,710 to 39,110 beginning in 2003. This reduction of 1,600 uniformed officers will be offset by the redeployment of 800 officers from administrative duties to direct law enforcement. The 800 positions will be filled with newly hired civilian employees.

To address the ongoing threat of terrorism in the City, a new Bureau of Counterterrorism has been created. Through enhanced training, intelligence and security assessments, the Police Department will invest to meet the challenges of safeguarding the City from future terrorist attacks.

DEPARTMENT OF CORRECTION

In September 2002, 300 new recruits will complete Correction Academy training and begin to serve as correction officers in City jails. The new officers will replace attrited positions and enable the Department to continue to control overtime expenditures in 2003.

Because of the four percent decrease in population, City jails have remained under capacity for most of the year. This has enabled the Department to consolidate beds and close entire housing areas, thereby operating more efficiently and effectively.

Population management strategies also enable the Department to close beds to perform necessary reconstruction and improvements within jail facilities. The Department expects to commit $109 million for capital improvements in 2003. These projects improve the overall security, conditions, fire safety, and food service in the jails.

Other Criminal Justice Programs

In 2003, the Department of Probation, in conjunction with the VERA Institute of Justice, will pilot the Juvenile Family Placement Program. The program is designed to divert non-violent delinquent youth from placement with the State Office of Child and Family Services. The program will serve youth who are charged with non-violent offenses or any misdemeanor, and remain detained at the time of adjudication or disposition.

POLICE DEPARTMENT

The principal mission of the Police Department is to maintain public safety and security, to respond to calls for emergency investigations of aid and to conduct investigations of criminal activity. In 2003, the Department will reach a peak uniform headcount level of 39,110 complemented by a planned civilian headcount of 9,161. These numbers include personnel in all operational, patrol, and support functions.

Financial Review

The New York Police Department's 2003 Executive Budget provides for an operating budget of $3.4 billion, a decrease of $444 million from the $3.8 billion forecast in 2002. This decrease is due primarily to a reduction in World Trade Center related funding from 2002 to 2003. Capital commitments in the Four-Year Plan total $428.5 million.

Revenue Forecast

The Police Department collects revenue from fees charged for pistol licenses, rifle permits, fingerprint fees, accident records, tow fees, and unclaimed cash and property that is abandoned or confiscated as a consequence of the commission of a crime. If the New York State Legislature approves the proposed E-911 surcharge, the Police Department will begin collecting a surcharge imposed on all cellular and land telephones registered to New York City residents. Including the E-911 Surcharge, the Department expects to collect $117 million in 2003.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- The 2003 Executive Budget includes $25 million for additional Department OTPS needs. This funding will primarily address needs for vehicles and vehicle parts. Increased telecommunications costs will also be addressed with this funding.

- Much of the Police Department's success in reducing crime has been due to the Citywide Narcotics Initiative. Begun in 1996, the initiative is aimed at eliminating illegal drugs from the City's streets. The 2003 Executive Budget includes funding of $33 million to continue the Narcotics Initiative.

- In January 2000, the NYPD began an overtime enhancement program to the Narcotics Initiative known as Operation Condor. This aggressive effort has produced thousands of additional drug arrests and is credited with keeping the City's crime rate at historically low levels. The 2003 Executive Budget allocates $40 million to continue this program.

- The Department is taking steps to attract qualified police officer candidates through recruitment and outreach campaigns. This effort will include advertisements in newspapers, on public displays, and on radio and television. The Executive Budget includes an additional $5 million for these campaigns. In addition to advertisements, the Department will expand the frequency and locations of its examinations. The NYPD, in conjunction with DCAS, will offer the police exam three times a year at citywide locations as well as at selected military bases across the nation, and has begun recruiting at selected colleges. The Department has also made application submission accessible via their web site.

- In response to the threat of terrorism, the Department has been funded $3 million for the newly created Bureau of Counterterrorism. The new bureau will establish two subdivisions, the Joint Terrorism Task Force and the Division of Counterterrorism. The funding will be used for operating expenses, as well as telecommunication equipment that will allow members of the bureau to be in constant contact with each other as well as Federal, State and other municipal governments.

Summary of Agency Financial Data

The following table compares the 2003 Executive Budget with the 2003 Preliminary Budget, the 2002 forecast and actual expenditures for 2001.

Summary of Agency Financial Data

($000's)

			2003		Increase/(Decrease)	
	2001 Actual	2002 Forecast	Preliminary Budget	Executive Budget	2002 Forecast	2003 Preliminary Budget
Expenditures						
Personal Service	$3,176,785	$3,541,931	$3,114,597	$3,161,391	($380,540)	$46,794
Other Than Personal Service	214,473	263,477	174,235	199,962	(63,515)	25,727
Total	$3,391,258	$3,805,408	$3,288,832	$3,361,353	($444,055)	$72,521
Funding						
City	$3,020,597	$3,141,484	$3,042,057	$3,111,496	($29,988)	$69,439
Other Categorical Grants	127,054	172,498	90,746	90,746	(81,752)	—
Capital IFA	1,739	1,797	1,797	1,797	—	—
State	13,704	10,199	759	759	(9,440)	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	—	1,500	—	—	(1,500)	—
• Other	115,250	350,159	19,079	22,161	(327,998)	3,082
Intra-City Other	112,914	127,771	134,394	134,394	6,623	—
Total	$3,391,258	$3,805,408	$3,288,832	$3,361,353	($444,055)	$72,521
*Personnel (at fiscal year-end)**						
City	47,391	47,011	45,964	45,965	(1,046)	1
Non-City						
• JTPA/IFA	38	74	74	74	—	—
• CD	—	—	—	—	—	—
• Other	575	28	—	—	(28)	—
Total	48,004	47,113	46,038	46,039	(1,074)	1

* *Part-time, seasonal and hourly appropriations in the 2003 Executive Budget support the equivalent of 5,556 full-time positions, of which it is estimated that 5,556 will be City funded.*

Programmatic Review

The 2003 Executive Budget reflects the Police Department's goal of maximizing its personnel resources in a difficult fiscal environment while focusing attention on the threat of terrorism.

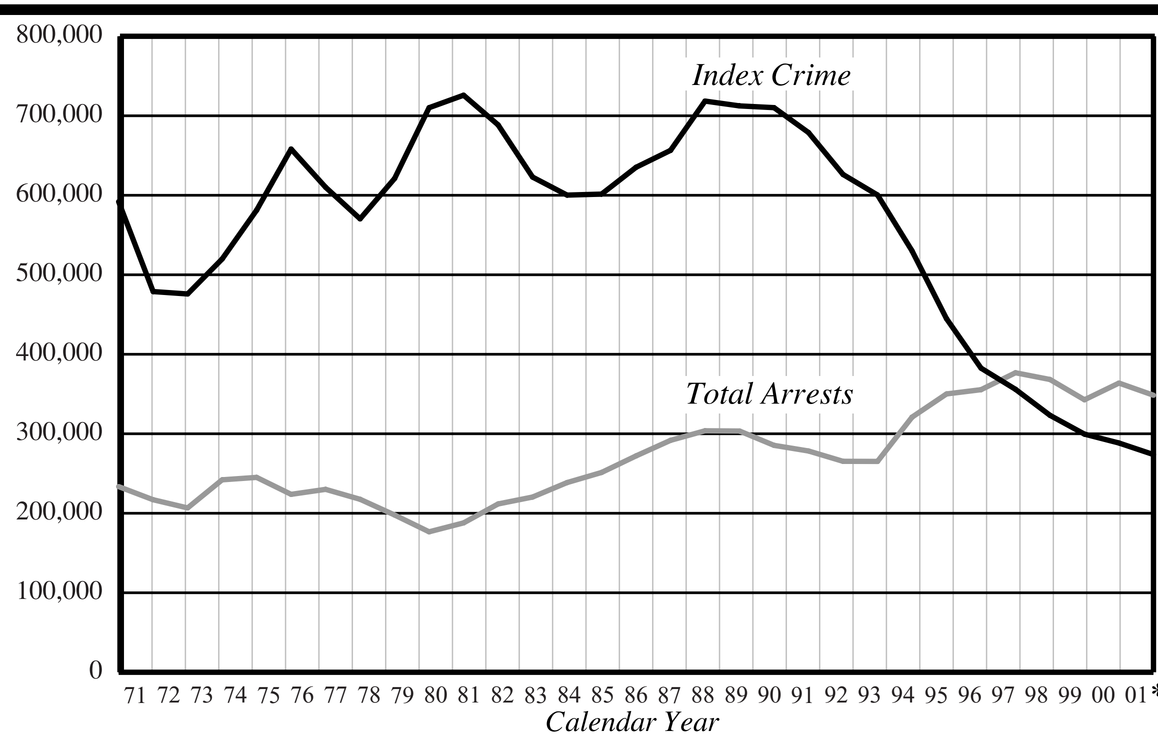
In 2003, the Police Department will reduce its overall uniform headcount by 1,600, bringing the peak uniform headcount from 40,710 to 39,110. This will be achieved through a smaller than planned recruit class currently scheduled for July 1, 2002. This headcount reduction, four percent of the overall uniform workforce, will be offset by the civilianization of 800 positions. The Department will redeploy 800 uniformed members of service currently in administrative positions to direct law enforcement duties. These positions will be filled by newly hired civilian employees.

The Police Department's strategy of reducing crime through vigorous narcotics enforcement will continue despite a scaling back of fiscal resources. In 2003, the Citywide Narcotics Initiative will be funded annually at $33 million, a reduction of $11 million in overtime funding. Since January 2000, the Department has aggressively pursued narcotics activity through an overtime program known as Operation Condor. This effort has produced thousands of arrests and is credited with keeping the City's crime rate at historically low levels. The 2003 Executive Budget allocates $40 million for the continuation of Operation Condor, 64 percent of its 2002 funding level of $62 million.

The Police Department has created a new bureau dedicated to protecting the people of the City against the threat of terrorism. The Bureau of Counterterrorism will focus attention on increased security, training, and intelligence through means such as; increased information sharing between Federal, State and other jurisdictions; antiterrorism training of NYPD personnel; and security assessments and enhancements of potential targets within the City. The 2003 Executive Budget provides $3.1 million to support this new office.

The City's crime rate in calendar 2001 continued to decline with complaints reaching a historic low. Complaints received for the seven major crimes in the FBI index totaled 273,827, which is lower than any single reported year since 1970. According to preliminary data, arrests in calendar year 2001 totaled 348,462. Felony arrests for 2001 totaled 111,250 and misdemeanor arrests totaled 223,144.

ARRESTS VERSUS CRIME

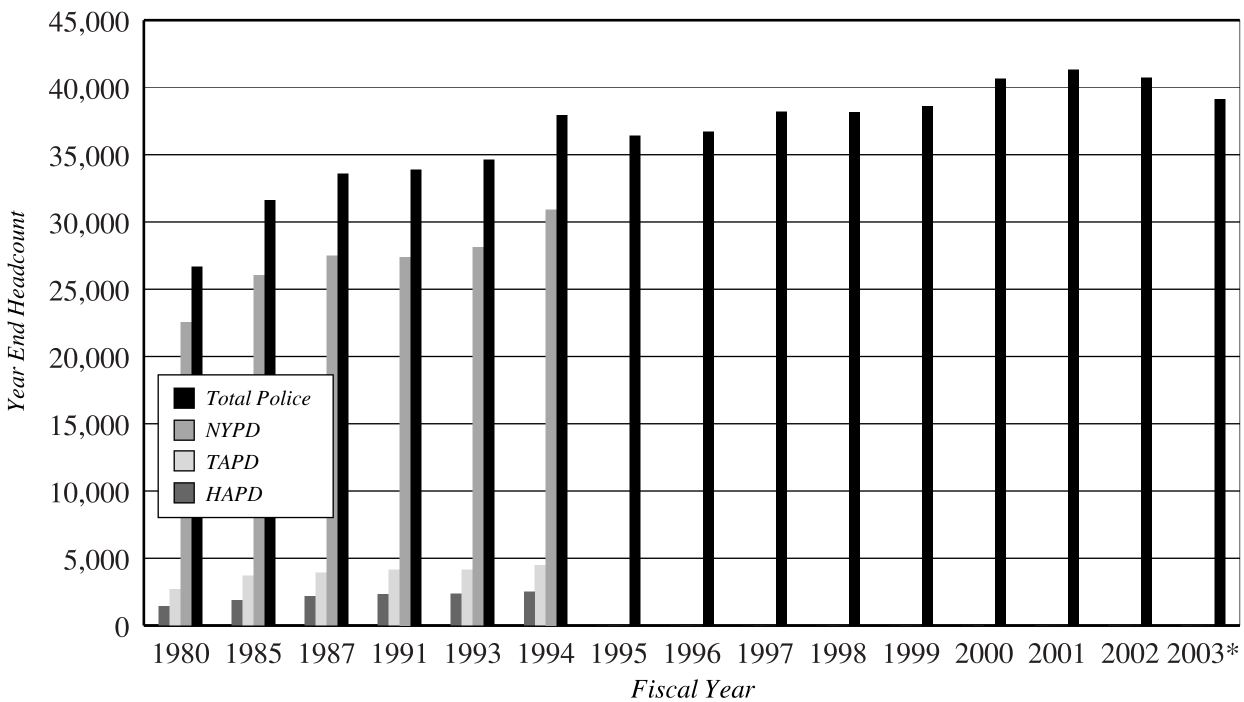


* NYPD Preliminary Data

Uniformed Headcount

The Department hired 1,419 recruits in July 2001. The NYPD is currently seeking a waiver from the Federal government to reduce its peak headcount from 40,710 to 39,110. The next class is scheduled for July 2002. The 2003 Executive Budget reflects recruit classes scheduled in July of each year so that the peak uniform headcount level will remain at 39,110.

TOTAL CITY, TRANSIT AND HOUSING POLICE FORCE



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

Capital Review

The Four-Year Program allocates $429 million for the replacement, reconstruction and maintenance of facilities citywide; replacement and upgrade of computer and communications equipment; and the replacement of transportation equipment, including Department helicopters and boats.

The Four-Year Program includes the following major items:

Police Facilities

- the replacement of the 40th, 42nd, 46th, 63rd, 66th, 70th, 110th and 120th precincts ($77 million)
- the rehabilitation and reconstruction of the 1st, 5th, 78th, and Central Park precincts ($15 million)
- the replacement of major building components for citywide precincts ($40 million)

Communications and Computer Equipment

- the lifecycle replacement of the Department's radio system ($48 million); portable radios ($24 million) and mobile radios ($4 million)

- the upgrade of the Department's Automated Fingerprint Identification System ($2 million)

The table below shows capital plan commitments by program area over the 2002-2006 period.

Capital Commitments

($000's)

	2001 Actual		2002 Plan		2003 Plan		2004 Plan		2005 Plan		2006 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Police Facilities	31,767	31,767	54,954	54,954	61,254	61,254	28,060	28,060	10,622	10,622	30,873	30,873
Computer Equipment	2,277	2,277	64,142	64,142	4,050	4,050	7,649	7,649	9,475	9,475	18,352	18,352
Communications	6,965	6,965	28,170	28,170	135,313	135,313	11,810	11,810	17,759	17,759	31,826	31,826
Equipment	556	556	11,178	11,178	13,337	13,337	7,634	7,634	2,839	2,839	2,874	2,874
Vehicles	1,640	1,640	5,607	5,607	13,136	13,136	11,199	11,199	6,084	6,084	4,377	4,377
Total	43,205	43,205	164,051	164,051	227,090	227,090	66,352	66,352	46,779	46,779	88,302	88,302

The 2003 Capital Commitment Plan for the Police Department is $227 million. The Plan includes the following major items:

- the enhancement and lifecycle replacements of communications equipment ($135 million)

- the replacement of operational and support vehicles ($13 million)

- the replacement and upgrading of computer equipment ($4 million)

- various police facility improvements ($61 million)

- various Department equipment citywide ($13 million)

DEPARTMENT OF CORRECTION

The Department of Correction provides custody, care, and control of detainees awaiting trial or sentence; misdemeanants or felons sentenced to one year or less; State prisoners with court appearances in New York City; newly sentenced felons awaiting transportation to State correctional facilities; and alleged parole violators awaiting revocation hearings.

Financial Review

The 2003 Executive Budget for the Department of Correction provides for a total operating budget of $924 million, an increase of $34 million from the amount forecast in 2002. The increase is primarily due to required collective bargaining funding. Capital commitments in the 2003 Four-Year Plan will total $538 million.

Revenue Forecast

The Department of Correction collects revenue from prison commissary operations, vending machines and inmate fines. In 2003, the Department expects to collect $18 million from all revenue sources.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- In September 2002, 300 new recruits will complete training and will begin to serve as Correction Officers in City jails. These new officers will replace attrited positions and enable the Department to continue to control overtime expenditures in 2003.

- Due to the World Trade Center tragedy, the Department of Correction expended more resources than normal on overtime while assisting with recovery and relief efforts. The Federal Government will reimburse the Department for World Trade Center related overtime expenses of approximately $11 million in 2002.

- The Department received $43 million in 2002 through the U.S. Department of Justice State Criminal Alien Assistance Program. The reimbursements offset costs associated with the incarceration of illegal immigrants.

Streamlining

- The Department has managed the recent decline in inmate population by closing facilities and consolidating beds. This effective capacity management has saved the City millions of dollars. The Department will reduce planned annual overtime expenditures by $10 million in 2003. The Department will also reduce uniformed personnel by 511, saving $36 million.

Summary of Agency Financial Data

The following table compares the 2003 Executive Budget with the 2003 Preliminary Budget, the 2002 forecast and actual expenditures for 2001.

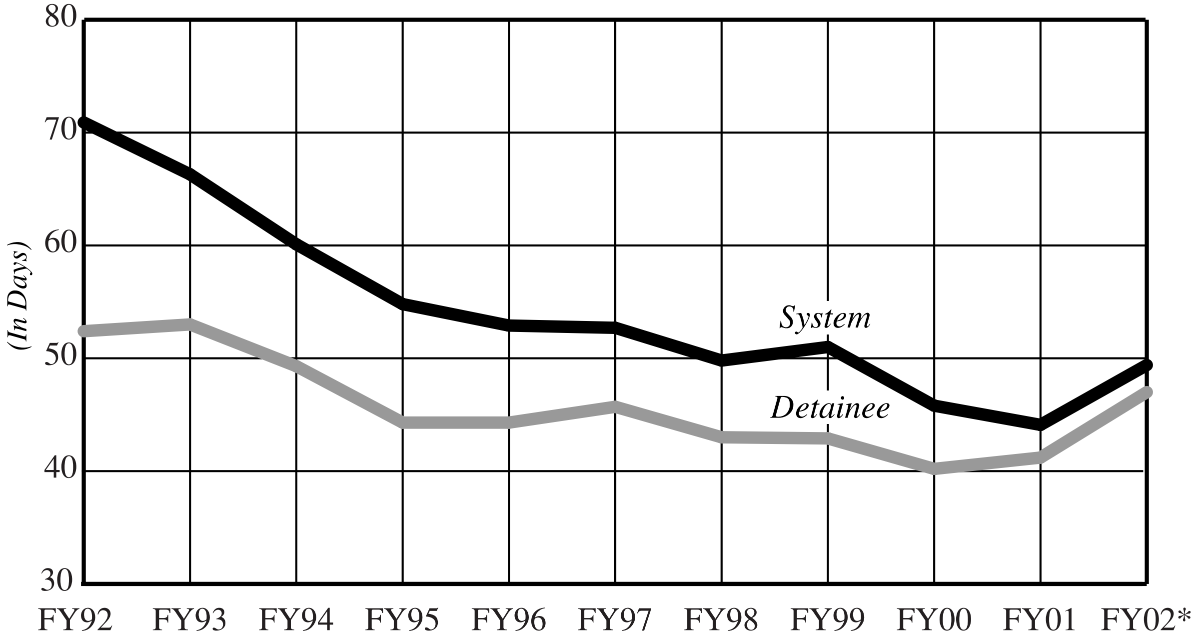
Summary of Agency Financial Data

($000's)

	2001 Actual	2002 Forecast	2003 Preliminary Budget	2003 Executive Budget	Increase/(Decrease) 2002 Forecast	Increase/(Decrease) 2003 Preliminary Budget
Expenditures						
Personal Service	$717,935	$782,700	$815,340	$811,494	$28,794	($3,846)
Other Than Personal Service	112,751	107,974	116,091	112,861	4,887	(3,230)
Total	$830,686	$890,674	$931,431	$924,355	$33,681	($7,076)
Funding						
City	$744,455	$810,178	$863,217	$871,141	$60,963	$7,924
Other Categorical Grants	644	2,560	—	—	(2,560)	—
Capital IFA	—	—	—	—	—	—
State	24,704	20,778	35,260	20,260	(518)	(15,000)
Federal						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	60,525	56,253	32,199	32,199	(24,054)	—
Intra-City Other	359	905	755	755	(150)	—
Total	$830,686	$890,674	$931,431	$924,355	$33,681	($7,076)
*Personnel (at fiscal year-end)**						
City	11,318	11,806	11,633	11,633	(173)	—
Non-City						
• JTPA/IFA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	858	863	858	858	(5)	—
Total	12,176	12,669	12,491	12,491	(178)	—

* *Part-time, seasonal and hourly appropriations in the 2003 Executive Budget support the equivalent of 53 full-time positions, of which it is estimated that 53 will be City funded*

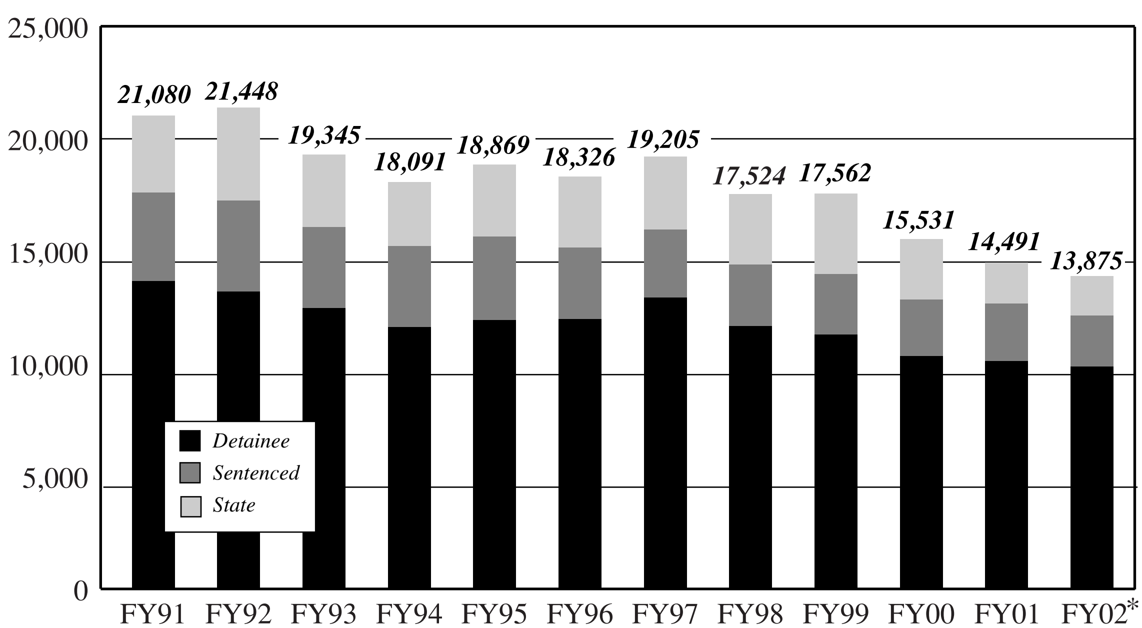
AVERAGE LENGTH OF STAY (By Fiscal Year)



* YTD through February 28, 2002

AVERAGE DAILY INMATE POPULATION

By Fiscal Year



* YTD through February 28, 2002

The average daily population through February 2002 was 13,875, a decrease of four percent compared to 2001. The decrease in population is a result of decreases in detainees, City sentenced inmates and State prisoners. System length of stay increased by 12 percent, with increases in City sentenced, pretrial detainee, and parole violator lengths of stay. The increase is primarily attributable to the World Trade Center tragedy, with the highest levels occurring in September and October. Despite an increase in length of stay, population decreased due to lower system admissions, down 12 percent compared to 2001.

Due to the decrease in inmate population, City jails have remained under capacity for most of the year. Thus, the Department has been able to consolidate beds and close entire housing areas. These population management strategies enable the Department to perform necessary capital repairs and minimize taxpayer costs.

Capital Review

The Department's Four-Year Plan totals $538 million for capital improvements and equipment purchases. This amount includes $247 million for capacity replacement, $35 million for construction of support space, $198 million for major overhaul of building systems and infrastructure, and $58 million for acquisition of new equipment.

The table below shows capital plan commitments by program area over the 2002-2006 period:

Capital Commitments

($000's)

	2001 Actual		2002 Plan		2003 Plan		2004 Plan		2005 Plan		2006 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Capacity Replacement	18,272	18,272	29,584	29,584	68,367	68,367	32,560	32,560	64,594	64,594	81,402	81,402
Support Space	1,458	1,458	2,866	2,866	3,386	3,386	12,165	12,165	11,365	11,365	7,759	7,759
Building Systems and Infrastructure	64,094	65,173	78,088	78,188	21,012	21,012	58,312	62,062	46,857	46,857	68,713	68,713
Equipment	22,766	22,766	22,245	22,245	15,957	15,957	16,073	16,073	15,426	15,426	10,682	10,682
Total	106,590	107,669	132,783	132,883	108,722	108,722	119,110	122,860	138,242	138,242	168,556	168,556

Capacity Replacement

The Department's capital program funds the replacement of aging modular and sprung structures with permanent structures. Design of the first facility, the 448-cell addition at the George R. Vierno Center (GRVC), began in 1999. It was designed as the Department's new Central Punitive Segregation Unit. Construction began in 2002 and will continue through 2004.

Upon completion of the modular program, the total operating capacity of the jails will remain the same. However, 5,400 beds that are now in temporary housing will be in permanent facilities. These new facilities will improve the operations, security, and environmental health of the jails.

The Four-Year Plan includes $243 million for the modular replacement program. Commitments include:

- construction of a 448-cell addition to the GRVC ($88 million).

- design completion and construction of an 800-bed addition to the Rose M. Singer Center ($69 million).

- design completion and construction of a 200-bed addition to the Adolescent Reception and Detention Center ($19 million).

- design and construction for a 224-cell addition to the Eric M. Taylor Center ($45 million).

- design of a 448-cell addition to the George Motchan Detention Center (GMDC) and a 448-cell addition to GMDC North ($22 million).

Building Systems and Infrastructure

Population reductions will allow the Department to undertake significant improvements to building systems, infrastructure, and support space. Commitments in the Four-Year Plan include:

- completion of upgrades to the fire safety systems in the borough houses and on Riker's Island ($30 million).

- reconstruction of the Bronx Detention Complex ($20 million).

- construction of a new visit house for the Eric M. Taylor Center (15 million)

- reconstruction of the Brooklyn Detention Complex façade ($14 million)

Equipment

The Four-Year Plan provides for upgrades and/or replacements of communication equipment, vehicles, computers, and security equipment. Commitments include:

- expansion of the DOCNet computer system and upgrade and replacement of existing computer and telecommunications equipment ($36 million).

- replacement of vehicles for inmate transport ($10 million).

DEPARTMENT OF SOCIAL SERVICES

The Department of Social Services (DSS) provides a range of services and programs to assist individuals and families to achieve self-sufficiency. Eligible consumers receive employment and support services, public assistance, medical assistance, and food stamps. The Department also provides shelter, housing, and supportive services to victims of domestic violence, people with AIDS and HIV-illness, and frail and elderly adults.

Financial Review

The Department's 2003 Executive Budget provides for operating expenses of $5.8 billion, of which $3.9 billion are City funds.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- an increase of $28 million in City funds and $53 million in total funds in 2003 will support increased Medicaid costs for Disaster Relief Medicaid (DRM) and for legal immigrants who had benefits restored in 2002 as the result of litigation following welfare reform in 1996. In September 2001, the Department began operating DRM, which provided a simplified application process and automatic re-certification in the wake of the World Trade Center attack. Through January 2002 over 350,000 people were enrolled in DRM. In 2003, the Department will continue to transition these consumers to Medicaid and Family Health Plus.

- in 2003 the Department will continue to provide services to help consumers attain self-sufficiency through its network of Job Centers and employment programs and will maintain services for the most vulnerable New Yorkers by providing housing and supportive services to victims of domestic violence, the elderly, and clients with HIV illness and AIDS.

Restructuring and Streamlining

- in 2003 the Department will continue its commitment to promoting independence through its "Ladders to Success" initiative. In 2002, all Income Support Centers were converted into Job Centers, integrating case management and employment services with other necessary supports, including childcare, domestic violence and substance abuse services.

- rollout of the Paperless Office System in Job Centers by December 2002 will permit case mangers to perform functions online and to image client documents, minimizing duplication and errors in the application and re-certification processes. The implementation of the paperless system will permit the Department to eliminate 600 positions, for City savings of $4.1 million in 2003.

- in 2003 the Department will continue to reimburse employment and training providers based on their performance. The performance-based system will assist the Department in reaching a projected goal of 160,000 unsubsidized job placements for public assistance and food stamp recipients in calendar year 2002. Beginning in 2003, DSS will establish job retention goals for the consumers entering employment.

- in 2003 the Department will continue to implement the Substance Abuse Tracking and Reporting System (STARS), a web-based application that facilitates the Department's receipt of consumers' participation, employment, toxicology, and program completion data with treatment providers. STARS improves tracking and minimizes paperwork.

Summary of Agency Financial Data

($000's)

	2001 Actual	2002 Forecast	2003 Preliminary Budget	2003 Executive Budget	Increase/(Decrease) 2002 Forecast	Increase/(Decrease) 2003 Preliminary Budget
Expenditures						
Personal Service	$565,419	$566,830	$570,368	$570,368	$3,538	$0
Other Than Personal Service	5,151,017	5,233,376	5,189,954	5,188,751	(44,625)	(1,203)
Total	$5,716,436	$5,800,206	$5,760,322	$5,759,119	($41,087)	($1,203)
Funding						
City	$3,558,999	$3,703,515	$3,913,048	$3,912,545	$209,030	($503)
Other Categorical Grants	2,798	98,807	25,169	25,169	(73,638)	—
Capital IFA	—	—	—	—	—	—
State	962,241	807,630	849,765	849,560	41,930	(205)
Federal						
• JTPA	—	—	—	—	—	—
• CD	1,793	19,570	2,286	2,286	(17,284)	—
• Other	1,189,869	1,169,875	969,979	969,484	(200,391)	(495)
Intra-City Other	736	809	75	75	(734)	—
Total	$5,716,436	$5,800,206	$5,760,322	$5,759,119	($41,087)	($1,203)
*Personnel (at fiscal year-end)**						
City	8,873	9,468	9,731	9,731	263	—
Non-City						
• JTPA/IFA	—	—	—	—	—	—
• CD	1	60	60	60	—	—
• Other	3,750	3,673	3,035	3,035	(638)	—
Total	12,624	13,201	12,826	12,826	(375)	—

* *Part-time, seasonal and hourly appropriations in the 2003 Executive Budget support the equivalent of 2,399 full-time positions, of which it is estimated that 2,333 will be City funded.*

Programmatic Review

Family Independence Administration

The Family Independence Administration (FIA) administers the Department's public assistance and employment services programs. These programs include Family Assistance (FA), Safety Net Assistance (SNA), and food stamps. FIA assists individuals with employment, providing access to work experience, job readiness, training and placement programs, and ensuring that support services, including childcare and transportation assistance are available.

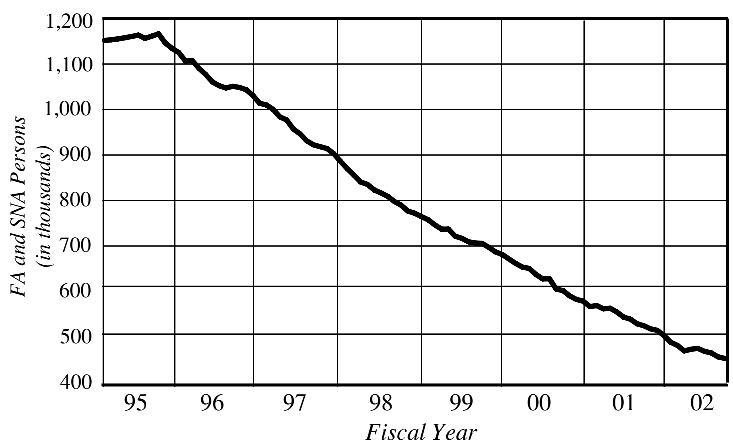
In 2002, FIA expanded the role of Job Center staff to more fully incorporate employment and a work-first model. Job Center case managers work directly with consumers to connect them with skills assessment, employment and job placement services and to place them in work experience or subsidized employment programs. Case managers provide information and make referrals to child care services, Medicaid, food stamps, substance abuse, domestic violence and intensive case management programs.

FIA offers a wide array of programs and services to help families and individuals achieve independence. The Employment Service and Placement (ESP) and Skills Assessment Program (SAP), operated by contracted vendors, provide a variety of services designed to prepare consumers for employment and to place them in jobs. The PRIDE program contracts with providers who offer specialized work experience and job search activities to disabled individuals. FIA also coordinates the BEGIN program in partnership with the Board of Education and private vendors that offer literacy and English-as-a-Second-Language (ESL) programs to those needing educational services. The Department has instituted Anti-Domestic Violence Eligibility Needs Teams (ADVENT) at four Job Centers. The $1.2 million ADVENT budget provides for 34 staff to work with victims of domestic violence. DSS is partnering with other agencies, including the Department of Probation, the Administration for Children's Services, and the courts to enable clients of other organizations to utilize these services.

In 2003, the Department will continue the Employment Incentive Housing Program (EIHP), which offers a time-limited monthly rent supplement as an incentive to assist homeless families move toward self-sufficiency and independence. The program is offered to families who are engaged in approved work activities and reside in either the Department's domestic violence or Department of Homeless Services shelters. EIHP has placed 395 families in permanent housing since its inception in 2001.

The Department subsidizes child care for over 30,000 children whose parents are employed or are in a work related activity and receive public assistance or who have left public assistance for employment. Child care payments are issued to over 22,000 child care providers and centers each month through the Automated Child Care Information System (ACCIS), a shared system with the Administration for Children's Services (ACS). The ACCIS system maintains continuity of child care services when parents' case status changes or when parents leave public assistance for employment.

PUBLIC ASSISTANCE CASELOAD 1995-2002



Total expenditures for FA and SNA, including public assistance payments as well as employment programs and other related services, are projected to be $1.6 billion, of which $547 million are City funds. In 2003, an average of 452,442 persons are projected to receive public assistance, a decline of 11,685 from the 2002 average through March.

Expenditures for the Family Assistance program, which are partially funded by Federal Temporary Assistance for Needy Families (TANF) and State funds, are projected to be $817 million, of which $246 million are City funds. These funds will support adults and children, including those who have reached the TANF five year limit. The City/State funded Safety Net program expenditures are projected to be $277 million, of which $138 million are City funds.

Medical Assistance Program

The Medical Assistance Program (MAP) provides access to health care services for 1.8 million low-income New York City residents through the Medicaid program. Medicaid supports a wide range of medical services including primary care, hospital inpatient, emergency room, physician, pharmacy, clinic, nursing home, personal care, dental, rehabilitation, transportation, laboratory services and vision care. Beginning in 2002, MAP will also administer the Family Health Plus program (FHP), providing health care to adults above Medicaid eligibility levels.

The 2003 Executive Budget for Medical Assistance is $3.0 billion in City funds (excluding expenditures for the Health and Hospitals Corporation, the Department of Health and administrative costs).

The 2003 budget will be $246 million, or nine percent, higher than the 2002 forecast. The primary factors contributing to the cost increases include:

- an addition of $28 million for services to legal immigrants who were denied benefits under welfare reform, but had eligibility restored as a result of a New York State Court of Appeals decision in June 2001.

- an increase of $52 million due to the New York State Workforce Recruitment and Retention Act, which amended the Health Care Reform Act of 2000 and other legislation, to provide for increases in hospital and home care service rates.

- additional funding of $60 million due to increases in costs and utilization, including hospital inpatient and pharmacy.

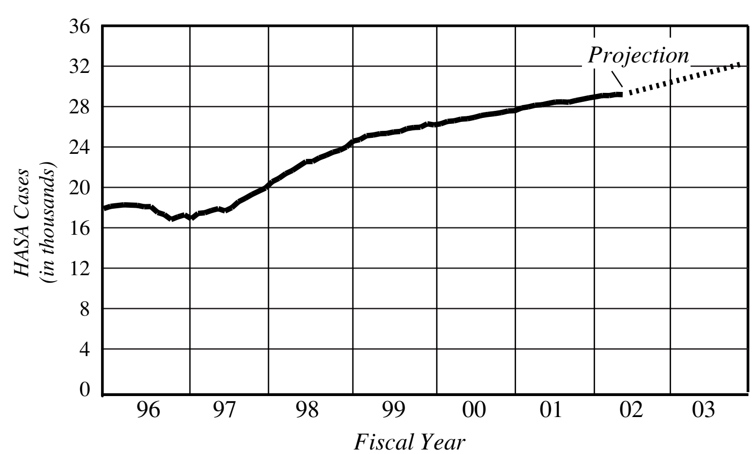
As a result of the World Trade Center disaster, New York State and New York City developed a temporary program to enroll medically needy New Yorkers into Disaster Relief Medicaid (DRM). From September 2001 through January 2002, DRM enrolled over 250,000 cases, comprising an estimated 354,800 individuals, through a simplified application and a streamlined eligibility process. In 2002 and 2003, MAP will evaluate and transition eligible DRM enrollees into Medicaid, Family Health Plus or Child Health Plus.

Since March 2000, the Department has enrolled over 143,000 adults and children into Medicaid and Family Health Plus. Outreach activities to enroll uninsured in public health insurance programs have included a multimedia campaign, the use of a van and outreach staff at community events and the operation of a health insurance Helpline. The Helpline allows consumers to self-screen for program eligibility, request information and to speak with a representative in a variety of languages about health program options.

HIV/AIDS Services Administration

The HIV/AIDS Services Administration (HASA) provides a full range of services to individuals with AIDS, as defined by the Centers for Disease Control and Prevention, or with advanced HIV-illness, as defined by the New York State AIDS Institute. HASA consumers may be provided with public assistance, Medicaid, food stamps, Supplemental Security Income (SSI) and Social Security Disability Insurance (SSDI), case management, housing, home care, employment, vocational rehabilitation and referrals to other social services in the community. The HASA caseload was 28,921 in December 2001, and is expected to grow to 29,953 by June 2002 and to 32,017 by June 2003.

HIV/AIDS SERVICES CASELOAD 1996-2003



HASA provides emergency transitional housing for the formerly homeless and permanent housing for more stabilized individuals and families in congregate facilities and scattered site apartments as well as rent supplements for those in private apartments. Transitional, congregate and scattered site housing is provided through contracts with community-based agencies that also provide case management to consumers. By the end of 2003, HASA anticipates adding an additional 436 units of supportive congregate housing for a total of 2,177 units. In 2003, HASA will fund 4,422 scattered site units, including a new performance-based model which provides reimbursement to contractors who locate apartments and offer supportive services for 2,175 consumers.

In 2002, HASA's Work Opportunity Program implemented a performance-based contract to train and place individuals in part-time and full-time jobs. The program, which will continue in 2003, is a voluntary comprehensive training and employment pilot for HASA consumers who wish to enter or return to the workforce.

The Office of Domestic Violence and Emergency Intervention Services

The Office of Domestic Violence and Emergency Intervention Services (ODVEIS) is the Department's planning and coordinating arm for all major municipal emergencies. ODVEIS is responsible for providing food, clothing and shelter to victims of domestic violence and other members of the community in need of assistance.

The Office of Domestic Violence Services

The Office of Domestic Violence Services supports contracted and directly operated programs for victims of domestic violence. Emergency and transitional housing is provided in shelters, safe homes, safe dwellings, and Tier II shelters. All programs provide a safe environment as well as counseling, advocacy, and referral services. The Department increased its emergency shelter capacity in 2002, for a total emergency capacity of 1,828 beds. The Department is also working with the New York State Homeless Housing and Assistance Program (HHAP) to increase the number of domestic violence transitional shelter facilities. The Department currently supports 155 transitional or Tier II units and funds up to 450 transitional units under an agreement with the Department of Homeless Services.

Contracts are maintained with 11 not-for-profit organizations to provide non-residential services, including a telephone hotline, counseling, information and referral, advocacy, and community outreach in all five boroughs. These programs increase the resources available to victims of domestic violence, including those for whom language and cultural barriers pose difficulty in accessing assistance.

In 2003, the Department will continue to expand the range of services available to victims of domestic violence. Domestic Violence liaison units, comprised of staff trained to assess the needs of domestic violence victims in Job Centers, will be expanded in 2003. The Domestic Violence units will continue to assist domestic violence victims with specialized engagement plans that include appropriate employment and support services to help them remain safe while developing skills to move toward self-sufficiency.

The Emergency Food Assistance Program

The Emergency Food Assistance Program (EFAP) supports distribution of food to the City's network of food pantries and soup kitchens and coordinates nutrition education programs. In 2003 EFAP will purchase and distribute more than 14 million pounds of food that will be delivered to over 600 food pantries and soup kitchens serving over 25 million meals.

Adult Protective Services

Adult Protective Services (APS) serves adults who, because of physical and/or mental dysfunction, are unable to care for or protect themselves from abuse, neglect, or exploitation. APS and its contractors assist approximately

11,000 consumers annually with assessments, crisis intervention, case planning, eviction prevention, financial management, and guardianship. In 2002, APS will complete automation in all of its offices, revise its procedure manual, develop a plan for a model office, expand its program to assign cases by neighborhood, and implement a preventive service project.

APS continued its Housing Court pilot program, introduced in 2001, serving 294 individuals in 2002. Program workers at the Bronx, Manhattan, Brooklyn and Queens housing branches of the State's Civil Courts provide pre-assessment evaluations of potential APS consumers for three days a week at each site. This program supports judges' determinations to adjourn eviction cases until APS can make a full assessment and institute services that may prevent eviction.

Capital Review

The Department's Four-Year Capital Plan totals $107.3 million including $38.0 million for facilities maintenance and improvement, $57.3 million for technology to streamline Department operations, and $10.1 million for the installation of telecommunications equipment and vehicle replacement.

Capital Commitments

($000's)

	2001 Actual		2002 Plan		2003 Plan		2004 Plan		2005 Plan		2006 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Buildings	$22,829	$26,707	$15,344	$19,502	$30,937	$32,790	$4,069	$6,263	$732	$732	$0	$0
Computers	$19,083	$29,705	$23,237	$41,303	$1,997	$3,567	$1,538	$3,017	$11,139	$18,671	$18,695	$32,117
Telecommunications	$2,659	$4,432	$4,728	$7,880	$0	$0	$0	$0	$1,755	$2,925	$4,175	$6,958
Vehicles	$0	$0	$0	$0	$0	$0	$0	$0	$66	$110	$99	$165
Total	$44,571	$60,844	$43,309	$68,685	$32,934	$36,357	$5,607	$9,280	$13,692	$22,438	$22,969	$39,240

Highlights of the Department's Four-Year Capital Plan

- installation at all Job Centers of the Paperless Office System, an integrated case management and imaged document storage technology system that will improve caseworker productivity and reduce the Department's reliance on paper files ($42.3 million).

- development of a specially designed computer facility at Brooklyn's MetroTech Center to house the Department's data center ($24.5 million).

- continued development of the wide area network system that will provide greater connectivity among Department personnel, contract service providers and consumers ($9.9 million).

- continuation of document imaging projects to eliminate paper records and streamline Department operations ($1.1 million).

ADMINISTRATION FOR CHILDREN'S SERVICES

The Administration for Children's Services (ACS) administers a broad range of programs with the primary mission of protecting and advancing the interests of children. The Department investigates allegations of child abuse and neglect, provides preventive services to families and children, and when necessary provides foster care or adoption services for children who cannot safely remain in their homes. The Department also provides subsidized childcare programs and early childhood education through the Head Start program. In addition, the Department administers New York City's child support enforcement program.

In 2001, ACS produced an agency-wide strategic plan - A Renewed Plan of Action for the Administration for Children's Services - mapping out integrated goals, outcomes and initiatives for all children's services, including Head Start, Child Care, Child Support Enforcement and Child Welfare. This new plan builds on the standards for agency reform established in the December 1996 Child Welfare Reform plan and provides a framework for continuing and expanding the achievements of that initiative throughout the Department. The Plan is the culmination of a collaborative planning process involving ACS staff, child services providers, parents, youth, advocates and several other City agencies.

Financial Review

The Department's 2003 Executive Budget provides for operating expenses of $2.3 billion, $624 million of which are City funds.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- an increase of $20.1 million in total funds to the foster care budget will allow ACS to pay half of the New York State increases in foster parent stipends and the Maximum State Aid Rates (MSAR) for foster care agencies. The Department is working with the State to ensure that the foster care allocation in the finalized State budget includes sufficient funds to provide the balance of the stipend and MSAR increases.

- in 2003, ACS will continue its work with the Department of Probation to address the needs of families seeking court supervision of truant or uncontrollable youth through Persons In Need of Supervision (PINS) petitions. With five million dollars in total funds, the Department will pilot targeted and intensive preventive programs to reduce the need for court action or foster care placements in these cases.

- an increase of $3.0 million in Federal funds, including $1.0 million in Project Liberty funds, will provide World Trade Center related crisis counseling services for preventive services, foster care, child care and Head Start programs in 2002.

Restructuring and Streamlining

- ACS completed its move into the newly constructed Children's Center in September 2001. The facility houses emergency and placement services for children removed from their homes due to abuse or neglect, as well as the Department's child welfare training and research institute. The Children's Center also served as a temporary home for ACS administrative staff that was displaced from the Department's downtown headquarters following the World Trade Center attack.

- in 2003, ACS will continue the Safe and Timely Adoption and Reunification Program (STAR), which enables foster care providers who reduce children's length of stay in care to invest in additional services to improve outcomes for children and families. In 2002, ACS approved $7.4 million in STAR reinvestment programs.

- the Department will continue information technology initiatives to improve efficiency by automating record keeping and reducing duplicative paperwork and manual processing. An increase of $2.9 million will also improve network support and administration services.

Summary of Agency Financial Data

($000's)

	2001 Actual	2002 Forecast	2003 Preliminary Budget	2003 Executive Budget	Increase/(Decrease) 2002 Forecast	Increase/(Decrease) 2003 Preliminary Budget
Expenditures						
Personal Service	$346,489	$369,274	$371,691	$371,735	$2,461	$44
Other Than Personal Service	1,909,728	2,040,247	1,965,673	1,963,582	(76,665)	(2,091)
Total	$2,256,217	$2,409,521	$2,337,364	$2,335,317	($74,204)	($2,047)
Funding						
City	$698,438	$648,629	$642,357	$622,782	($25,847)	($19,575)
Other Categorical Grants	234	3,859	—	44	(3,815)	44
Capital IFA	—	—	—	—	—	—
State	451,567	525,575	517,189	516,885	(8,690)	(304)
Federal						
• JTPA	—	—	—	—	—	—
• CD	7,872	24,013	3,265	22,051	(1,962)	18,786
• Other	1,097,934	1,206,915	1,174,403	1,173,406	(33,509)	(997)
Intra-City Other	172	530	150	149	(381)	(1)
Total	$2,256,217	$2,409,521	$2,337,364	$2,335,317	($74,204)	($2,047)
*Personnel (at fiscal year-end)**						
City	7,030	7,184	7,451	7,451	267	—
Non-City						
• JTPA/IFA	—	—	—	—	—	—
• CD	7	7	7	7	—	—
• Other	84	166	155	156	(10)	1
Total	7,121	7,357	7,613	7,614	257	1

* *Part-time, seasonal and hourly appropriations in the 2003 Executive Budget support the equivalent of 396 full-time positions, of which it is estimated that 396 will be City funded.*

Programmatic Review

Protective Services for Children

Protective Services for Children investigates allegations of child abuse and neglect and is responsible for monitoring children and families until it is determined whether the children may remain safely in their homes, or must be placed in foster care. ACS is projected to investigate approximately 52,835 reports of child abuse or neglect in 2002. The number of reports is expected to remain level in 2003.

To ensure optimal outcomes for children and families, Protective Services conducts case conferences to bring caseworkers, parents, relatives and service providers together. These conferences ensure that service and placement decisions are based on all available information and perspectives. Since the implementation of case conferencing in October 1999, 10,816 conferences have been held and an agreement regarding the service plan for the family was reached in over 90 percent of the cases.

Preventive Services for Children and Families

Preventive services assist families in crisis or at risk of foster care placement. The Department provides a variety of both direct and contracted preventive services designed to prevent foster care placement or reduce the time that children spend in foster care. The Department provides intensive services through its direct Family Preservation Program to an average of 163 families per month. In addition, the Department contracts for 9,765 general preventive slots; 1,150 Family Rehabilitation Program (FRP) slots, which provide intensive services for families with substance abuse issues; and 1,345 specialized service slots to address special needs populations such as the deaf and hard of hearing. Services also include contracts with community-based agencies to provide homemaking for families in crisis, and the housing subsidy program, which provides time-limited rental assistance to families and youth leaving foster care.

ACS works collaboratively with other City agencies, including the Department of Probation, Department of Mental Health, Health and Hospitals Corporation, Department of Housing Preservation and Development, and the New York City Housing Authority to address the broad range of issues facing families receiving preventive services. ACS has also initiated the Family Violence Prevention Program to provide preventive service agencies with on-going training and education in assessing and serving families with domestic violence issues.

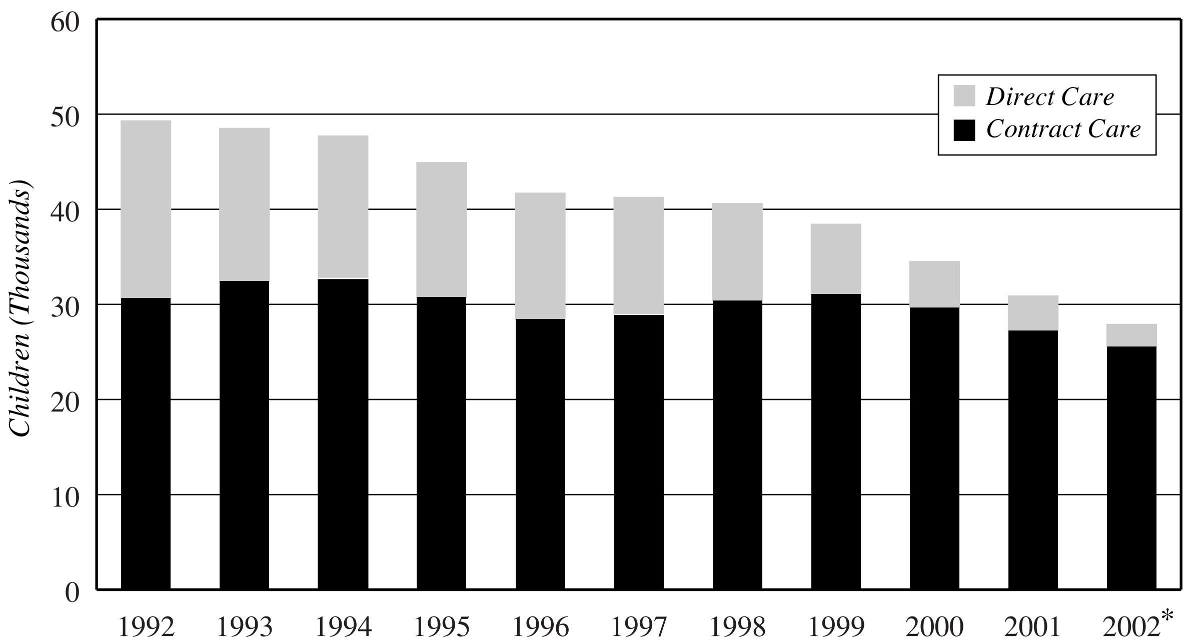
Foster Care

ACS provides foster care services through contracted agencies and directly run programs. Placements in foster boarding homes, congregate settings or specialized residential care facilities are provided on a temporary basis until children can be reunified with their families. If reunification is not an option, children receive services that will lead to adoption or development of independent living skills.

Since 1996, the foster care population has declined 41 percent from 47,414 to a projected average of 27,884 in 2002 and is expected to remain stable in 2003. Although the population has declined, the portion of children requiring specialized care and treatment, including mental health and developmental services, has increased. To address the needs of these children, ACS is developing specialized congregate care programs and high service foster boarding homes slots.

In 2003, ACS will continue several initiatives designed to enhance foster care service delivery. Neighborhood-based foster care agencies work with local preventive service providers and other community resources to minimize disruption in the lives of children removed from their homes. The Evaluation and Quality Improvement Protocol (EQUIP) has produced a comprehensive evaluation of provider performance on process, quality and outcome measures. The STAR Program provides an opportunity for high performing foster care providers to redirect funds to aftercare or specialized services to improve permanency outcomes for children.

AVERAGE FOSTER CARE CASELOAD: 1992-2002



* Projected

Note: Beginning in 1996 the number of children in contract care is calculated using number of care-days rather than reported census.

Adoption

Adoption provides a stable and permanent home for children who cannot return to their birth parents. Most children adopted from ACS are considered hard to place and their adoptive families receive ongoing adoption subsidy payments to support their care. The Department's efforts to recruit adoptive parents, including the adoption hotline and the award winning Wednesday's Child television segment, have contributed to a 37 percent increase in annual adoptions, from 2,312 in 1994 to 3,160 in 2002.

Head Start

The Federally funded Head Start program provides education and developmental services to low-income three and four-year old children. The program is designed to better prepare children for school by working with the entire family to support children's learning and development. As of February 2002, there were 16,578 children enrolled in 189 Head Start programs. The program is scheduled to expand to serve 17,000 children by June 2002 and to serve 18,500 children in 2003.

An MIS initiative begun in 2002 will establish an intranet among Head Start providers and automate Head Start contract administration. A pilot group of providers is now submitting on-line billing to ACS and a database of provider employees is 90 percent complete. This new system will allow more timely and accurate administration of provider expenditures and centrally administered Head Start employee health insurance and pension costs.

Agency for Child Development

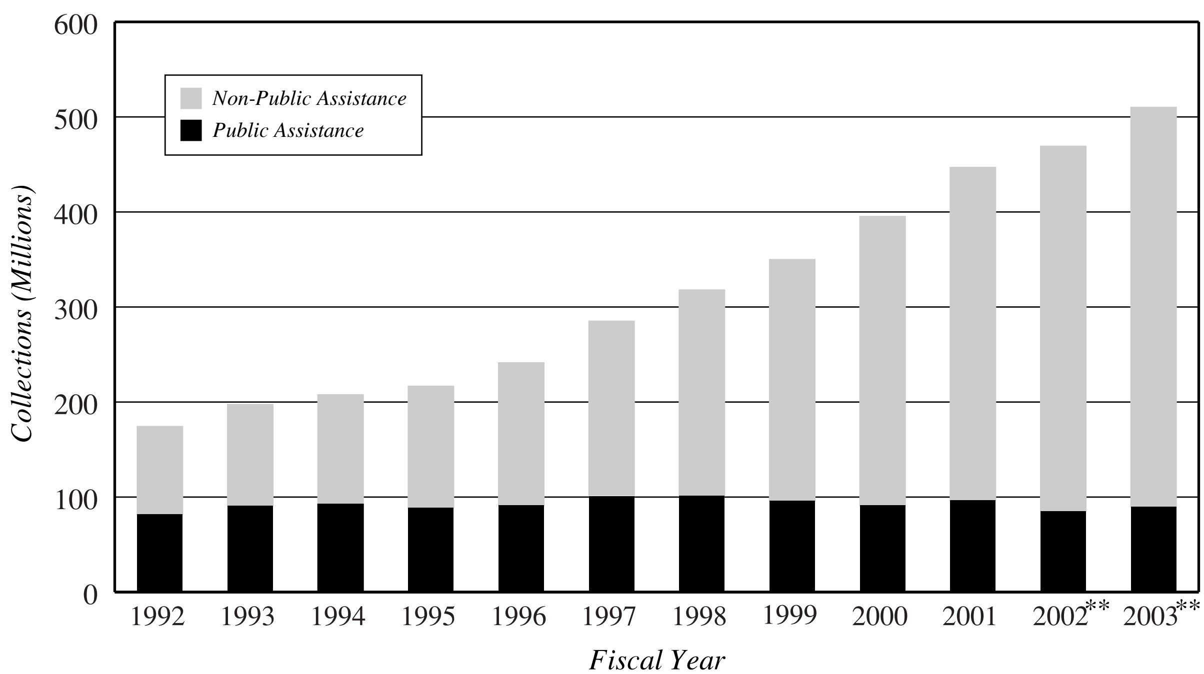
Through the provision of quality subsidized child care, the Agency for Child Development (ACD) promotes the safe and healthy educational and social development of children and assists their families to maintain self-sufficiency. ACD contracts for child care services in group centers and family child care homes. The Department also provides vouchers that enable parents to choose any early-education option for their children. Subsidized child care is targeted to low-income working families, public assistance recipients who are employed or engaged in work activities and families receiving child welfare services. Through close management of contracted and voucher-funded services, ACD has maintained subsidized child care for an average of 60,195 children in 2002. Service levels will be maintained in 2003. In addition, the Department of Social Services also provides child care services to parents receiving public assistance and those transitioning from welfare.

Office of Child Support Enforcement

The Office of Child Support Enforcement (OCSE) ensures that non-custodial parents provide financial support for their children. Services include establishment of paternity and support obligations, collection, accounting, disbursement of support payments and the enforcement of court ordered support obligations. In 2002, it is projected that OCSE will collect a total of $85 million in child support for public assistance families and $384 million on behalf of non-public assistance families. Growth in non-public assistance collections since 1996 is a result of the greater numbers of public assistance families who have achieved self-sufficiency.

In 2002, OCSE's mandatory employment program for delinquent non-custodial parents of children receiving public assistance was expanded and renamed the Support Through Employment Program (STEP). STEP now serves any non-custodial parent, regardless of child support delinquency or public assistance status. The program, operated in conjunction with the Department of Social Services' welfare-to-work initiatives, provides additional employment and training services through participating community organizations. STEP is mandated by Family Court judges for non-compliant parents, but also accepts voluntary participants. In February 2002, STEP began with cases at OCSE Court Services and Manhattan Family Court. The program is expected to be implemented in Queens Family Court in fall 2002 and eventually citywide.

CHILD SUPPORT COLLECTIONS*



* *Includes support collected from New York City residents on behalf of other states.*
** *Projected*

Capital Review

The Department's Four-Year Capital Plan totals $112.5 million, including $16.3 million for renovation of congregate foster care facilities, $34.9 million for construction and renovation of child care facilities, $20.0 million for renovation and furnishing of ACS offices, and $40.1 million for technology and telecommunications to streamline agency operations.

Capital Commitments

($000's)

	2001 Actual		2002 Plan		2003 Plan		2004 Plan		2005 Plan		2006 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Child Welfare	$4,146	$4,146	$13,581	$14,108	$3,945	$4,032	$2,167	$2,167	$5,000	$5,000	$5,109	$5,109
Child Care	$6,673	$6,673	$1,554	$1,554	$12,701	$12,701	$3,075	$3,075	$3,120	$3,120	$17,189	$17,189
Buildings	$1,846	$2,310	$2,802	$3,590	$9,210	$11,658	$0	$0	$0	$0	$6,568	$8,314
MIS	$1,371	$2,026	$14,186	$19,099	$13,026	$16,869	$5,907	$8,448	$8,024	$9,429	$4,441	$5,340
Total	$14,037	$15,156	$32,123	$38,351	$38,882	$45,260	$11,149	$13,690	$16,144	$17,549	$33,307	$35,952

Note: Funds for ACS capital projects prior to 2001 are included in the Department of Social Services capital plan.

Highlights of the Four-Year Capital Plan

- the completion of renovations at the Crossroads Residence in the Bronx is anticipated by the end of 2002. This residence will provide a state of the art facility for children in direct-run congregate foster care. The eight-acre campus will provide spaces for vocational training programs, an athletic center and sports fields for an intramural athletic league, and a location for programmatic graduation ceremonies and recreational events.

- renovation and expansion of the Jefferson Group Home for adolescent foster children ($2.2 million); code compliance renovations at various group homes operated by ACS ($1.6 million); and purchase of three group home sites ($792,000).

- construction of the Williamsburg Day Care Center in Brooklyn ($6.6 million), the Seabury Day Care Center in the Bronx ($2.7 million), and the Washington Heights Day Care Center ($5 million).

- development of the Integrated Case Management System, a single case data entry system ($4.9 million); implementation of a document imaging project for paperless retention and management of required financial and child welfare information ($2.9 million); and continued development of a legal tracking system to automate tracking of legal actions involving abused and neglected children ($1.2 million).

DEPARTMENT OF HOMELESS SERVICES

Since its inception in July 1993, the Department of Homeless Services (DHS) has carried out its mandate to provide temporary housing and services to homeless families and single adults. DHS provides a range of services that enable homeless adults and families to attain self-sufficiency and return to independent living.

Financial Review

The Department's Fiscal Year 2003 Executive Budget provides for operating expenses of $563.6 million, of which $271.0 million are City funds.

Expense Budget Highlights

The Department continues to provide services for eligible homeless families and individuals in a safe, supportive environment and to deliver services through a continuum of care in which clients assume responsibility for achieving the goal of independent living.

Budgetary Priorities: Providing Core Services

- an additional $56 million in total funds in 2003 and $71 million in 2004 will enable the Department to increase transitional housing capacity for families.

- an additional $3 million in total funds in 2003 and $18 million in 2004 will enable the Department to increase transitional housing capacity for homeless individuals and to expand drop-in programs for those living on the streets and in public places.

Restructuring and Streamlining

- the Department will continue its efforts to contract out directly operated facilities to not-for-profit providers, and to continue the trend toward program shelters.

- The Department will continue to work with the Department of Social Services (DSS) to increase family and individual eligibility for programs providing State and Federal reimbursement

- in 2003 DHS will work with its partners to develop and adopt guiding principles, identify critical initiatives, establish guidelines and protocols, and develop a framework for staff training.

Summary of Agency Financial Data

($000's)

	2001 Actual	2002 Forecast	2003 Preliminary Budget	2003 Executive Budget	Increase/(Decrease) 2002 Forecast	Increase/(Decrease) 2003 Preliminary Budget
Expenditures						
Personal Service	$91,856	$96,727	$95,721	$102,127	$5,400	$6,406
Other Than Personal Service	383,795	452,151	461,093	461,463	9,312	370
Total	$475,651	$548,878	$556,814	$563,590	$14,712	$6,776
Funding						
City	$219,457	$257,546	$268,722	$271,024	$13,478	$2,302
Other Categorical Grants	—	29	—	—	(29)	—
Capital IFA	—	—	—	—	—	—
State	154,421	153,967	160,312	161,948	7,981	1,636
Federal						
• JTPA	—	—	—	—	—	—
• CD	58	10,990	6,190	6,190	(4,800)	—
• Other	99,143	113,400	121,590	124,428	11,028	2,838
Intra-City Other	2,573	12,946	—	—	(12,946)	—
Total	$475,651	$548,878	$556,814	$563,590	$14,712	$6,776
*Personnel (at fiscal year-end)**						
City	1,555	1,567	1,567	1,607	40	40
Non-City						
• JTPA/IFA	—	—	—	—	—	—
• CD	—	3	3	3	—	—
• Other	9	—	—	—	—	—
Total	1,564	1,570	1,570	1,610	40	40

* *Part-time, seasonal and hourly appropriations in the 2003 Executive Budget support the equivalent of 544 full-time positions, of which it is estimated that 544 will be City funded.*

Programmatic Review

Homeless Individuals

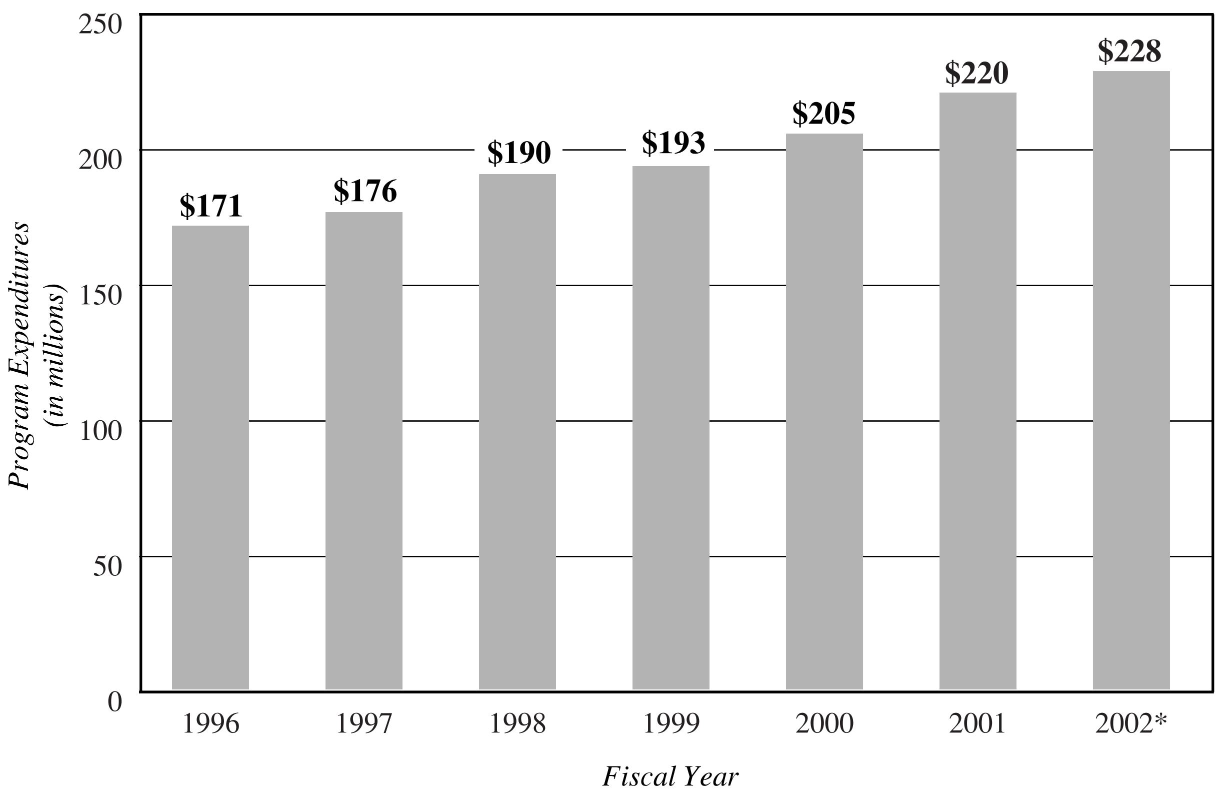
The Department provides a variety of service options for homeless individuals, including street outreach and drop-in centers for the hardest to serve, general and specialized transitional facilities, and permanent supportive housing. In 2003, DHS will continue to improve and expand specialized programs providing substance abuse, mental health and employment services to address barriers to independent living. Eighty-one percent of beds for single adults are associated with program services.

In 2002, the average number of homeless adults requiring shelter rose six percent over the previous year to 7,647 as of March 2002. In response, the Department added 532 beds to the adult system during 2002 and will meet additional needs in 2003 with an increase of $1.5 million in total funds and City funds.

The Department also provides permanent housing assistance, including referral to supportive Single Room Occupancy (SRO) units operated by a network of not-for-profit providers and a Rental Assistance Program (RAP) which provides time-limited rent subsidies to employed homeless individuals. Through seven not-for-profit providers, RAP provides supportive services such as employment training, job development, and life skills training.

The Department also provides outreach services, both directly and through contract, and supports drop-in centers operated by not-for-profit organizations. Outreach teams identify and engage a diverse population of homeless individuals living in public spaces such as streets, parks, terminals, transportation facilities and encampments, and link them with services that will eventually enable them to move into protective settings like transitional or permanent housing. Nine drop-in centers, including one funded by the Federal Department of Housing and Urban Development, provide counseling, crisis intervention, meals, clothing and referrals to a variety of support services to an average of 939 individuals daily. In 2003 the Department will expand the drop-in center program with $1.8 million in total funds.

HOMELESS INDIVIDUALS - PROGRAM EXPENDITURES: 1996-2002



* *Projected*

In 2003, the cost of serving homeless individuals will be $221 million, including $7.2 million from the Department of Mental Health and the Federal Emergency Shelter Grant program which will be added during the year. The budget is supported with $119 million of City funds.

Homeless Families

The Department provides services to homeless families through a network of transitional housing facilities. Transitional housing provides families with stable living situations and supportive social services designed to lead to self-sufficiency. Access to permanent housing and follow-up services are also provided to assist families in maintaining independence.

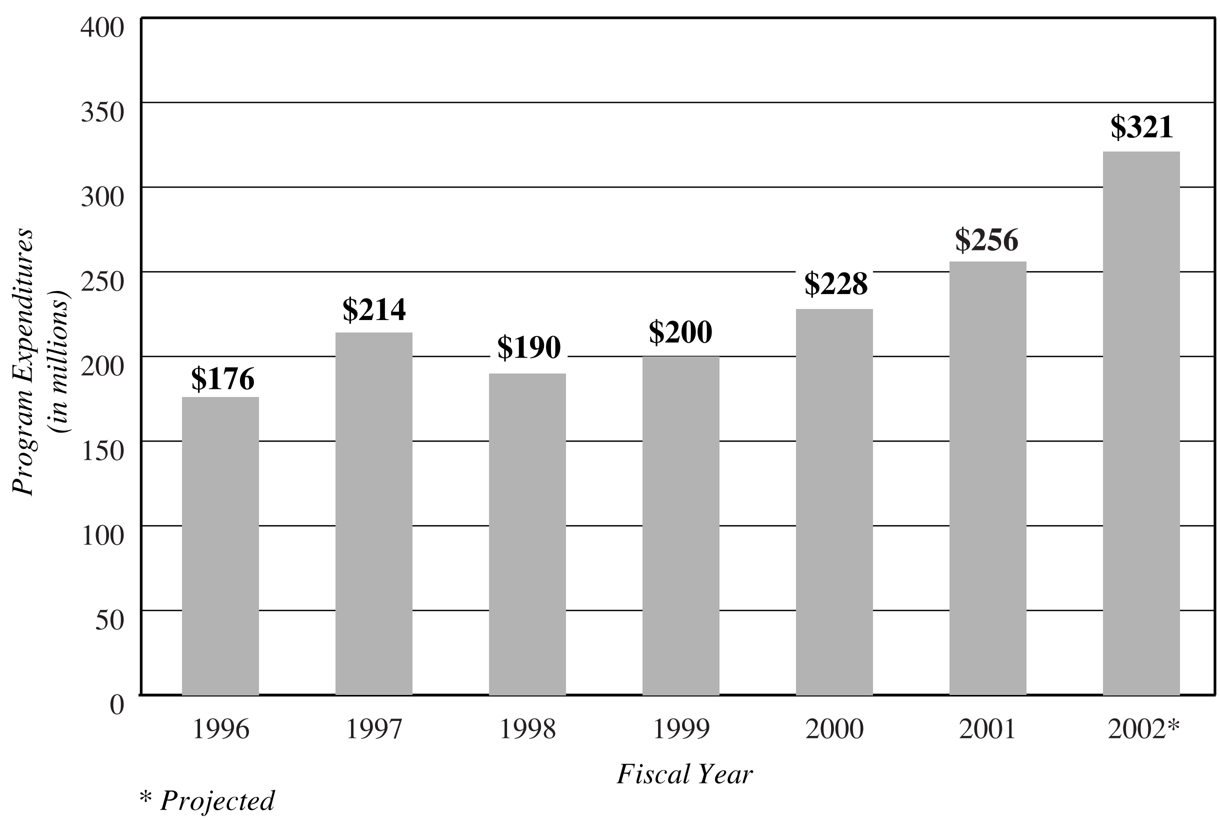
The number of homeless families increased from an average of 5,563 in 2001 to 6,726 as of March 2002. In 2003, the Department will provide additional capacity for homeless families in transitional housing units with $56 million in total funds

In 2002, the Department, in collaboration with the Department for Social Services (DSS) began an initiative to consolidate public assistance services for DHS families at a single Job Center. The Riverview Job Center will improve service delivery for homeless families and simplify coordination between the two agencies. Additionally, DSS began piloting on-site re-certification of public assistance clients in DHS facilities in order to minimize interruptions in assistance due to homelessness.

The Department will continue efforts to increase the number of units of permanent housing available to families in shelters. An increase in the EARP bonus paid to landlords who rent apartments to families coming out of shelters has been widely advertised and the Department anticipates maximizing the use of Federal Section Eight vouchers through this initiative. In 2003 the Department will continue to work with DSS and other agencies to develop additional programs and incentives to increase the number of permanent housing units for homeless families.

Special events and programs for clients and children in transitional housing expanded significantly in 2002 and are expected to continue in 2003. Carnegie Hall expanded its commitment to arts education for the homeless by beginning a series of on site music workshops featuring top musicians and increased the number of concerts in the Carnegie Hall Shelter Concert Series. Other programs include sports clinics for girls and women featuring Olympians and sports celebrities sponsored by the Wendy Hilliard Foundation and "MCNY Kids" a weekly family arts project held at the Museum of the City of New York.

HOMELESS FAMILIES - PROGRAM EXPENDITURES: 1996-2002



The cost of housing homeless families in 2003 will be $349 million, of which $152 million are City funds.

Capital Review

The Department's Four Year Capital Plan totals $108.1 million. Projects for homeless families total $23 million, projects for single adults total $76.9 million, and $8.2 million is allocated for administration, computer systems and equipment purchases.

Capital Commitments
($000's)

	2001 Actual		2002 Plan		2003 Plan		2004 Plan		2005 Plan		2006 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Homeless Families . . . . .$	4,585	4,585	17,085	17,085	9,791	9,791	3,510	3,510	5,000	5,000	4,713	4,713
Homeless Individuals . . .$	10,905	10,905	14,995	14,995	18,736	18,736	11,507	11,507	17,500	17,500	29,149	29,149
Equipment and Vehicles .$	219	219	4,052	4,052	187	187	188	188	750	750	1,000	1,000
Administrative Facilities .$	1,200	1,200	11	11	6,100	6,100	0	0	0	0	0	0
Total.	$16,909	$16,909	$36,143	$36,143	$34,814	$34,814	$15,205	$15,205	$23,250	$23,250	$34,862	$34,862

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Highlights of the Four Year Capital Plan

- building upgrade projects at adult and family facilities, including $15.6 million at facilities for homeless adults, $800,000 at the Bronx Emergency Assistance Unit (EAU) and $6.9 million at other facilities for homeless families.

- building envelope stabilization, at a cost of $6.7 million at adult facilities, including $2.9 million at the Park Slope and Sumner Armories, and $13.1 million at family facilities.

- fire safety and code compliance projects at various sites, including Park Slope Armory, Brooklyn Women's Shelter, Charles Gay Keener, Camp LaGuardia and Jamaica Assessment ($8.1 million).

- development of a new DHS supply warehouse, maintenance and repair workshop, and offsite LAN facility ($6.1 million).

- development of a client tracking system, including linkage of contractors to DHS for reporting and payment processes.

DEPARTMENT FOR THE AGING

The Department for the Aging (DFTA) administers a wide range of programs that enable senior citizens to maintain independence and improve their quality of life. Services include congregate and home-delivered meals, home care, employment counseling and placement, assistance for crime victims, social and legal services, transportation, and information and referral services. The Department also advocates for the City's elderly through legislative activity and public policy initiatives.

Financial Review

The Department's 2003 Executive Budget provides for operating expenses of $209.1 million, of which $141.4 million are City funds.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- in 2003 the Department will focus on its core services to senior citizens, including providing home care services to over 4,800 seniors and serving more than 13 million congregate and home delivered meals.

- in 2003, the Department will continue to use Community Development Block Grant (CDBG) funds to renovate and upgrade senior centers that are not eligible for capital funds. In 2002, the Department will renovate 26 centers with $4.3 million of CDBG, and 16 centers with $2.0 million of pay-as-you-go capital.

- in 2003 caregiver services will be expanded through the allocation of $3.2 million in new Federal grant funding. Services for caregivers to the elderly will include: counseling; support groups; training; and respite, such as home care and social adult day services. In addition, services will be provided to grandparents caring for grandchildren.

Restructuring and Streamlining

- in 2003 the Department will maximize resources by consolidating seven underutilized senior centers with larger nearby centers, where seniors will continue to receive services.

- program services will be enhanced by expanded availability to 162 sites of Uni-form, an on-line system which allows seniors to complete a single, simplified application for various entitlements.

- in 2003 congregate and home-delivered meal services will be maintained through an anticipated increase in contributions by participants of ten cents per meal.

Summary of Agency Financial Data

($000's)

	2001 Actual	2002 Forecast	2003 Preliminary Budget	2003 Executive Budget	Increase/(Decrease) 2002 Forecast	Increase/(Decrease) 2003 Preliminary Budget
Expenditures						
Personal Service	$20,950	$21,843	$20,042	$20,504	($1,339)	$462
Other Than Personal Service	215,631	221,993	183,985	188,630	(33,363)	4,645
Total	$236,581	$243,836	$204,027	$209,134	($34,702)	$5,107
Funding						
City	$165,009	$168,665	$139,696	$141,441	($27,224)	$1,745
Other Categorical Grants	10	5	—	—	(5)	—
Capital IFA	—	—	—	—	—	—
State	21,850	21,601	19,609	19,609	(1,992)	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	472	4,827	4,459	4,459	(368)	—
• Other	48,864	48,206	40,031	43,094	(5,112)	3,063
Intra-City Other	375	532	232	531	(1)	299
Total	$236,581	$243,836	$204,027	$209,134	($34,702)	$5,107
*Personnel (at fiscal year-end)**						
City	139	146	130	130	(16)	—
Non-City						
• JTPA/IFA	—	—	—	—	—	—
• CD	—	2	2	2	—	—
• Other	236	251	234	244	(7)	10
Total	375	399	366	376	(23)	10

* *Part-time, seasonal and hourly appropriations in the 2003 Executive Budget support the equivalent of 447 full-time positions, of which it is estimated that 21 will be City funded.*

Programmatic Review

In 2003, DFTA will continue to provide services to elderly New Yorkers through a network of 333 full service senior centers, as well as satellite sites, which provide nutrition, recreation and social services to more than 165,000 of the City's elderly. Seniors throughout the five boroughs receive congregate and home-delivered meals through senior center programs. Over 4.5 million home-delivered meals (including over one million on weekends and holidays) and over nine million congregate meals will be served.

The Department's Senior Citizen Rent Increase Exemption Program (SCRIE) subsidizes the annual rent increases of over 45,000 elderly households through property tax abatements to the owners of more than 27,000 buildings participating in the program. In an ongoing effort to inform the public, the Department has distributed over 200,000 copies of "Your Guide to the Senior Citizen Rent Increase Exemption (SCRIE) Program" to tenants, building owners, elected officials, and community-based service organizations.

The Department manages a number of additional programs that assist elderly New Yorkers including homemaking, housekeeping and social adult day care services for homebound and frail seniors and case management and transportation services to meet special needs. The Department supports funding for 28 Naturally Occurring Retirement Communities (NORCs), which provide on-site services in complexes with large numbers of elderly residents. During 2002, DFTA expanded the Safe Streets/Safe Corridors program and enhanced services for elderly crime victims by increasing resources in high crime precincts. These enhanced programs will continue to provide services in 2003.

Capital Review

The Department's Four-Year Capital Plan totals $24.6 million. Capital projects include the rehabilitation of facilities that provide services to the elderly, technology projects to improve operations and the enhancement of a computerized network to assist seniors to apply for entitlement and benefit programs directly at local senior centers.

Capital Commitments

($000's)

	2001 Actual		2002 Plan		2003 Plan		2004 Plan		2005 Plan		2006 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Elec. Data Processing	$1,415	$1,415	$5,929	$5,929	$2,769	$2,769	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000
Building Renovations and Vehicles	$5,557	$5,557	$16,035	$16,035	$4,464	$4,464	$1,531	$1,531	$1,957	$1,957	$10,832	$10,832
Total	$6,972	$6,972	$21,964	$21,964	$7,233	$7,233	$2,531	$2,531	$2,957	$2,957	$11,832	$11,832

Highlights of the Four Year Capital Plan

- renovation of existing senior centers and expansion of centers in neighborhoods with growing senior populations ($18.2 million).
- conversion of the Provider Data System (PDS) and Uni-form Benefits System to a web based platform ($1.0 million).
- development of a grants management computer system to support contract monitoring and grant-related reporting requirements ($1.0 million).

DEPARTMENT OF PUBLIC HEALTH

On July 1, 2002, the budgets of the former Department of Health and Department of Mental Health, Mental Retardation, and Alcoholism Services will be merged to reflect the creation of the new Department of Public Health. By combining health and mental hygiene services within a single agency, the City will establish its position as a national leader in public health. The newly-merged Department will afford numerous opportunities for integrating health and mental hygiene services while maintaining the core programs and functions of the pre-existing agencies. It will enforce compliance with the City Health Code and will operate a broad range of public health services such as disease monitoring, prevention, and control, as well as health education, environmental health, health promotion, early intervention, community health, and access to health services. In addition, the Department will plan, monitor, and evaluate mental hygiene services and fund public education, prevention, and training to ensure access to high-quality services to those with mental illness, mental retardation and developmental disabilities, and alcohol and substance abuse problems.

Financial Review

The Department of Public Health's 2003 Executive Budget provides for $1.3 billion, which is $433 million less than the 2002 forecast. This is mainly due to the fact that intracity sales of $350 million between the Departments of Health and Mental Health for the Early Intervention Program are no longer reflected following the merger of these two agencies. In addition, new funds of approximately $83 million will be modified during the fiscal year when Federal and State award notifications are received.

Capital commitments of $65 million are also provided, an increase of $23 million over the 2002 Plan amount.

Revenue Forecast

The Department of Public Health generates revenue from licenses, permits, inspections and service fees and fines for violations of the New York City Health Code. The Department will generate $35.8 million in 2003.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- an increase of $30.1 million for the projected costs of the Early Intervention Program based upon recent trends in the number of children requiring services.

- an increase of $1.9 million to implement a program for the prevention of chronic diseases related to high risk behaviors. This program includes surveillance of tobacco use by City residents, a resource center to provide information to businesses, providers, and labor unions, an initiative to promote the benefits of physical activity, and a Citywide media campaign.

- an increase of $700,000 to fund an Infant Mortality Reduction Initiative in the neighborhoods of Central Harlem and Central Brooklyn.

Streamlining

- a savings of $5.3 million will be generated by eliminating vacant positions and improving management of other than personal services spending.

- a savings of $3.2 million will be generated as a result of increased Medicaid reimbursement for mental hygiene services.

- a savings of $3.0 million will be generated as a result of Federal Temporary Assistance to Needy Families (TANF) reimbursement for substance abuse services provided to eligible clients.

Summary of Agency Financial Data

($000's)

			2003		Increase/(Decrease)	
	2001 Actual	2002 Forecast	Preliminary Budget	Executive Budget	2002 Forecast	2003 Preliminary Budget
Expenditures						
Personal Service	$226,672	$250,763	$243,305	$245,356	($5,407)	$2,051
Other Than Personal Service	1,287,068	1,479,183	1,248,233	1,051,973	(427,210)	(196,260)
Total	$1,513,740	$1,729,946	$1,491,538	$1,297,329	($432,617)	($194,209)
Funding						
City	$551,021	$561,291	$561,262	$561,550	$259	$288
Other Categorical Grants	106,292	107,884	120,585	120,645	12,761	60
Capital IFA	—	—	—	—	—	—
State	355,791	444,561	387,648	462,920	18,359	75,272
Federal						
• JTPA	—	—	—	—	—	—
• CD	489	553	553	553	—	—
• Other	199,280	259,062	71,910	147,432	(111,630)	75,522
Intra-City Other	300,867	356,595	349,580	4,229	(352,366)	(345,351)
Total	$1,513,740	$1,729,946	$1,491,538	$1,297,329	($432,617)	($194,209)
*Personnel (at fiscal year-end)**						
City	2,137	2,599	2,494	2,493	(106)	(1)
Non-City						
• JTPA/IFA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	940	1,182	901	931	(251)	30
Total	3,077	3,781	3,395	3,424	(357)	29

* *Part-time, seasonal and hourly appropriations in the 2003 Executive Budget support the equivalent of 2,125 full-time positions, of which it is estimated that 2,043 will be City funded.*

Programmatic Review

Health Services

The Department is committed to protecting and promoting the health of the public through monitoring, prevention, and control activities for individuals, families, and communities in New York City. The Department prevents epidemics and the spread of diseases such as HIV/AIDS, sexually transmitted diseases (STDs), and tuberculosis; protects against environmental hazards; prevents unintentional injuries; promotes and encourages healthy behaviors; responds to disasters and assists communities in recovery; and ensures the accessibility of health services.

Agency Initiatives

In 2003, the Department will develop and implement a comprehensive tobacco control plan in New York City through a combination of media, regulation, and medical care. Its five areas of focus include: (1) active promotion and support of legislation to create more smoke-free public spaces and increase taxation of tobacco products; (2) better enforcement of regulations to reduce illegal importation and sale of cigarettes, particularly to children, in collaboration with the Departments of Finance and Consumer Affairs; (3) increased use of tobacco cessation interventions through provider education on the use of effective medical therapies to help smokers quit; (4) education and intervention in targeted communities through grassroots and media campaigns, with a special focus on schools to decrease smoking rates among children; and (5) monitoring and evaluation of interventions to determine the most effective approaches to changing behaviors and conditions related to tobacco use.

The Department is recognized for operating one of the most experienced and innovative local bioterrorism readiness programs in the nation. However, the events of September 11th and the subsequent anthrax incidents have underscored the need to improve the Department's ability to plan for and manage all public health emergencies, including biological, chemical, or radiological terrorism. The Department has established an Emergency Preparedness Unit that oversees its readiness for and response to public health emergencies. In addition, the Federal Centers for Disease Control and Prevention (CDC) has implemented an expansion of its existing cooperative agreement with the Department for public health preparedness and is providing additional funds for bioterrorism preparedness planning and activities, outbreaks of infectious disease, and other public health threats and emergencies. With these funds, the Department will augment and improve preparedness planning and readiness assessment, surveillance and epidemiology capacity, laboratory capacity, communications and information technology, risk communication and health information dissemination, and education and training.

Disease Intervention

The Department will continue its efforts to further reduce the incidence of tuberculosis in New York City. While the number of tuberculosis cases continues to go down – tuberculosis cases decreased by over 65 percent between 1992 and 2001 – the number of cases in non-US born individuals has remained steady and accounts for 64 percent of all cases in 2001, compared to 18 percent in 1992. The Department has been targeting high-risk immigrant communities and will increase its efforts to reach these communities to educate them about tuberculosis and the free services available at the Department's Chest Centers.

The Department reported an increase in syphilis between 2000 and 2001. In 2001, there were 282 cases compared to 117 cases in 2000. To counter this increase, the Department has stepped up its syphilis elimination program with epidemiologic and surveillance activities; increased awareness among at-risk populations, the organizations that serve them, and their health care providers; and increased access to services.

The Department, in its continuing efforts to control AIDS and HIV infection, has enhanced primary prevention, health education, and risk reduction services for sero-positive persons, young minority men who have sex with men (MSM), women and youth of color, and criminal justice populations. These services will be fully implemented in 2003.

Between 1995 and 2001, the number of children with blood lead levels at or above the environmental intervention blood lead level, defined as $\geq$ 20 ug/dL, declined from 1,969 to 741. Preliminary data from 2002 show that the decline is continuing. When comparing the first six months of 2002 to the same period in 2001, there has been a 16 percent decline in cases, from 448 to 378. Despite the dramatic decline in childhood lead poisoning, New York City children remain at risk for elevated blood lead levels due primarily to the high prevalence of old housing stock in the City. In 2003, the Department will continue to work toward reducing the burden of lead poisoning in communities by: (1) conducting outreach and education; (2) performing environmental assessments of lead hazards and enforcing lead hazard regulations; (3) providing care coordination for children with elevated blood lead levels; (4) conducting surveillance, research, and evaluation; (5) enhancing the Lead Poisoning Prevention Program's sophisticated computerized surveillance and tracking system; and (6) providing technical assistance to City agencies and other organizations.

Family and Community Health Services

In 2003, the Department, in partnership with the Office of Minority, Immigrant, and Refugee Health, will continue its focus on reducing disparities in health care in minority communities. Working with other programs in the Department, the Office will address: (1) the high prevalence of HIV and other STDs; (2) high infant mortality rates; (3) high mortality rates secondary to malignancies; (4) increased health complications of diabetes; (5) increased complications of cardiovascular disease; and (6) low immunization rates for influenza and pneumonia.

The Department provides public health services in public and nonpublic elementary and intermediate schools. These services include a comprehensive review of the child's medical condition, response to emergencies, provision of medication and management of chronic illnesses, vision and hearing screening, and follow-up of conditions requiring referral.

The Department will continue its efforts to reduce the infant mortality rate, which fell to a record low of 6.7 deaths per thousand live births in 2000. However, infant mortality remains unacceptably high in certain neighborhoods in the City. In 2002, the Department will launch a comprehensive program to reduce infant mortality in selected neighborhoods. This initiative coordinates infant mortality reduction efforts through community partnerships and education of residents and service providers. In addition, the Maternal, Infant, and Reproductive Health Program focuses on early identification of conditions that may lead to poor outcomes of pregnancy and facilitates access to vital services for women and linkages to these services within the community.

Through its Division of Mental Hygiene, the Department will administer the Early Intervention Program, which was previously operated by the Department of Mental Health, Mental Retardation, and Alcoholism Services. This program is designed to create an efficient system for the early identification and referral of infants and toddlers under the age of three with developmental delays and provides comprehensive services in a more natural setting for each child. Since its inception in 1993, over 70,000 children have been referred to the Early Intervention Program. Referrals to the program are expected to exceed 19,000 in 2002 and 22,000 in 2003.

Regulatory and Environmental Health Services

The Department is prepared to respond 24 hours a day to radiological, chemical, hazardous material, and food-borne illness emergencies, including emergencies related to acts of terrorism. The events of September 11th and subsequent anthrax incidents generated a number of environmental health concerns that were systematically addressed by the Department. Ongoing activities include enforcement of the Public Health Commissioner's order for personnel and vehicle wash-down at the World Trade Center (WTC) site; wastewater, drinking water, and radiological surveillance; rodent control; and enhanced restaurant inspections. Department personnel will continue to participate in the Lower Manhattan Air Quality Task Force. Department personnel also participate in ongoing emergency response planning to enhance preparedness.

In 2003, the Department will continue to enhance traditional rodent control activities and will also pilot test control methods that should prove more effective at reducing rodent populations over the longer term. The Department will continue to identify strategic geographic areas with rodent problems and develop customized plans to address rodent infestation in these areas. In 2003, the Department anticipates making more than 16,000 initial inspections in response to complaints. The total number of rodent control inspections conducted is expected to exceed 50,000. In the area of mosquito control, the Department plans to focus its efforts on control of larvae in order to reduce the need to apply pesticides for control of adult mosquitoes and to prevent human arboviral disease.

Health Care Access

This division is responsible for developing, implementing, and monitoring various initiatives for expanding the availability of critical health services. It oversees New York City's Medicaid managed care program in conjunction with the New York City Human Resources Administration and the New York State Department of Health. Mandatory enrollment of Medicaid clients began in August 1999. Phase III enrollment began in November 2001 and includes the Bronx and parts of Eastern and Western Brooklyn. The Department will work with the State Department of Health and the New York State AIDS Institute to implement HIV Special Needs Plans (SNPs) for Medicaid recipients with HIV/AIDS. Enrollment into HIV SNPs is expected to begin in 2002.

Office of the Chief Medical Examiner

The WTC terrorist attack killed an estimated 1,830 victims and has resulted in over 18,000 remains recovered to date. The American Airlines Flight 587 crash killed 265 people and resulted in over 2,000 remains recovered. The operation to identify the victims and link them to recovered remains is an unprecedented task. Since September 11th, the Office of the Chief Medical Examiner (OCME) has dedicated staff and resources to maintain a 24 hours a day, 7 days a week operation for recovery, examination, and identification of remains. The OCME has brought together a large team comprised of its own resources and supplemented by staff from the New York City Police Department (NYPD), the New York City Fire Department (FDNY), the Department of Correction, the Port Authority Police Department, the Federal Bureau of Investigations (FBI), and the Federal Disaster Mortuary Response Team (DMORT). The OCME response has utilized all of the strengths of forensic science – from DNA fingerprinting to forensic dentistry – in identify victims. In addition to its WTC operations, the OCME identified and released the remains of all of the victims of the American Airlines crash within 30 days of the tragedy. The OCME is also meeting with the families and relatives of the victims to help in the identification process and to facilitate linkages to appropriate community support services. The Office's tasks will continue long after the excavation of the WTC site has been completed and will proceed for as long as is necessary. The archiving of all case folders and the return of the OCME to routine operations is not expected to occur for at least a year after the completion of the identification of remains.

The Office operates an accredited Forensic Biology Laboratory that processes DNA evidence from over 3,000 homicide and sexual assault cases. The Laboratory also analyzes DNA data from 16,000 evidence kits of historical sexual assault cases held by the NYPD. These cases are tested by outside laboratories for semen, and the DNA profiles are analyzed by the OCME if positive indications of semen are found. In October 2000, the Laboratory opened a new evidence examination annex located on the fourth floor of the Bellevue Hospital Administration Building. This annex has enabled faster examination of evidence that has reduced the turnaround time for DNA analysis of sexual assault cases to an average of 54 days for regular cases and seven days for rush cases.

By the start of 2003, the OCME will expand its DNA laboratory with the opening of a new High Sensitivity Laboratory to be located on the ninth floor of the Bellevue Hospital Administration Building. This laboratory will isolate and profile small amounts of DNA found on a wide variety of evidence gathered from crime scenes, including various parts of stolen vehicles, telephones, doorknobs, cigarette butts, or soda cans. The laboratory will validate the methodology, procedures, and equipment needed to process 35,000 property crime cases. It will also provide the necessary training for a core group of scientists who will enable the laboratory to handle 70,000 property crime cases annually. The new laboratory will also include a program to train evidence collection teams from the NYPD in collection and evaluation methods for this type of analysis.

The High Sensitivity Laboratory will be the training ground for the staffing of a new DNA facility scheduled to open by early 2005. This new building will consolidate the three existing laboratories into a world class, custom-built facility for forensic DNA analysis. This fifteen-story, 360,000 square foot building will be located on the campus of Bellevue Hospital. The new building will house the following expanded functions: (1) a new evidence delivery area capable of accepting over 100,000 pieces of evidence per year; (2) high-density storage systems to house twelve years of evidence as retained specimens; (3) an expanded casework laboratory to handle 16,000 cases annually, up from the current level of 3,000; (4) a total of 70,000 property crime cases, up from the 35,000 cases to be processed in the High Sensitivity Laboratory; (5) a high-volume, high-throughput exemplar laboratory to perform DNA profiling from blood and saliva taken from suspects, elimination samples, postmortems, and for paternity testing; (6) a mitochondrial laboratory to perform DNA typing of hair samples for body identifications, where regular DNA from blood and semen is unavailable; (7) an in-situ/genetics laboratory that will use DNA and biochemical testing to perform molecular autopsies; and (8) training facilities and conference rooms essential for supporting programs on proper evidence collection.

Mental Hygiene Services

Through its Division of Mental Hygiene, the Department provides planning, funding, and oversight for the provision of mental health, mental retardation, alcoholism, and substance abuse services for New York City residents. In addition, the Department funds public education, prevention, and training, while maintaining culturally responsive, cost-effective, high-quality care for its clients.

The Department serves 392,000 clients annually through 372 contracts with voluntary mental hygiene service agencies and hospitals and Health and Hospitals Corporation (HHC) facilities.

Mental Health

The Department plans and funds a variety of mental health services, including outpatient services for adults and families, outreach services, and services for special populations, including recent immigrants. The Department's priorities include programs for children and adolescents, the homeless, the severely and persistently mentally ill (SPMI), and the mentally ill forensic population.

Mental Retardation and Developmental Disabilities

The Department plans and funds services for people with developmental disabilities, including mental retardation, cerebral palsy, epilepsy, autism, and other neurological impairments. The services provided to these populations include adult vocational programs, employment programs, diagnostic evaluations, clinic treatment programs, family support programs, counseling, after-school and weekend recreation and respite programs, special continuing education, sleep-away camp, transportation, information and referral, and public education.

Alcoholism

The Department plans and funds an array of services to assist individuals in need of alcoholism treatment, including inpatient detoxification, alcoholism crisis centers, comprehensive outpatient services, and community residences. The priority populations include the homeless, pregnant women, families, and adolescents.

Substance Abuse Services

The Department funds a variety of services to assist individuals in need of substance abuse treatment, including integrated outpatient services for adult substance abusers and mentally ill chemical abusers (MICA), family centered adolescent substance abuse and MICA treatment, and comprehensive integrated substance abuse services focusing on sobriety and employment readiness.

Project Liberty

In response to the September 11th attacks on the World Trade Center, the Department implemented Project Liberty, a crisis counseling program funded by the Federal Emergency Management Agency (FEMA). Seventy-one community-based organizations provide services at 110 sites throughout New York City. In addition, services are provided by the Administration for Children's Services and the Board of Education. Project Liberty provides free individual and group counseling and public education. The Department has received $14 million in FEMA funds for the initial phase and has submitted a grant proposal for $112 million for ongoing services over an extended period, which is expected to last at least two more years.

Forensic Services

The Department continues to expand its forensic services program and has recently opened four Service Planning and Assistance Network (SPAN) offices. Located in the Bronx, Brooklyn, Manhattan, and Staten Island, these offices provide information, referral, and discharge planning to individuals following their release from courts or correctional institutions. The Department anticipates opening a SPAN office in Queens in 2003.

Single Point of Access

In order to improve access to case management programs for high-need clients, the Department and the State Office of Mental Health are designing a Single Point of Access (SPOA) pilot program for adult case management services for seriously and persistently mentally ill individuals. This SPOA pilot will be implemented in Brooklyn and will include case management and Assertive Community Treatment (ACT) programs.

In the Bronx, a children's pilot will be implemented for seriously emotionally disturbed (SED) children aged 5 to 18. The services to be included are the Home and Community Based Waiver program, intensive case management services, and supportive case management services.

Capital Review

The 2003-2006 Capital Plan totals $123.6 million for facility renovations and equipment.

Capital Commitments

($000's)

	2001 Actual		2002 Plan		2003 Plan		2004 Plan		2005 Plan		2006 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Equipment	$11,454	$11,454	$31,556	$31,556	$5,567	$5,567	$271	$271	$4,673	$4,673	$9,774	$9,774
Renovation	30,362	30,362	33,619	33,619	36,808	36,808	21,951	21,951	20,221	20,221	24,339	24,339
Total	$41,856	$41,856	$65,175	$65,175	$42,375	$42,375	$22,222	$22,222	$24,894	$24,894	$34,113	$34,113

Highlights of the Four-Year Plan include:

- $33 million for the upgrade of heating, ventilation, and air conditioning (HVAC) and fire alarm systems, electrical service, plumbing, and general conditions at the Department's Public Health Laboratory facility located at 455 First Avenue.
- $12.1 million for the construction of a free-standing mortuary at Queens Hospital.
- $9.1 million for the construction of a free-standing mortuary at Kings County Hospital.
- $7.0 million for the acquisition of the Queens and Bronx shelters for the Center for Animal Care and Control (CACC).
- $6.4 million to complete Phase II of the renovation of the Jamaica Health Center, which includes the construction of a new tuberculosis clinic.
- $6.4 million for the renovation of the Manhattanville Health Center.
- $5.5 million for the renovation of STD clinics.
- $4.8 million for computer replacement.
- $4.7 million for laboratory equipment replacement.

FIRE DEPARTMENT

The Fire Department is responsible for protecting the lives and the property of the citizens of New York City from fire, medical and other emergencies, and from building hazards. The Fire Department extinguishes fires, promotes fire prevention awareness, investigates suspicious fires, provides ambulance and pre-hospital emergency medical services, and inspects for building safety. The 362 fire companies provide fire and rescue services, while public outreach and enforcement of New York City's fire codes promote fire prevention. The Department's Fire Marshals investigate arson cases and apprehend perpetrators. The Bureau of Emergency Medical Services (EMS), assisted by the Certified First Responder – Defibrillation (CFR-D) trained personnel responding from Engine Companies, provide ambulance transport and pre-hospital emergency medical care.

Financial Review

The Fire Department's 2003 Executive Budget provides for operating expenses of $1.07 billion. This decrease of $172.1 million from the amount forecasted for 2002 is primarily due to the impact of World Trade Center Disaster-related spending in 2002. Capital commitments of $126.9 million are also provided in 2003. The decrease of $119.4 million is a 48.5 percent change from 2002 due to accelerated procurement and construction activity in 2002 primarily for apparatus replacement, the reconstruction of the Fire Academy at Randall's Island, and call box network upgrade.

Revenue Forecast

The Fire Department issues permits and collects fees for the inspection of fire suppression and electrical systems, places of public assembly, laboratories, high-rise buildings, and the storage and use of combustible materials. In addition, the Department realizes revenues from fees charged to out-of-state fire insurers doing business in New York City and to private fire alarm companies. In 2003, the Department will collect $47.1 million in revenues.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- an increase in the firefighter roster to strengthen response to structural fires and to non-fire emergencies, such as hazardous materials spills. This increase will be accomplished by hiring additional uniformed personnel to reduce overtime, civilianization of support and administrative positions, and other deployment efficiencies.

- the hiring of 150 Fire Cadets to improve minority recruitment and to enhance fire prevention programs citywide.

- the Department is scheduled to offer a Firefighter Exam on October 26, 2002 and to graduate four classes of 300 firefighters to replace personnel lost due to the World Trade Center tragedy.

- re-certification (CFR-D) training for First Responder firefighters, who respond to life-threatening medical incidents, citywide.

Streamlining

- the Department will improve EMS revenue collections by outsourcing the billing and collection processes for ambulance transport fees. A scannable Ambulance Call Report (ACR) system will also be procured to expedite the bill processing.

- enhanced prioritization of caseload and restructuring of non-investigatory operations will enable the Department to redeploy 30 Fire Marshals to fire extinguishment operations.

- the Department will retire 100 uniformed personnel on extended limited duty assignments.

- the Department will redeploy full duty uniformed and civilian personnel who serve as Fire and EMS Battalion Aides to field duty. Administrative functions will then be assumed by light duty personnel.

- the Department will redeploy 20 Fire Safety Education Program positions to the field with the program restructured to include increased responsibilities for uniformed personnel in the field.

- seventeen citywide administrative civilian positions, vacant due to attrition, will be eliminated in 2003.

- the Department will hire two structural engineers to consolidate fire safety and fire protection review for new construction, major renovation, and installation.

Summary of Agency Financial Data

($000's)

			2003		Increase/(Decrease)	
	2001 Actual	2002 Forecast	Preliminary Budget	Executive Budget	2002 Forecast	2003 Preliminary Budget
Expenditures						
Personal Service	$989,311	$1,114,543	$984,069	$984,328	($130,215)	$259
Other Than Personal Service	83,809	126,628	83,187	84,759	(41,869)	1,572
Total	$1,073,120	$1,241,171	$1,067,256	$1,069,087	($172,084)	$1,831
Funding						
City	$998,896	$988,020	$984,533	$980,823	($7,197)	($3,710)
Other Categorical Grants	71,862	134,089	80,922	86,463	(47,626)	5,541
Capital IFA	—	—	—	—	—	—
State	2,107	1,334	1,546	1,546	212	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	255	117,728	255	255	(117,473)	—
Intra-City Other	—	—	—	—	—	—
Total	$1,073,120	$1,241,171	$1,067,256	$1,069,087	($172,084)	$1,831
*Personnel (at fiscal year-end)**						
City	15,629	15,322	15,615	15,619	297	4
Non-City						
• JTPA/IFA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	13	13	13	13	—	—
Total	15,642	15,335	15,628	15,632	297	4

* *Part-time, seasonal and hourly appropriations in the 2003 Executive Budget support the equivalent of 185 full-time positions, of which it is estimated that 185 will be City funded.*

Programmatic Review

In 2003, the Department expects that over one half of the responses by its fire companies will be to medical and other non-fire emergencies. The Department's citywide response time to structural fires is estimated to be less than four and one half minutes. The Department anticipates that its ambulances will respond to over one million medical incidents in 2003.

Fire Extinguishment

The Fire Department provides fire and rescue operations via 203 Engine Companies, 143 Ladder Companies, seven Squads, five Rescue Units, three Marine Companies, and one Hazardous Materials Unit.

Emergency Medical Services

The Department continues to acquire sites throughout the City to be used as community-based EMS stations to increase ambulance availability. All ambulance personnel have been trained in asthma treatment. Engine Companies' personnel have received CFR-D training, and re-certification continues through 2003 for those whose initial certification will expire.

Fire Prevention

The Bureau of Fire Prevention is responsible for enforcing the City's fire code through the inspection of public and private properties, and for providing fire safety education and community outreach. Increased requests for inspections from owners of high-occupancy buildings have led the Department to seek to consolidate the two functions of fire safety and fire protection plan review into the plan and variance review function. The addition of two structural engineers to inspect these buildings will enable the Bureau to develop higher safety standards by reviewing fire safety plans and expanding them to deal with full emergency evacuations for not only fire but for all emergency conditions.

Fire Investigation

The Department will redeploy 30 Fire Marshals to field duty in 2003.

Capital Review

The Capital Commitment Plan allocates $126.9 million in 2003. This funding will be used for the purchase of fire-fighting apparatus, support vehicles, fire suppression and emergency medical equipment, and the upgrade and replacement of computer and communications systems. It will also fund the acquisition and construction of EMS ambulance stations, and the renovation and modernization of firehouses and training facilities.

Capital Commitments

($000's)

	2001 Actual		2002 Plan		2003 Plan		2004 Plan		2005 Plan		2006 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Fire Alarm Communications	7,626	7,626	48,048	48,048	8,626	8,626	2,713	2,713	724	724	748	748
Electronic Data Processing	4,925	4,925	47,015	47,015	1,857	1,857	0	0	5,800	5,800	0	0
Reconstruction/Modernization of Facilities	38,990	38,990	84,126	84,126	61,881	61,881	5,911	5,911	61,218	61,218	90,744	90,744
Vehicles and Equipment	21,304	21,304	76,273	76,273	54,561	54,561	33,306	33,306	29,189	29,189	24,996	24,996
Non-FDNY Projects	0	0	188	188	0	0	0	0	0	0	0	0
Total	72,845	72,845	255,650	255,650	126,925	126,925	41,930	41,930	96,931	96,931	116,488	116,488

The 2003 Plan for the Department totals $126.9 million and highlights include:

- the replacement of front-line fire-fighting apparatus and support vehicles and equipment ($31.5 million).
- the renovation of firehouse components such as boilers, electrical upgrades, kitchens, roofs, toilets, waterproofing, apparatus doors, floors, and windows ($16.8 million).
- the construction of new joint firehouse and EMS stations in Rockaway ($8.8 million) and Marble Hill ($9.4 million).
- the construction of new training facilities at Randall's Island ($10.7 million).
- the purchase and upgrade of computer equipment and systems to support agency operations ($12.4 million).

DEPARTMENT OF SANITATION

As one of the oldest, largest, and most diverse public solid waste organizations in the United States, the Department of Sanitation maintains and enforces sanitary conditions through the collection, management, recycling, and disposal of municipal solid waste in the City's 59 Community Districts.

Financial Review

The Department of Sanitation's 2003 Executive Budget provides for operating expenses of $966.5 million, a decrease of $74.1 million from the previous year's forecast. This decrease is attributed primarily to the suspension of metal, glass, and plastic (MGP) recycling, and reducing waste export costs from decreased refuse tonnage and diversion of solid waste to lower cost vendors. The 2003 Executive Budget provides $241.7 million for capital commitments, an increase of $0.5 million from the previous year's forecast.

Revenue Forecast

The Department of Sanitation generates revenue from privately bid contracts for the removal of abandoned vehicles from City streets and property, from concession fees on methane gas extracted from the Fresh Kills landfill, from the sale of recycled paper to private processors, and miscellaneous fees and sales. The Department's 2003 revenue estimate is $10.1 million from these sources.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- the City has continued its commitment to weekly paper collection for recycling, which amounts to 425,000 tons annually. Based on the current contractual agreements, the Department generates annual revenue of $3 million.

Streamlining

- the Department will suspend metal, glass, and plastic (MGP) recycling for 18 months until a more cost-effective recycling method is identified. As a result of this suspension, the Department will achieve savings of $51.4 million in 2003 and $24.9 million in 2004.

- by diverting waste to lower cost disposers, the Department will generate annual savings of $7 million. Furthermore, due to more efficient means of waste export and shorter travel distances, the Department has identified additional savings of $4.5 million annually in labor costs within the Bureau of Motor Equipment.

- the Department has identified savings of $4.4 million in 2003 and an annual savings of $4.8 million beginning in 2004 through the attrition of surplus uniformed staff.

- as a result of lower than anticipated tonnage of solid waste, coupled with favorable vendor prices for waste export, the Department will reduce its annual budget by $19 million.

- the elimination of composting will generate annual savings of $1.8 million.

Summary of Agency Financial Data

($000's)

	2001 Actual	2002 Forecast	2003 Preliminary Budget	2003 Executive Budget	Increase/(Decrease) 2002 Forecast	Increase/(Decrease) 2003 Preliminary Budget
Expenditures						
Personal Service	$617,182	$649,013	$594,114	$599,541	($49,472)	$5,427
Other Than Personal Service	318,325	391,635	383,566	367,000	(24,635)	(16,566)
Total	$935,507	$1,040,648	$977,680	$966,541	($74,107)	($11,139)
Funding						
City	$916,849	$953,545	$940,424	$933,611	($19,934)	($6,813)
Other Categorical Grants	347	1,677	1,600	1,600	(77)	—
Capital IFA	5,908	11,534	12,493	12,534	1,000	41
State	—	—	—	—	—	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	9,631	11,006	11,006	12,000	994	994
• Other	—	55,404	5,611	250	(55,154)	(5,361)
Intra-City Other	2,774	7,482	6,546	6,546	(936)	—
Total	$935,507	$1,040,648	$977,680	$966,541	($74,107)	($11,139)
*Personnel (at fiscal year-end)**						
City	9,874	9,766	9,107	9,116	(650)	9
Non-City						
• JTPA/IFA	89	223	233	203	(20)	(30)
• CD	203	227	227	227	—	—
• Other	—	—	—	—	—	—
Total	10,166	10,216	9,567	9,546	(670)	(21)

* *Part-time, seasonal and hourly appropriations in the 2003 Executive Budget support the equivalent of 53 full-time positions, of which it is estimated that 53 will be City funded.*

Programmatic Review

The Department's main administrative and planning divisions include the Bureau of Long Term Export, Financial Management and Administration, and the Bureau of Waste Prevention, Re-use, and Recycling. The two operational divisions are the Bureau of Cleaning and Collection (BCC) and the Bureau of Waste Disposal (BWD). The Bureau of Motor Equipment (BME) and the Bureau of Building Management (BBM) provide support operations.

The Future of the Fresh Kills Landfill

In March 2001, the Fresh Kills landfill received the last barge of residential and institutional waste. Since that date, the only new waste exported to the landfill has been associated with the clean up of the World Trade Center site. The Department continues to provide for environmental monitoring pursuant to New York State and Federal laws and regulations.

As part of a multi-agency initiative coordinated by the Department of City Planning, the Department of Sanitation has provided guidance on the future use of the Fresh Kills landfill. An international competition was held to develop a conceptual design and master plan for the Fresh Kills site. The competition, "Landfill to Landscape" solicited entries from multi-disciplinary design teams from around the world to give Staten Island and the City the benefit of the widest range of insight, creativity, and technical expertise in planning for the closing of the landfill. Six teams were invited to submit conceptual designs. The designs were ranked by a jury of noted professionals. The three highest ranked design teams now qualify to negotiate a contract for the development of the master plan. The scope of the contract work will include further development of the proposed master plan, public scoping process, and the anticipated adoption of the master plan through a Generic Environmental Impact Statement (GEIS). The contract will also provide the designers the opportunity to develop several early design interventions established in the adopted plan. The master plan for the landfill redevelopment will begin in 2003 and is expected to be completed in 2005.

Long Term Solid Waste Management

For 2003, the City earmarked $2 million for legal and technical consulting support related to the long-term planning of solid waste management. The Department is finalizing contracts with outside consultants, who will assist the Department with implementing the long-term export system in the approved Solid Waste Management Plan (SWMP), completing a comprehensive study of commercial waste management in the City, and preparing a new SWMP. The Department will start the design and permitting of a waste transfer facility to be constructed at the site of the former Southwest Brooklyn transfer station. The facility will export Department-managed Brooklyn waste by barge. The Department will also issue three more Request-For-Proposals (RFP) by Fall 2002 for the long-term barge or rail based export of residential and institutional waste generated in the Bronx and portions of Brooklyn and Queens.

Design for the Staten Island transfer station project has been completed. This transfer station will provide the borough of Staten Island with the ability to transfer waste collected by trucks to freight containers for shipment out of New York City. In June 2001, the Department released a bid for the construction of the Staten Island transfer station and received responses in August 2001. The Department awarded the contracts in December 2001 and will issue a notice to proceed to begin construction of the facility shortly. Construction is expected to be completed in 18 months.

The Department is negotiating a contract with a vendor for the construction of a proposed waste transfer facility in Linden, New Jersey to receive exported waste from all of Manhattan, and portions of Queens and Brooklyn.

Bureau of Waste Prevention, Re-use, and Recycling

The Department continues its efforts to reduce the quantity of solid waste the City must dispose. The Department manages the largest and most aggressive recycling program in the United States.

The Department's decision to suspend metal, glass, and plastic (MGP) recycling resulted from both an environmental and cost analysis. Since 40 percent of MGP consists of residue, this adds an additional cost burden to an already labor-intensive process of sorting these recyclable materials. Coupled with a low market value for MGP, the cost of recycling exceeds the cost of disposing these materials. The cost of processing MGP has increased from $8 million in 1996 to an estimated cost of $38 million in 2003, or $43 per ton to $119 per ton respectively. Until a more cost-effective method of recycling MGP is identified, the City will achieve savings by suspending the program.

The Department will eliminate special collections related to composting and generate annual savings from overtime and processing costs of $1.8 million.

The Department will continue its efforts with weekly paper collection and recycling. Since the paper commodity has greater value in the recycling market, the City can generate an annual revenue of $3 million.

For the first four months of 2002, the citywide diversion rate of recyclables was 21 percent of the residential and curbside waste stream and 37.4 percent of the total Department managed waste stream (including recycled construction and demolition debris and tires). This represents a 1.1 percent and 1.8 percent increase respectively, compared to the first four months of 2001.

Bureau of Cleaning and Collection

The Bureau of Cleaning and Collection (BCC) is primarily responsible for collecting household refuse and recyclables, cleaning City streets, and enforcing recycling regulations and portions of the City's health and administrative codes. BCC provides refuse collection services two or three times a week depending on the population density of the community.

In order to maintain street cleanliness, BCC deploys mechanical street sweepers to clean over 6,000 miles of streets. The Department deploys Work Experience Program (WEP) participants to assist in the cleaning of City streets. This initiative has contributed to an improvement in citywide street cleanliness. The Department's street cleanliness rating for the first four months of 2002 is 83.1 percent acceptably clean. BCC cleaning operations include supplemental cleaning of recreational areas and beaches (during the summer season); vacant lot cleaning, and the cleaning of illegal dumpsites.

The Department will continue the cleaning strategy embodied in Operation SLICE (Streets, Lots, Intensive Cleaning and Enforcement) to perform intensive street-cleaning in problem areas citywide. In 2003, the Department will continue its enforcement efforts to maintain improved street and lot conditions and work closely with other City agencies to identify those properties that are not receiving adequate maintenance. Also, as part of ongoing efforts to improve quality of life in the City, the Department continues to keep all of its facilities, vehicles, and equipment free of graffiti.

Bureau of Waste Disposal

The Bureau of Waste Disposal (BWD) is responsible for the receipt, transfer, transportation, and final disposal of approximately 12,285 daily tons of residential and institutional waste through its waste export contracts. As a result of refuse diverted from the landfill, workload reductions have occurred at the marine transfer stations and at the Fresh Kills landfill. Staffing levels at these facilities have been reduced through attrition and redeployment to other divisions.

BWD is also responsible for the Fresh Kills landfill closure activities. The Financial Plan includes funds for closure activities including the final capping of the landfill, leachate treatment and control, methane gas collection and flaring, maintenance and security of the site and waterways, and environmental monitoring.

Support Bureaus

The Bureau of Motor Equipment (BME) provides services related to the acquisition, repair, and maintenance of the Department's motor equipment including collection trucks, street sweepers, salt spreaders, cranes, tractors, and other vehicles and equipment. BME operates an extensive repair and maintenance facility to ensure that equipment is available to implement the Department's operational functions. This Bureau researches and develops equipment specifications to improve productivity, vehicle design, and to take advantage of alternative fuel vehicles.

The Bureau of Building Maintenance (BBM) continues to provide facility management services. BBM provides maintenance and emergency repair work for the Department's 204 facilities.

Capital Review

The Department's 2003-2006 Four-Year Capital Plan totals approximately $941.0 million. The Four-Year Capital Plan provides the Department with funding to construct, rehabilitate, purchase, and develop the necessary infrastructure and assets to support refuse collection, recycling, cleaning, waste disposal, and support operations. Sanitation's Capital Budget consists of two major components – garage construction and rehabilitation, and equipment purchases. These two major programs represent 90 percent of the total 2003-2006 Four-Year Capital Plan.

The Department supports its collection and cleaning operations through its garage program. The garage program will be expanded and developed to compliment the size of the Department's fleet and work force. Garages and facilities will be constructed and rehabilitated in all five boroughs. The Department continues to replace equipment, in accordance with established life cycles, including collection trucks, dual bin trucks, mechanical brooms, and salt spreaders in order to support operations.

The Department's Capital Plan includes funding for the rehabilitation of its marine infrastructure. Associated with this funding and in accordance with the Long Term Solid Waste Management Plan, five marine transfer stations including West 135th Street, East 91st Street, and West 59th Street in Manhattan, Hamilton Avenue in Brooklyn, and North Shore in Queens will be renovated in order to facilitate and support the long term waste export plan.

The table below shows capital commitments by program area over the 2001-2006 period.

Capital Commitments

($000's)

	2001 Actual		2002 Plan		2003 Plan		2004 Plan		2005 Plan		2006 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Bureau of Waste Disposal	-7,145	-7,145	42,653	42,653	12,190	12,190	33,000	33,000	15,318	15,318	10,000	10,000
Solid Waste Management Plan	-31	-31	9,580	9,580	-2,875	3,375	0	0	12,500	12,500	10,000	10,000
Garages	43,670	43,670	84,868	84,868	196,765	196,765	54,300	54,300	136,656	136,656	189,162	189,162
Equipment	103,466	103,466	102,822	102,822	22,407	29,407	70,667	70,667	87,096	87,096	80,579	80,579
TOTAL	139,960	139,960	239,923	239,923	228,487	241,737	157,967	157,967	251,570	251,570	289,741	289,741

Highlights of the Four-Year Capital Strategy and 2003 Executive Capital Plan

- construction of the Southwest Brooklyn marine transfer station ($38.7 million).

- rehabilitation of and improvements to the marine transfer stations in accordance with the Long Term Solid Waste Management Plan ($26.5 million).

- construction of various garages ($576.9 million), including the construction of the Queens 14 garage ($30.1 million), Manhattan 4/4A/7 garage ($135.0 million), Manhattan 6/8/8A garage ($125.1 million), Brooklyn 13/15 garage ($65.0 million), Brooklyn 3/3A garage ($49.1 million), and construction of Manhattan 1/2/5 garage ($54.6 million).

- rehabilitation of garages and various facilities ($95.4 million).

- replacement of collection trucks and mechanical brooms in accordance with established replacement cycles ($173.1 million).

The 2003 Plan provides $241.7 million including:

- replacement of mechanical brooms ($9.6 million) and salt spreaders ($4.4 million) in accordance with established replacement cycles.

- replacement of all other equipment ($19.8 million).

- construction of Manhattan District 4/4A/7 garage ($135.0 million).

- construction of Queens District 14 garage ($30.1 million).

- rehabilitation of multiple garages and facilities, citywide ($5.6 million).

- phase I construction of the Manhattan District 6/8/8A garage ($14.7 million).

- construction of salt sheds, citywide ($3.5 million).

- development of and improvements to technology and computer systems ($3.9 million).

- site acquisition for Sanitation facilities ($1.6 million).

- phase I construction of the Southwest Brooklyn marine transfer station ($8.7 million).

DEPARTMENT OF PARKS AND RECREATION

The Department of Parks and Recreation maintains one of the oldest and largest municipal park systems in the country. The Department maintains 28,618 acres of developed, natural, and undeveloped parkland, which constitutes 13.8 percent of the City's landmass. The municipal park system includes 614 turf ball fields, 550 tennis courts, 33 outdoor swimming pools, 10 indoor swimming pools, 36 recreation centers, 14 miles of beaches, 13 golf courses, six ice rinks, four stadia, four zoos, and one aquarium. The Department is also responsible for 500,000 street trees and 2 million park trees.

The Department of Parks and Recreation provides recreation programs for all age groups at parks, playgrounds and indoor recreation centers citywide. Structured programs include basketball, track and field, softball, boxing, soccer, volleyball, lacrosse, field hockey, baseball clinics, and swimming instruction.

Financial Review

The 2003 Executive Budget for the Department of Parks and Recreation provides for operating expenses of $191.8 million, which represents a net decrease of $53.7 million from the amount forecasted in 2002. This decrease includes $18 million in cuts, of which $8 million was a funding switch with the Wildlife Conservation Society. The remainder of the decrease is due to one-year grants and the partial funding by the Human Resource Administration (HRA) of the Parks Opportunity Program (POP) in 2002, but not in 2003. It is projected that in 2003 most of the grants and the funding for POP will return. Capital commitments for 2003 of $185.3 million are also provided, a decrease of $156.7 million from the 2002 capital plan of $342.0 million. This decrease is primarily attributable to funds that are planned in 2002 for the construction of Hudson River Park, Chelsea Recreation Center and the reconstruction of East River Park.

Revenue Forecast

The Department of Parks and Recreation issues recreational permits, collects revenue from stadium rentals, and receives revenue generated by concessions operated on Parks property. In 2003, the Department will collect $53.2 million from these sources, compared to $58.2 million in 2002. Increased stadium rent collections in 2002 and a one-time payment from the Triborough Bridge and Tunnel Authority account for the change. In 2003, the Department will begin collecting membership fees for public recreation centers throughout the City, and will increase the price for an adult round of golf at the City's public golf courses.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- maintaining the City's parks, playgrounds, infrastructure, and safety equipment.
- operating pools and beaches, employing lifeguards at beaches, and providing instructional and recreational programs.
- maintaining and operating recreation centers throughout the City.
- maintaining the level of acceptable ratings for the cleanliness and overall condition of parks.
- maintaining funding subsidies for the Central Park, Flushing Meadows-Corona Park, and Prospect Park zoos.

Summary of Agency Financial Data

($000's)

	2001 Actual	2002 Forecast	2003 Preliminary Budget	2003 Executive Budget	Increase/(Decrease) 2002 Forecast	Increase/(Decrease) 2003 Preliminary Budget
Expenditures						
Personal Service	$162,537	$185,799	$147,316	$148,333	($37,466)	$1,017
Other Than Personal Service	55,897	59,667	41,365	43,461	(16,206)	2,096
Total	$218,434	$245,466	$188,681	$191,794	($53,672)	$3,113
Funding						
City	$172,123	$168,275	$150,736	$153,644	($14,631)	$2,908
Other Categorical Grants	6,261	4,966	—	—	(4,966)	—
Capital IFA	13,381	16,067	16,067	16,067	—	—
State	787	1,068	—	—	(1,068)	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	4,921	7,366	5,634	5,764	(1,602)	130
• Other	298	1,155	—	—	(1,155)	—
Intra-City Other	20,663	46,569	16,244	16,319	(30,250)	75
Total	$218,434	$245,466	$188,681	$191,794	($53,672)	$3,113
*Personnel (at fiscal year-end)**						
City	1,704	1,649	1,612	1,615	(34)	3
Non-City						
• JTPA/IFA	228	296	296	296	—	—
• CD	33	50	50	50	—	—
• Other	—	—	—	—	—	—
Total	1,965	1,995	1,958	1,961	(34)	3

* *Part-time, seasonal and hourly appropriations in the 2003 Executive Budget support the equivalent of 1,621 full-time positions, of which it is estimated that 1,462 will be City funded.*

Programmatic Review

The Department of Parks and Recreation will focus on maintaining parkland, playgrounds, beaches, pools, recreational facilities, and street trees. It will continue to utilize its successful deployment of Parks Opportunity Program (POP) participants, Work Experience Program (WEP) participants as well as its Parks Career Training (PACT) program to assist in litter removal and overall basic park maintenance.

To evaluate the effectiveness of overall basic park maintenance, the Department implemented a comprehensive inspection program in 1986, which focused on its most heavily used properties, small parks and playgrounds. In 1995, the Department revamped the inspection protocols establishing 24 biweekly inspection periods with reports available at the conclusion of each period. Since the program was restructured, small parks and playgrounds receiving an acceptable rating for overall condition has increased from 38 percent in 1995 to 88 percent in 2002. Acceptable ratings for cleanliness have increased from 76 percent in 1995 to 93 percent in 2002.

In 2000, the Department expanded its ratings to include large parks. Large parks are divided into zones and ratings separately tracked. Overall condition ratings for large parks increased from 70 percent in 2001 to 75 percent in 2002. Cleanliness ratings for large parks increased from 79 percent in 2001 to 89 percent in 2002.

The Department holds field supervision personnel accountable to these ratings through ParkStat Plus+, a management tool modeled on the New York City Police Department's CompStat. In addition to field operations, ParkStat Plus+ measures the performance of technical services, fleet operations, capital design and construction, personnel management, employee discipline, and the Parks Enforcement Patrol.

Among other priorities of the Department of Parks and Recreation, are the eradication of the Asian Longhorned Beetle, and the inspection and remediation of sites reported as mosquito breeding areas, and rodent infestations.

Improvements to Maintaining Parks

In spite of attrition, the Department of Parks and Recreation will continue to optimize its resources in order to improve cleanliness in all parks and playgrounds citywide. In addition to cleanliness, the Department places an equal emphasis on beautification. With funding from the City Parks Foundation, and in partnership with the Brooklyn Botanic Garden, the Department enrolled 16 of its gardeners and assistant gardeners in a special horticulture course. The Department envisions that these gardeners will impart this newly acquired knowledge to other field employees thus enhancing the skills of its workforce.

The Department of Parks and Recreation will also accelerate the reconstruction of asphalt or barren athletic fields, converting them to fields carpeted with synthetic turf. This initiative, known as the "Green Acres" program, maximizes recreational use of the fields, which can then sustain year-round play. Furthermore, the program reduces maintenance costs by eliminating the need to mow, weed, fertilize, or seed, thus allowing the Department to shift resources to other facilities or programs.

Expanding Public-Private Partnerships

The Department of Parks and Recreation is exploring a variety of opportunities to increase resources for specific programmatic allocation. In the past, the Department has received support for capital projects, maintenance, programming and special events from non-profit partners like the Central Park Conservancy, the City Parks Foundation, the Prospect Park Alliance, and the Friends of Van Cortland and Pelham Bay Park. Additionally, through its Partnership for Parks and other volunteer programs, the Department was successful in enlisting individuals to contribute over one million hours of volunteer service in 2001.

Building off these successes, the Department of Parks and Recreation is expanding its partnerships to include corporate sponsors to support maintenance and operations, recreation programs, and capital projects.

Recreational Services

The Department of Parks and Recreation has also been successful in expanding recreation services, as evidenced by the opening of the Hunts Point Recreation Center in October 2001. Federal funds from the Community Development Block Grant were secured to provide services to the area's residents.

In an effort to promote cultural, recreational, and academic enrichment, the Department offers after-school programs in 32 recreation centers citywide. All after-school programs offer educational and recreational activities for children between the ages of six and thirteen years and provide a safe-haven where participants can learn and play. In 2002, 17 of the 32 centers were targeted for an enhanced after-school program offering instruction from qualified teachers in fields of literacy, performing arts, and visual arts.

Capital Review

The Four-Year Plan totals $486.9 million, including $32.3 million of non-city funding. The table below shows capital commitments by program area over the 2003 - 2006 period.

Capital Commitments
($000's)

	2001 Actual		2002 Plan		2003 Plan		2004 Plan		2005 Plan		2006 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Beaches and Boardwalks	1,704	1,704	2,390	2,390	700	700	500	500	500	500	1,700	1,700
Land Acquisition and Tree Planting	13,933	13,933	9,808	11,614	7,979	8,666	7,500	7,500	7,000	7,000	31,332	31,332
Major Recreation Facilities	21,361	21,371	17,831	18,216	11,664	11,664	6,753	6,753	107	107	2,411	5,069
Neighborhood Parks and Playgrounds	74,154	74,905	54,002	55,845	52,045	59,857	14,620	14,620	13,520	13,520	33,798	33,798
Vehicles, Equipment and Facility Reconstruction	18,432	18,432	26,870	26,870	12,622	13,085	9,050	9,050	7,200	7,200	28,581	28,581
Large, Major and Regional Park Reconstruction	75,038	76,552	207,710	223,781	60,910	81,625	36,000	36,000	23,449	23,449	73,314	73,314
Zoos	0	0	3,298	3,298	9,713	9,713	1,612	1,612	0	0	0	0
Total	204,622	206,897	321,909	342,014	155,633	185,310	76,035	76,035	51,776	51,776	171,136	173,794

Highlights of the Four-Year Capital Strategy and the 2003 Executive Budget

- reconstruction and replacement of safety surfaces, play equipment, and paths ($52.0 million).
- planting an average of 14,000 street trees per year ($28.0 million).
- reconstruction of bridges within parks ($22.4 million).
- rehabilitation of stadia ($21.5 million).
- replacement of aging vehicles ($12.0 million).
- replacement and upgrade of computer, information technology, and communication systems ($5.3 million).
- reconstruction of pools ($4.0 million).
- reconstruction of roofs ($4.0 million).
- replacement of boilers ($4.0 million).
- reconstruction and rehabilitation of park buildings ($4.0 million).
- construction of Brooklyn Bridge Park ($35.0 million).
- reconstruction of Marine Park Field House ($2.5 million).

- reconstruction of 8th Avenue: Columbus Circle ($5.0 million).
- environmental mitigation at White Island ($6.6 million).
- construction of the Tiger Mountain Exhibit at Bronx Zoo ($8.1 million).

DEPARTMENT OF ENVIRONMENTAL PROTECTION

The major functions of the Department of Environmental Protection (DEP) include the collection, storage and delivery of the City's water; the conveyance and treatment of stormwater and sanitary flow; the enforcement of air, noise and water use regulations; water use billing, revenue collection and customer service; the management of environmental issues and natural resource protection; and the construction and reconstruction of the related infrastructure. The City is reimbursed for the costs of operating the water and sewer system by the New York City Water Board (the "Water Board") and the Department's capital program is financed through the New York City Municipal Water Finance Authority (the "Water Authority").

Financial Review

The Department of Environmental Protection's 2003 Executive Budget provides $725.0 million in operating expenses, an increase of $35.8 million from the amount forecast for 2002. It also provides capital commitments of $1.7 billion to be funded by the Water Authority and $30.4 million in State funds.

Revenue Forecast

The Department collects revenue from environmental quality permits, the sale of hydro-energy to upstate power utilities, property rentals, summonses adjudicated before the Environmental Control Board (ECB), and other fees. The revenue estimate for 2003 is $52.4 million. In addition, DEP also collects the data used to generate bills for customers and collects water and sewer fees for the New York City Water Board.

The Bureau of Environmental Compliance, which regulates air, noise and hazardous materials, performs inspections, issues licenses and permits, and reviews technical plans related to asbestos control, air quality, and noise abatement laws. The Bureau will collect $8.4 million from these sources in 2003. The Environmental Control Board will collect $39.2 million in 2003, $2.7 million less than 2002. Unanticipated additional enforcement resources available in 2002 account for this change.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- in response to the current drought emergency, the Department will redeploy 67 existing employees to carry out several new water conservation programs during 2003. An additional $12 million of OTPS funds will be provided.

- to ensure employee safety during the handling of hazardous chemicals, equipment and overall Department operations, the Bureau of Water and Sewer Operations will conduct various employee safety improvements and training sessions in 2003 ($1.3 million).

- DEP will reallocate existing positions to create 70 additional watershed police officers. $1.2 million will be needed to support these new officers.

- DEP will create a new unit to help detect biological agents within the water supply system.

Productivity and Restructuring Initiatives

- DEP has privatized the reading of water meters in all five boroughs via cooperative agreements with public utilities.

- DEP will contract for improvements to its water and sewer computer billing system ($2.7 million).

- to support the development of a computerized city-wide sewer map, the Department will hire an Assistant Engineer and a Computer Associate.

- the Department will continue its successful program for disposal of dewatered sludge (or biosolids) produced from the City's wastewater treatment facilities. Through private vendors, the biosolids are transported throughout the country for beneficial use in products such as compost and fertilizer.

- the Department will continue to contract out for various sewer dragging services in the areas of Springfield Gardens, Queens and for Third Avenue in Brooklyn to alleviate the accumulation of debris and silt in the sewers to improve system performance.

Summary of Agency Financial Data

($000's)

			2003		Increase/(Decrease)	
					2002	2003
	2001 Actual	2002 Forecast	Preliminary Budget	Executive Budget	Forecast	Preliminary Budget
Expenditures						
Personal Service	$305,605	$329,841	$324,483	$329,044	($797)	$4,561
Other Than Personal Service	327,555	359,421	358,772	395,971	36,550	37,199
Total	$633,160	$689,262	$683,255	$725,015	$35,753	$41,760
Funding						
City	$601,884	$643,189	$645,461	$687,221	$44,032	$41,760
Other Categorical Grants	—	—	—	—	—	—
Capital IFA	30,501	37,302	37,302	37,302	—	—
State	152	414	—	—	(414)	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	108	7,865	—	—	(7,865)	—
Intra-City Other	514	492	492	492	—	—
Total	$633,160	$689,262	$683,255	$725,015	$35,753	$41,760
*Personnel (at fiscal year-end)**						
City	264	290	301	290	—	(11)
Non-City						
• JTPA/IFA	680	799	799	799	—	—
• CD	—	—	—	—	—	—
• Other	4,470	4,975	4,964	4,975	—	11
Total	5,414	6,064	6,064	6,064	—	—

* *Part-time, seasonal and hourly appropriations in the 2003 Executive Budget support the equivalent of 294 full-time positions, of which it is estimated that 113 will be City funded.*

Programmatic Review

Water Supply Strategies

In January 1997, the City entered into the New York City Watershed Memorandum of Agreement (MOA), along with the United States Environmental Protection Agency (USEPA), the State of New York, municipalities in the City's upstate watersheds (counties, towns and villages), and a group of environmental and civic organizations. This historic agreement led the USEPA to issue the 1997 Filtration Avoidance Determination (FAD) for the City's Catskill and Delaware water supplies, which expires on April 15, 2002. DEP has been in serious discussions with USEPA for the past 12 months over the terms of a renewed FAD and submitted, in late 2001, a detailed long-term watershed protection program that builds on the MOA and is intended to serve as the basis for continued water filtration avoidance for the Catskill and Delaware supplies. The long term program continues funding for certain MOA programs that have been particularly effective, and enhances or modifies certain programs where needed. All told, the long term program contemplates additional expenditures of approximately $90 million in capital expenditures and approximately $20 million for expense programs. DEP expects that, within the next 2-3 weeks, USEPA will release a new FAD, in draft form in line with discussions that have been held over the past year. The new draft FAD will be subject to public review and comment but DEP is confident that, at the end of this process, USEPA will reaffirm that the City is progressing appropriately and will formally issue a new FAD, which will allow the City to continue using Catskill and Delaware as unfiltered water supplies. If the City was required to build a Cat/Del water filtration facility, it is estimated that construction would cost in excess of $4 billion.

To aid with the enforcement of the Watershed Rules and Regulations and provide improved security, the City hired over 70 additional watershed police officers during the past two years. The City will hire an additional 70 officers in 2003 to further enhance security. Presently officers are divided among the City's three watersheds where they provide security by guarding the reservoirs and aqueducts from potential polluters.

Wastewater Treatment Initiatives

The renegotiated federal consent order governing the disposal of the City's dewatered sludge (or biosolids) allows the City to replace its prior management program with an improved and more cost-effective program. Beginning in 1999, under the new program, DEP's biosolids disposal strategy has realized annual cost savings of approximately $45 million while obtaining greater environmental benefits through increased recycling or reuse. The Department will continue this successful program in 2003, with 100 percent of its dewatered sludge beneficially used at a projected cost of approximately $50 million.

According to a recent Harbor Survey issued by the Department, water quality in New York Harbor and its surrounding rivers continues to improve. The Harbor Survey has provided ongoing monitoring of water quality at 53 sampling stations throughout the Harbor since 1909. For example, coliform bacterial counts, which are indicators of sewage pollution, have continued to decline and, since 1993, compliance with New York State standards continues at the highest levels recorded by this program. Improvements have also been realized in the measure of dissolved oxygen (DO) in the City's surrounding waters. DO is a universal indicator of overall water quality in aquatic systems and its concentrations in most areas of the Harbor have been notably higher throughout the 1990s than in the prior decade. These improvements are primarily in response to the following Department initiatives: continued wastewater treatment plant (WTP) reconstruction and upgrades throughout the City; the abatement of illegal discharges; improved surveillance and sewer maintenance; decreased water consumption, and increased capture of wet weather flows.

Customer Services Programs

As required by the NYS Department of Environmental Conservation and the NYC Water Board, the Department is progressing towards its goal of universally metering all properties. The major goals of universal metering include water conservation, improved water supply system management and rate equity. The Department services approximately 828,000 water and sewer customer accounts. Of these, DEP bills 730,000 for water and sewer services based on metered consumption and 98,000 on an annual flat-rate system. Of the flat-rate accounts, 37,000 properties are already metered, but are being billed flat rate during a transition period which allows owners to install water saving devices and conduct water leak audits. Owners of 23,000 properties that still have not taken steps to have meters installed are billed surcharges added to their annual flat rate bills.

DEP has made significant progress in improving the quality of its water and sewer bills. The percentage of metered bills based on estimated consumption has been reduced from 42% to about 17% over the past five years. DEP has fully privatized meter reading to decrease costs and further decrease the percentage of estimated bills for metered accounts. Since customers are more likely to pay bills based on actual consumption, these improvements will continue to help DEP meet its collection targets each year.

The Department's outreach program continues to offer communities an opportunity to have local meetings during which customers can speak directly with customer service representatives about their water and sewer bills, have inspections performed and billing adjustments made, and learn about water conservation. DEP has improved convenience for customers paying their water and sewer bills by entering into an agreement with privately operated Neighborhood Payment Centers (NPCs). Customers can make payments by cash, check, or money order at over 400 NPCs.

DEP has enhanced the capabilities of its Interactive Voice Response (IVR) system so that customers now hear key information about their accounts including current balance due, payment received, and data from their last meter reading. In addition, customers may now view current charges, payments and bills for the last year on the City's NYCServe Website. During calendar 2002 NYCServe will be enhanced to allow customers to pay their water and sewer bills on line with an electronic check or credit card.

The Department's conservation programs will also conduct 25,000 annual surveys for water leaks on customers' properties and supply low-flow showerheads and faucet aerators at no cost to its customers. Where leaks are detected and promptly corrected, customers may qualify for a "forgiveness" program that reduces increased charges caused by the leaks. The program was recently expanded to service both residential and commercial properties.

Environmental Compliance

The Bureau of Environmental Compliance responds to hazardous material emergencies, maintains a Citywide database of facilities containing hazardous materials under its Right-to-Know Program (RTK), monitors emissions and environmental impacts from alternative fuel vehicles, inspects in-progress asbestos abatements for all City-owned properties, investigates air quality and noise complaints, maintains four air monitoring stations on Staten Island, and assists environmental economic development.

The Asbestos Control Program (ACP) was created to certify asbestos handlers, provide telephone response service to contractors and the public, provide laboratory analysis of asbestos materials, and inspect asbestos remediation projects. ACP also inspects the cleanup of parks containing soil and dust contaminated by lead-based paint (LBP) from nearby bridges.

Other Services

The Department continues to maintain a 24-hour complaint and emergency Help Center, which responds to infrastructure-related and quality-of-life complaints and monitors the Department's response to emergencies. Complaints are entered into the automated complaint system and electronically routed to field offices.

Capital Review

Overview

In total, the Four-Year Capital Strategy provides $6.8 billion from the following sources: $6.6 billion in Water Finance Authority Funds and $196.7 million in State funds. The major elements of the Four-Year Capital Strategy include:

- continuing construction of Stage Two of City Tunnel Number 3 for $430.5 million. Work on this stage of tunnel construction will be in Queens and Manhattan. Stage Two is expected to be operational in 2010. Stage One went into operation in July 1998.

- allocating $655.8 million for the continuation of programs upstate to enhance water quality, including the reconstruction of dams, improvements to watershed facilities, land acquisition and programs related to the Watershed Memorandum of Agreement.

- designing and constructing a state of the art ultra-violet water treatment plant for water from West of Hudson Reservoirs ($226 million). This facility will enable DEP to avoid having to construct a conventional filtration system, saving New York City water payers approximately $3.8 billion.

- replacing and extending trunk and distribution water mains ($461.1 million).

- commencing construction of the Croton Water Filtration Plant ($348.2 million).

- continued upgrading to secondary treatment for the Newtown Creek Wastewater Treatment Facility ($1.1 billion).

- ensure compliance with mandated permit requirements by stabilizing in-City wastewater treatment facilities. Included in the $1.6 billion plan is the upgrading of the following wastewater treatment facilities: Ward's Island ($457.3 million), Tallman Island ($273.0 million), Bowery Bay ($244.0 million), 26th Ward ($223.8 million) and Hunts Point ($172.0 million).

- implementing initiatives that address water quality problems attributable to combined sewer overflow (CSO) discharges into the City's surrounding waterways during rainstorms. These include an estimated $100 million in New York State funds, as part of the Clean Water/Clean Air Bond Act of 1996, for various water quality improvement projects that are included in the Four-Year Plan ($457.2 million)

Major projects scheduled for 2003 include:

- continuing the upstate land purchase program which will protect environmentally sensitive land around the City's reservoirs ($17.2 million).

- continuing the security upgrade for all watersheds and related facilities upstate ($4 million).

- design of an ultra-violet facility to treat West of Hudson water supply sources ($26 million).
- continuing the construction for Stage Two of City Tunnel Number 3 for 2003 ($18.5 million).
- upgrading portions of the Newtown Creek Wastewater Treatment Facility ($112.2 million).
- stabilization of in-City wastewater treatment facilities ($582.5 million) including: Wards Island ($192.3 million), Hunts Point ($172.0 million), and Jamaica ($137.5 million).
- retrofitting wastewater treatment facilities and other related projects to reduce the amount of nitrogen discharged into New York Harbor, Jamaica Bay and the Long Island Sound ($28.2 million).
- construction of the Alley Creek water quality improvement project ($124.0 million).

The table below shows capital commitments by program area over the 2001-2006 period.

Capital Commitments

($000's)

	2001 Actual		2002 Plan		2003 Plan		2004 Plan		2005 Plan		2006 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Water Pollution	969,656	969,597	945,614	970,577	943,925	974,356	1,612,194	1,637,194	632,478	657,478	353,754	378,754
Water Mains	178,224	178,224	588,973	592,711	363,092	363,092	366,022	366,022	466,961	466,961	407,480	407,480
Sewers	89,747	89,829	282,523	283,345	213,890	213,896	153,286	153,286	106,508	106,508	79,826	79,826
Water Supply	130,027	130,027	178,114	178,114	106,250	106,250	21,000	21,000	481,700	481,700	140,000	140,000
Equipment	60,078	68,470	280,602	332,141	84,205	84,205	55,723	128,286	46,723	46,723	14,223	14,223
Total	1,427,732	1,436,147	2,275,826	2,356,888	1,711,362	1,741,799	2,208,225	2,305,788	1,734,370	1,759,370	995,283	1,020,283

The 2003-2006 Capital Strategy provides $6.8 billion in funding.

Water Supply

DEP provides water for consumption and fire fighting in the City, and in many upstate communities, by maintaining 18 reservoirs and three controlled lakes in three watersheds, with a storage capacity of about 550 billion gallons. A network of three aqueducts, three City water tunnels, and 106,312 hydrants, 94,358 valves and 6,794 miles of water mains are or will be used to convey water from upstate to provide water within the City and to several upstate communities. Highlights include construction of Stages One and Two of City Tunnel Number 3, the replacement and construction of distribution water mains and trunks and improvements to the water supply system upstate.

Funds are included for upgrades at the Hillview Reservoir to improve both the flow and the quality of water entering City Tunnels. Projects include: reconstruction of the chlorination building, reconstruction of chambers and the design and construction of a concrete cover over the surface of the reservoir, as mandated by the EPA. The Four-Year Plan forecasts $430.5 million for continuation of the construction of Stage Two and consists of two sections: Brooklyn/Queens and Manhattan. Both are being excavated including the construction of various shafts in Queens and Manhattan.

$348.2 million will be committed during the Four-Year Plan for the construction of the Croton Water Treatment Plant. The plant will filter water from the East-of-Hudson watershed, which furnishes an average of ten percent of the City's total drinking water supply.

The reconstruction and replacement of water mains during the Four-Year Plan will total $461.1 million. This effort will include the continued replacement of chronically failing six-inch water mains in Brooklyn and Queens.

Various projects totaling $655.8 million are planned for the upstate watershed. DEP expects to commit $133.3 million for the reconstruction of City-owned dams. The City will spend $68.0 million in the Four-Year Plan to acquire environmentally sensitive land in the watershed region. It is estimated that the City will spend approximately $260 million to selectively acquire land, either through outright purchase or through conservation easements, within the watershed that contains streams, wetlands, floodplains and other areas that are critical to maintaining high water quality.

Sewers

DEP operates and maintains over 6,400 miles of sanitary, storm and combined sewers. Approximately 70 percent of the existing system is composed of combined sewers that carry both storm and wastewater to the City's 14 wastewater treatment plants for treatment. The sewage collection system, which is divided into 14 drainage areas, also includes 131,243 catch basins and approximately 5,000 seepage basins to prevent flooding and sewer backups.

For the Sewer program, the Four-Year Capital Plan allocates a total of $553.5 million for the replacement, construction and expansion of the City's sewer system to improve the collection and transport of storm and wastewater. The Four-Year Capital Strategy provides $12.0 million for the programmatic replacement and reconstruction of deteriorating sewers citywide. Approximately $17 million is scheduled for the replacement and augmentation of sewers to enhance capacity where required by population increases and economic development projects. As required by the State's Clean Water Act, $9.0 million is provided in 2004 for the construction of separate storm and sanitary sewers and the abatement of combined sewer overflows in the Coney Island drainage area. Approximately $215 million is allocated for the replacement of sewers experiencing chronic malfunctions that may cause flooding or potential health hazards. The System will be extended into new areas that are currently underserved, primarily in Queens and Staten Island, for $300.7 million.

In 2003, the plan forecasts $87.1 million in spending for the replacement of chronically failing components, including $4.5 million for sewers in Fort Hamilton Avenue in Brooklyn and $3.2 million for sewers in City Island Avenue in the borough of the Bronx.

The plan forecasts for $123.9 million in spending for extensions to accommodate new development in 2003. Projects included in 2003 are $16.3 million for storm and sanitary sewer extensions in Gateway Estates, Brooklyn, $5.3 million for storm and sanitary sewers in Forest Hill Road in Staten Island, and $3.2 million for storm sewers in 104th Avenue in Queens.

Wastewater Treatment

DEP's Bureau of Wastewater Treatment operates 14 wastewater treatment plants (WTPs), one storm-overflow retention facility, 89 wastewater pumping stations, nine laboratories, eight sludge dewatering facilities and three inner-harbor sludge transport vessels. On average each day, these facilities treat approximately 1.3 billion gallons of dry-weather sewage and handle approximately 1,200 wet-tons of sludge. The Four-Year Plan for wastewater treatment projects is $3.5 billion, including $100.0 million of State funds.

Portions of the City's water bodies have been identified as having significant water quality impacts in part from combined sewer overflow (CSO) discharges. The Four-Year Plan provides $457.2 million for the study, design and implementation of CSO abatement projects that includes the following: Flushing Bay; Paerdegat Basin; Hunts Point; Alley Creek; Jamaica Bay (26th Ward); and the Gowanus Canal. These include $100.0 million that the Department is forecasting in State funds, as part of the Clean Water/Clean Air Bond Act of 1996, for various water quality improvement projects. The 2003 Capital Commitment Plan consists of: $17.2 million for the continued construction of the Flushing Bay CSO Tank and $124.0 million to alleviate flooding and sewer discharges in the Alley Creek section of Queens.

The Four-Year Plan has scheduled $1.6 billion for the stabilization of wastewater treatment facilities that are in need of system-wide reconstruction to ensure their continued compliance with mandated permit requirements into the future. These facilities include the Bowery Bay, Wards Island, 26th Ward, Tallman Island, Jamaica, and Hunts Point WTPs and the Spring Creek stormwater overflow retention facility. The Capital Plan for 2003 includes $172.0 million for improvements at Hunts Point WTP, $192.3 million for improvements in Ward's Island WTP; $137.5 million for improvements in the Jamaica WTP and $80.7 million for the Spring Creek Auxiliary WTP.

The Four-Year Plan provides $134.2 million for the reconstruction or replacement of individual components at DEP's sewage treatment facilities required for continued reliable operations. These components encompass valves, pumps, boilers, generators and other mechanical equipment.

The Four-Year Plan allocates $238.2 million for the reconstruction of wastewater pumping stations, regulators, tide gates, and force mains. The System's 89 pumping stations are used to convey wastewater over long distances, to drain low-lying areas, and to lift flows to treatment plants.

The Four-Year Plan includes $1.1 billion for consent decree upgrading and construction projects for water pollution control facilities. The largest of these projects is $1.0 billion for the continued upgrade of the Newtown Creek WTP to provide full secondary treatment ($2.7 billion total cost). The Department will also complete work at the Owls Head WTP ($4.4 million) and Coney Island WTP ($39.5 million).

Equipment

The Four-Year Plan totals $273.4 million for this category that is funded as follows: $21.4 million in City General Obligation funding, $72.6 million in State funds, and $179.4 million in Water Authority funding. The plan includes the remediation of closed landfills, water meter installation, vehicles, computer equipment, facility purchase and reconstruction and the relocation of utility mains for sewer and water projects.

The Department will continue installing meters for the remaining portion of the 828,000 residential and commercial customers that remain unmetered and replacing approximately 85,000 meters that were installed prior to the beginning of the Universal Metering Program in 1988 at a cost of $38.6 million in the Four-Year Plan. An additional $30 million is allocated for plumbing retrofit rebates for participants in the multiple dwelling conservation program, which is expected to begin in calendar 2002.

DEP will continue to remediate landfills previously operated by the Department of Sanitation. As a result of past illegal dumping which occurred at these sites, they have been placed on the State list of inactive hazardous waste sites. DEP will supervise the remediation of Brookfield Avenue Landfill, which will require a cap, gas collection and disposal system and stormwater management system. Remediation of Brookfield Avenue Landfill, scheduled for 2004, will cost $93.6 million, of which $21.0 million will be funded by City G.O. funds and $72.6 million funded by State funds.

DEPARTMENT OF TRANSPORTATION

The Department of Transportation (DOT) maintains, operates and reconstructs City bridges, maintains and resurfaces streets and arterial highways within the five boroughs, plans for street reconstruction, manages the streetlighting system and traffic signal network, maintains and collects revenue from parking meters, operates parking facilities, helps regulate traffic flow, coordinates transportation planning, oversees subsidized bus and private ferry operations, manages street use franchises, and operates the Staten Island Ferry.

Financial Review

The Department's 2003 Executive Budget provides for operating expenses of $488.8 million, a decrease of $53.1 million from the amount forecast for 2002. This decrease is primarily the result of Federal and State grants expiring at the end of 2002, including non-recurring Federal grants for World Trade Center (WTC) disaster recovery. A number of the remaining grants are expected to be renewed during 2003. Capital commitments of almost $1.6 billion are also provided for 2003, including $435.3 million in Federal and State funding.

Revenue Forecast

The Department of Transportation collects revenue from parking meters and garages, franchises, concessions, and street opening permits. In 2003, the Department will collect $157.9 million in revenue, $4.3 million more than in 2002. The increase is attributable to the expansion of the Commercial Parking Program.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- approximately $51.6 million to energize all streetlights and traffic signals throughout the City, including $11.0 million for the maintenance of the electrical distribution systems connecting streetlights and signals.

- over $38.6 million in 2003 for the operation of the Staten Island Ferry and private ferry service.

- funding of $20.7 million for the maintenance of over 11,000 traffic signalized intersections, citywide.

- an allocation of $19.4 million for the maintenance of over 325,000 streetlights, citywide.

- approximately $11.9 million in 2003 for the maintenance and cleaning of arterial highways located throughout the five boroughs.

- over $16.0 million for the preventive maintenance, cleaning, and painting of City bridges.

- an allocation of approximately $11.1 million to repair hazardous, or potentially hazardous safety and structural conditions on bridges.

Streamlining

- a savings of $600,000 in 2003 and $1.2 million in 2004, as well as a reduction of 16 positions, by contracting out the overnight shift of the Staten Island Ferry operation.

- a reduction of $447,000 as a result of parking management efficiencies, including the privatization of two parking fields in Queens. These initiatives yielded initial savings of $1.3 million in 2002 as well.

- a reduction of nearly $1 million resulting from postponing the relocation of the Bridge Preventive Maintenance facility and a delay in relocating to a new parking meter maintenance facility.

- a decrease of $1 million in ferry terminal repair costs realized through the advancement of the construction of a new Whitehall Ferry Terminal. Construction is currently underway and the completion of the new terminal is scheduled for April 2004. A similar amount was reduced in 2002.

- a savings of $316,000 resulting from the negotiation of reduced contract maintenance costs associated with the Red Light Camera program.

- a decrease of $59,000 and two positions no longer required due to efficiencies realized through the purchase of pre-paid parking meter cards via the internet.

Restructuring

- a decrease of $250,000 in 2003 and $500,000 in 2004 due to efficiencies obtained by employing a "third party administrator" to handle and settle insurance claims against the City's Subsidized Franchise Bus operators.

- increased revenue of $75,000 as a result of reassigning three Highway Inspection Quality Assurance (HIQA) Inspectors from office assignments to the field to perform additional monitoring.

- a savings of $90,000 and 10 positions due to greater than anticipated attrition of full-time Assistant City Highway Repairer positions. These vacancies will be back-filled with seasonal employees.

Summary of Agency Financial Data

($000's)

	2001 Actual	2002 Forecast	2003 Preliminary Budget	2003 Executive Budget	Increase/(Decrease) 2002 Forecast	Increase/(Decrease) 2003 Preliminary Budget
Expenditures						
Personal Service	$229,725	$261,999	$227,176	$226,549	($35,450)	($627)
Other Than Personal Service	249,307	279,874	254,156	262,253	(17,621)	8,097
Total	$479,032	$541,873	$481,332	$488,802	($53,071)	$7,470
Funding						
City	$244,993	$275,014	$286,643	$292,435	$17,421	$5,792
Other Categorical Grants	1,306	1,516	—	—	(1,516)	—
Capital IFA	84,442	95,408	93,338	94,929	(479)	1,591
State	65,792	50,672	30,917	30,917	(19,755)	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	—	2,007	—	87	(1,920)	87
• Other	31,863	59,330	12,427	12,427	(46,903)	—
Intra-City Other	50,633	57,926	58,007	58,007	81	—
Total	$479,032	$541,873	$481,332	$488,802	($53,071)	$7,470
*Personnel (at fiscal year-end)**						
City	1,872	2,058	2,065	2,057	(1)	(8)
Non-City						
• JTPA/IFA	872	1,092	1,095	1,099	7	4
• CD	—	2	—	2	—	2
• Other	1,197	1,267	834	834	(433)	—
Total	3,941	4,419	3,994	3,992	(427)	(2)

* *Part-time, seasonal and hourly appropriations in the 2003 Executive Budget support the equivalent of 231 full-time positions, of which it is estimated that 96 will be City funded.*

Programmatic Review

Bridges

The Bureau of Bridges is responsible for the reconstruction, repair, maintenance and operation of approximately 800 bridge and tunnel structures. In 2003, the Bureau of Bridges will be staffed with 834 positions and have an operating budget of $60.0 million, a decrease of $5.9 million from the amount forecast for 2002. This decrease is primarily the result of Federal and State grants expiring at the end of 2002, including $1.7 million in non-recurring Federal grants for WTC disaster recovery. A number of the remaining grants are expected to be renewed during 2003.

The Bridge program in the 2003 Executive Budget continues the City's commitment to preserve and maintain its infrastructure. The Bridge "Flag" Repair program corrects structural and safety deficiencies on bridges by using both in-house and contract forces. The Executive Budget provides $17.8 million in 2003 for the "Flag" and Corrective Repair programs. Of that amount, over $3.0 million is provided for contracts to help reduce the backlog of "yellow" and "safety" flags and to keep current on all new occurrences of "red" flags. The in-house staff of over 174 positions for "flag" and corrective repair has been maintained at current levels. Flag Repair is also performed by the Department's Capital contractors doing large-scale reconstruction work on the East River Bridges. As a result of these combined strategies, only a minimal number of "red" flags are currently pending.

While the City is continuing to devote resources to the World Trade Center disaster recovery, the preservation of its infrastructure Citywide remains a high priority. The Preventive Maintenance program will have a workforce of 246 positions for the oiling, sweeping, cleaning, washing, electrical maintenance and spot and salt splash zone painting of the City's bridges. Operating in conjunction with the expense-funded program, the Capital Budget also funds large-scale bridge protective coating programs.

To complement the City's commitment to the Bridges program, the Federal government will continue to pay for preventive maintenance on the Manhattan, Williamsburg, Queensboro and Brooklyn Bridges while these four bridges are under capital reconstruction.

This continuing commitment to the City's Bridges program, in conjunction with a Four Year Capital Plan of approximately $2.9 billion, will result in an extensive bridge system in good condition, with lower future capital reconstruction costs, fewer emergency repairs, and a more cost effective maintenance and repair program.

Highway Operations

The Street and Arterial Maintenance Division is responsible for maintaining approximately 5,700 linear miles of streets and arterial highways within the five boroughs. The Permits Management and Construction Control programs are responsible for regulating the excavation and various other uses of City streets and sidewalks. In 2003, these operations will be staffed by 1,019 full-time and over 200 seasonal positions with a budget totaling $106.8 million, a decrease of $16.2 million from the amount forecast for 2002. This decrease is primarily the result of Federal and State grants expiring at the end of 2002, including $9.3 million in non-recurring Federal grants for WTC disaster recovery. A number of the remaining grants are expected to be renewed during 2003.

The City continues to devote significant resources to its in-house and contract resurfacing programs, with 238.8 linear miles (795.2 lane miles) to be resurfaced in 2003, an increase of 30 linear miles (100 lane miles) over the amount resurfaced in 2001. The City also intends to repair approximately 18,655 small street defects in 2003, in addition to other street defects addressed in the street resurfacing program. Currently, over 82.5 percent of the City's 5,700 linear miles of street surfaces are rated in good condition.

In an effort to maintain the arterial highways within the City and increase community participation, the Department will continue its successful Adopt-a-Highway Program, whereby sponsors may adopt up to 362 miles of highway and contribute funding for the cleaning and maintenance of the roadside. In conjunction with City and private funding, the Department also utilizes State aid to perform both road maintenance and safety repair activities. Currently, the Department annually cleans and maintains 1,175 lane miles of arterial highway and 2,525 acres of landscaped areas and shoulders with a staff of approximately 250.

Traffic Operations

The Bureau of Traffic Operations maintains and collects revenue from approximately 71,500 metered spaces, operates 55 municipal parking facilities, and installs and maintains approximately one million traffic signs, approximately 11,000 signalized intersections, and over 325,000 streetlights. The 2003 Executive Budget provides for 1,113 positions and $177.9 million, a decrease of $15.0 million from the amount forecast for 2002. As with the Highway Operations budget, this decrease is a result of Federal and State grants expiring at the end of 2002, including approximately $4.0 million in non-recurring Federal grants for WTC disaster recovery. The 2003 Executive Budget includes $40.1 million for the continued maintenance of streetlights and traffic signals.

The Red Light Camera program is designed to promote safe, responsible driving by photographing and fining vehicles “running” red lights. To further enhance the effectiveness of the Red Light Camera program, DOT will install over 200 dummy and spare red light cameras at various intersections throughout the City. As drivers become aware of the operation of a red light camera at an intersection, the number of drivers “running” a red light at that intersection declines. DOT will begin rotating red light cameras among various locations to maximize the benefits of the program.

The Bureau will proceed with a contract to collect traffic safety data on the City’s 1,359 elementary and middle schools. Under this contract, DOT will identify the 135 schools with the greatest traffic safety risks and develop recommendations for these schools. In addition to this effort, DOT will commence $10 million of Engineering Services contracts that will allow DOT to address unforeseen traffic safety issues elsewhere in a timely and cost-effective manner.

The Bureau will expand the successful Commercial Parking Program in the central business core of Manhattan. The initial program has alleviated traffic congestion in midtown by creating expanded traffic corridors, reducing double parking, improving timely parking space turnover, and expediting cross-town traffic flow.

Transit Operations

The Passenger Transport Division operates and maintains the Staten Island Ferry and its terminals, regulates private ferry operations, provides school bus service for disabled pre-kindergarten children, and manages the subsidized franchise bus program. The 2003 Executive Budget provides for 538 positions and an operating budget of $97.3 million, a decrease of $5.0 million from the 2002 forecast. This decrease is primarily the result of Federal and State grants expiring at the end of 2002, including $3.7 million in non-recurring Federal grants for the emergency ferry service to Brooklyn resulting from the WTC disaster. This service is expected to end in June 2002. A number of the remaining grants are expected to be renewed during 2003. In addition, the Passenger Transport Division provides oversight for an allocation of $183.0 million in subsidies to the franchised bus program.

The Staten Island Ferry is expected to carry approximately 19 million passengers and the Department anticipates that the Ferry program will achieve an on-time performance rate of 98 percent. As a result of security issues raised by the WTC disaster, vehicles are no longer being carried on the Staten Island Ferry at this time. Prior to the disaster on 9/11, over eight million passengers per year were transported on privately operated commuter ferries. Since that time, due to an increase in passengers, the Division estimates that ridership will increase to approximately 15 million passengers per year.

The Division also manages the operating contracts, provides financial management and operating assistance, and administers the capital program for the subsidized franchise bus program. The program, which includes seven bus operators, provides local and express service in areas not covered by New York City Transit’s bus network. This system is expected to carry over 113 million passengers in 2003. In addition, the City is currently monitoring selected express bus service to southern Staten Island.

Since the introduction of “One City, One Fare” on July 4, 1997, which eliminated two-fare zones and established free intermodal transfers between the subsidized franchise buses and the New York City Transit (NYCT) system, and the more recent introduction of fare discounts and fixed price transit passes, mass transit ridership has increased significantly. Ridership on the subsidized franchise buses has, on average, increased approximately six percent annually, which is slightly lower than ridership increases on NYCT buses, which have been over eight percent annually. The changes in fare policy have made mass transit more affordable for the riding public, and have significantly improved the overall efficiency and usage of the City’s transportation network.

The City currently owns two bus depots, located in College Point, Queens and in Southeast Brooklyn, that are equipped to fuel and maintain Compressed Natural Gas (CNG) buses. The City has committed to convert its fleet of buses to CNG in efforts to minimize the environmental impact of diesel fuel emissions. Currently, 356 out of 1,294 buses are CNG-fueled.

Capital Review

The Department's 2003-2006 Four-Year Capital Commitment Plan totals $4.9 billion for the reconstruction of transportation infrastructure, of which approximately 84 percent is City-funded. The table below shows commitments by program area over the 2003-2006 period.

Capital Commitments

($000's)

	2001 Actual		2002 Plan		2003 Plan		2004 Plan		2005 Plan		2006 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Highways and Streets	$213,522	$222,595	$302,251	$329,109	$290,803	$349,854	$280,283	$324,469	$304,780	$344,464	$334,512	$353,353
Highway Bridges	146,750	197,985	110,909	152,403	461,791	528,737	280,485	314,530	661,416	774,426	442,692	442,692
Waterway Bridges	127,264	269,314	62,886	51,008	259,150	323,150	328,626	358,790	15,481	15,481	145,872	145,872
Traffic	37,242	78,192	42,070	95,093	33,375	104,937	37,451	43,782	18,611	21,468	43,429	45,380
Vehicles/Equipment	2,447	2,447	25,654	25,654	22,736	22,736	17,513	17,513	9,074	9,074	8,831	8,831
Ferrie	12,038	24,567	151,584	198,379	49,062	78,280	13,950	13,950	7,600	7,600	6,220	6,220
Franchise Transit.	5,139	5,740	1,554	1,554	19,865	164,382	10,712	64,458	240	240	3,112	28,987
Total	$544,402	$800,840	$696,908	$853,200	$1,136,782	$1,572,076	$969,020	$1,137,492	$1,017,202	$1,172,753	$984,668	$1,031,335

The highlights of the Four-Year Capital Commitment Plan include:

- the continued reconstruction/rehabilitation of the four East River Bridges and the complete reconstruction/rehabilitation of 107 other bridge structures. It also includes programs to resurface bridge decks, replace expansion joints and other bridge components, and apply protective coating treatments to prolong the useful life of City bridges ($2.9 billion).

- the reconstruction and/or resurfacing of approximately 1,082.3 linear miles (3,602.5 lane miles) of City streets to maintain and improve their condition. In addition it provides for the installation of pedestrian ramps at 28,645 corners to increase accessibility for the disabled, and the reconstruction of 22.0 million square feet of sidewalk to reduce defects ($1.4 billion).

- the modernization and expanded computerization of the City's traffic signal network to improve traffic flow, the upgrade of the streetlighting system, the installation of pavement markings, and the reconstruction of municipal parking facilities ($215.6 million).

- the reconstruction and improvement of various ferry vessels and facilities including the continued construction at the new Whitehall Ferry Terminal and the St. George Ferry Terminal ($106.1 million).

- the purchase of CNG-fueled buses, equipment and the rehabilitation of bus facilities for the City's subsidized franchise transit program ($258.1 million).

- the replacement of vehicles for field forces and the upgrading of computer equipment ($58.2 million).

Bridges

The Four-Year Plan for Bridges totals $2.9 billion, of which 89 percent is City-funded. The Plan includes $708.7 million for the rehabilitation and reconstruction of the East River Bridges, including $127.9 million for the reconstruction of the Brooklyn Bridge, $216.0 million for the Manhattan Bridge, $193.3 million for the Williamsburg Bridge, and $171.5 million for the Queensboro Bridge. The Four-Year Plan will address all major work necessary to complete the infrastructure rehabilitation of all four East River Bridges.

Another $1.3 billion is provided in the Four-Year Plan to reconstruct six "poor" and 101 "fair" rated bridge structures, including the 145th Street Bridge over the Harlem River, the Roosevelt Island Bridge over the East River Channel and nine of the Belt Parkway bridges. The Bridge Life Extension program, designed to address the capital needs of bridges before total capital reconstruction becomes necessary, will rehabilitate 44 bridge structures, conduct bridge component rehabilitation and allow for the quality assurance testing of bridge materials at a total cost of over $703.5 million. In addition, $174.7 million is provided to apply protective coating treatments to various highway and waterway bridges to preserve and enhance their condition.

The 2003 Capital Plan for Bridges totals $851.9 million, including $96.8 million for the protective coating of the Brooklyn Bridge, $190.5 million for the Williamsburg Bridge, and $399.4 million for the reconstruction of two "poor" and 25 "fair" rated bridge structures, including the Pelham Parkway (Shore Road) Circle Bridge over Amtrak and the Metropolitan Avenue Bridge over English Kills.

Highways

The Four-Year Plan for Highways totals $1.4 billion, of which 88 percent is City-funded. The Plan provides $734.1 million for street reconstruction of 127.9 linear miles (423.5 lane miles), and $356.0 million for street and arterial resurfacing of 954.5 linear miles (3,179.0 lane miles). A total of $105.9 million in Federal funds will be provided to reconstruct and resurface 26.7 linear miles (99.0 lane miles) of streets in the World Trade Center area. The Plan also provides $74.6 million for the installation of pedestrian ramps at 28,645 corners. Another $158.1 million is allocated for the replacement of over 22.0 million square feet of sidewalks, citywide.

The 2003 Capital Plan for Highways totals $349.9 million and includes $291.4 million for the reconstruction or resurfacing of 276.3 linear miles (921.0 lane miles) of streets, including the Springfield Gardens Streets in Queens, 8th Avenue and Columbus Circle in Manhattan and the Shore Parkway Service Road in Brooklyn. In addition, the City has begun preliminary design for the construction of a second asphalt plant in order to realize savings in asphalt purchasing contracts, as well as to avoid a portion of the costs associated with the disposal of asphalt millings produced by our in-house resurfacing crews. A second asphalt plant would also provide the environmental benefit of recycling approximately 87,000 additional tons of millings annually in the production of new asphalt.

Traffic

The Four-Year Plan for Traffic totals $215.6 million, of which 62 percent is City-funded. The Plan provides $119.4 million for signal installations and maintenance, as well as the computerization and modernization of signalized intersections to improve the flow of traffic. The Plan includes $26.0 million for the upgrade and replacement of lampposts and luminaires for lighting and safety, $36.4 million for signal and streetlight work associated with the highway and bridge reconstruction programs, $5.5 million for the installation of approximately 16 million linear feet of thermoplastic markings for traffic control in conjunction with the in-house resurfacing program, and $9.7 million for the replacement of 130,000 linear feet of electrical distribution systems along the City's streets. In addition, the Plan includes $18.5 million for the rehabilitation of 11 municipal parking lots and three parking garages.

The 2003 Capital Plan for Traffic totals $104.9 million. This includes $12.0 million for the installation of signals at roughly 220 intersections. A $4.1 million 18-month contract, registered late in FY02, will ensure the installation of approximately 1,000 streetlights during FY03. Additionally, the Plan includes $29.7 million for the final phase of the Traffic Operations Program to Increase Capacity and Safety (TOPICS) IV initiative – which will connect 2,200 signalized intersections to DOT's signal control system in order to improve traffic flow and control in the outer boroughs. In conjunction with this work, the Plan includes $11.7 million for the installation of Advanced Traffic Controllers (ATCs) at the TOPICS IV intersections to maximize the functionality of the system. The Plan also includes $6.0 million for parking meters for the expansion of the Commercial Parking Program.

Transit

The Four-Year Plan for Passenger Transport totals $364.2 million, including $106.1 million for Ferries and $258.1 million for Franchise Transit. The Plan for Ferries, which is 72 percent City-funded, includes $22.3 million for the reconstruction or replacement of ferry boats, and $82.8 million for ferry terminal improvements, including $8.8 million for the repair of ferry racks at St. George and Whitehall.

The 2003 Capital Plan for Ferries totals $78.3 million, including $18.5 million for the continuing reconstruction of the St. George Ferry Terminal. The 2003 Capital Plan also includes $21.0 million for the expansion of the Pier 79 Midtown Ferry Terminal, $3.0 for the rehabilitation of Slip 7 at the St. George Ferry Terminal, $2.8 million for the rehabilitation of the St. George South Viaduct and $1.8 for slips utilized for private ferry operations.

The Four-Year Plan for the Franchise Transit program, of which 13 percent is City-funded, provides $214.0 million for the purchase and inspection of approximately 570 CNG buses and $10.7 million for the rehabilitation of 153 diesel buses. Additionally, the Plan provides $36.4 million for the construction and improvement of bus facilities, including $27.8 million for the construction of three CNG fueling facilities, and $7.7 million for other bus-related projects and miscellaneous equipment.

The 2003 Capital Plan for the Franchise Transit program totals $164.4 million, including $121.3 million for the scheduled purchase and inspection of over 340 CNG buses, $10.7 million for the rehabilitation of 153 diesel buses, $4.3 million for the construction of a vehicle emissions lab in Brooklyn, $3.9 million for an Automatic Vehicle Location and Control (AVLC) System pilot program on the Q60 route in Queens and $1.2 million for bus stop signs. The 2003 Capital Plan also includes $17.8 million for the modification of two bus facilities to make them CNG compatible, pursuant to the City's policy of reducing diesel fuel emissions from City-owned buses.

HOUSING PRESERVATION AND DEVELOPMENT

The Department of Housing Preservation and Development (HPD) is responsible for the preservation, rehabilitation and expansion of New York City's housing stock. HPD serves as a catalyst for private investment in communities with the greatest need. As reflected in the 2003 Executive Budget, the agency will work towards the preservation and development of affordable housing through direct investment and the provision of loans and other forms of financial assistance. The agency will also continue to enforce compliance with housing quality standards and maximize neighborhood ownership and management of housing by soliciting local participation in its disposition and development programs. The Office of Housing Operations and the Office of Development manage the majority of HPD's programs.

The primary responsibility of the Office of Housing Operations is the maintenance of tenant occupied, privately owned and City owned (*in rem*) buildings. This Office is also charged with addressing emergency repairs where necessary. Through its six divisions, this Office also enforces the City's Housing Maintenance Code, assists owners in correcting dangerous code violations and provides emergency shelter for households displaced as a result of fire or emergency vacate orders. Within this Office, the Division of Anti-Abandonment works to prevent the abandonment and consequent City ownership of distressed buildings. The Division of Alternative Management Programs designs initiatives to return buildings that are currently in City ownership to responsible private owners. This Office also provides low income families housing made affordable through the use of Federal Section 8 vouchers and certificates that subsidize monthly rental payments.

The Office of Development, through its two divisions, provides affordable housing opportunities by promoting the construction of new homes and apartments on formerly City-owned vacant land and by reconstructing and selling vacant and occupied buildings. Through various neighborhood initiatives and homeownership programs, the Division of New Construction builds new homes, making HPD the most prolific developer of affordable housing in the nation. In order to encourage private construction, rehabilitation, and economic development, the Division of Housing Finance provides loans for supportive housing development and uses a variety of tools, including Tax-Incentive Programs, low-interest loans, and Low Income Housing Tax Credit allotments.

The Office of Legal Affairs, the Office of the Special Counsel, the Office of Community Partnerships and the Office of Planning and Intergovernmental Affairs provide support for the above programs.

Financial Review

The 2003 Executive Budget for HPD provides $372 million for operating expenses as compared to $461 million in 2002, a decrease of $89 million. Several Federal grants are expected to be recognized over the course of the fiscal year, thereby increasing HPD's budget. Of the total operating expenses, $121 million is for personal services and the remaining $251 million is for other than personal services. Concurrently, the Four Year Plan allocates $1.7 billion in capital to the City's housing programs over the period 2003-2006.

Revenue Forecast

HPD collects revenue from residential and commercial tenants occupying *in rem* buildings, from auctions, and from negotiated sales. HPD also collects fees for processing tax abatement and exemption applications, multiple dwelling registrations, document searches, administrative costs, and the management of municipal and Mitchell-Lama loans. Revenues generated by the Department will be $64.6 million in 2003, $20.6 million less than the amount for 2002. The 2003 decrease is primarily attributable to non-recurring revenue from negotiated land sales and the one-time collection of application fees in 2002. Additional decreases reflect reductions in *in rem* rental income due to the disposition of *in rem* units to the private sector.

Expense Budget Highlights

Priorities: Providing Core Services

The agency will maintain its core services in 2003 including *in rem* property management, tenant-landlord assistance, housing maintenance code enforcement, development of new affordable housing, and preservation of privately-owned housing.

- HPD will continue its efforts to enforce Local Law 38, enacted to reduce lead paint poisoning cases throughout the City.

- Community Development Block Grant (CDBG) funding is maintained for HPD's Emergency Repair Program (ERP) to remove hazardous conditions in private buildings where landlords have been negligent in correcting violations detrimental to the life, health and safety of tenants.

- HPD has begun a campaign to educate and inform landlords and tenants of agency code enforcement activities and services. New emphasis will be placed on customer service to tenants and advocacy groups, and outreach to building owners, through the provision of maintenance code violations information on the agency's web-site; new housing publications and videos designed for tenants and owners; and a series of monthly neighborhood owner's nights seminars across the City.

- In an effort to reduce future management costs of occupied *in rem* housing, $94 million of City funds is allocated in the capital budget for the agency's disposition programs in 2003. HPD uses innovative programming to accelerate the transfer of City-owned occupied buildings to tenants and neighborhood-based not-for-profit and for-profit housing organizations. These programs are Tenant Interim Lease (TIL), Neighborhood Redevelopment (NRP), and Neighborhood Entrepreneurs (NEP).

Summary of Agency Financial Data

($000's)

	2001 Actual	2002 Forecast	2003 Preliminary Budget	2003 Executive Budget	Increase/(Decrease) 2002 Forecast	Increase/(Decrease) 2003 Preliminary Budget
Expenditures						
Personal Service	$116,362	$120,860	$122,932	$120,753	($107)	($2,179)
Other Than Personal Service	301,337	346,407	200,959	250,616	(95,791)	49,657
Total	$417,699	$467,267	$323,891	$371,369	($95,898)	$47,478
Funding						
City	$72,886	$67,715	$59,616	$59,293	($8,422)	($323)
Other Categorical Grants	—	3,654	—	—	(3,654)	—
Capital IFA	13,038	15,115	17,000	15,069	(46)	(1,931)
State	819	944	877	877	(67)	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	170,258	203,366	168,817	148,825	(54,541)	(19,992)
• Other	147,184	165,336	67,615	137,759	(27,577)	70,144
Intra-City Other	13,513	11,137	9,966	9,546	(1,591)	(420)
Total	$417,699	$467,267	$323,891	$371,369	($95,898)	$47,478
*Personnel (at fiscal year-end)**						
City	540	579	580	538	(41)	(42)
Non-City						
• JTPA/IFA	247	286	375	286	—	(89)
• CD	1,157	1,348	1,348	1,348	—	—
• Other	435	403	403	439	36	36
Total	2,379	2,616	2,706	2,611	(5)	(95)

* *Part-time, seasonal and hourly appropriations in the 2003 Executive Budget support the equivalent of 75 full-time positions, of which it is estimated that 43 will be City funded.*

HPD's budgeted headcount of 2,611 positions is funded at $121 million, $28 million of which is City funds. Funding for other than personal services amounts to $251 million, $31 million of which is City funds.

Programmatic Review

Housing Operations

The Division of Alternative Management Programs (DAMP) promotes the rehabilitation, management and ownership of occupied City-owned buildings by tenant, not-for-profit, and for-profit housing organizations. DAMP also administers the Article 7A Program, which manages and funds necessary repairs for privately owned buildings that have been abandoned.

The Division of Property Services manages City-owned (*in rem*) residential and commercial properties until they can be returned to responsible private ownership. In 2003, the Division will maintain an average of approximately 5,200 City-owned *in rem* residential units in occupied multiple dwellings and one- and two-family homes. In addition, within Property Services, the Division of Anti-Abandonment (DAA) identifies, monitors and recommends treatment plans for distressed buildings. DAA also coordinates several stages of the third party transfer process which will convey approximately 5,700 units in tax delinquent buildings to responsible new owners between 2003 and 2006. DAA also oversees the work of Neighborhood Preservation Consultants.

The Division of Enforcement Services enforces compliance with the City's Housing Maintenance Code and the New York State Multiple Dwelling Law and responds to complaints concerning possible housing violations such as the lack of heat, water or electricity. In addition, this division is budgeted at $9 million in capital and expense funds to seal and demolish vacant and unsafe buildings. Within the division, the Emergency Housing Services Bureau provides emergency housing for victims of fires and other disasters. The Division of Maintenance, within Enforcement Services, performs emergency repairs in privately-owned buildings in response to emergency violations (including lead paint) issued by code inspectors if the landlord fails to perform the repair. The Division also coordinates major repairs and contracts for improvements in City-owned buildings, including lead hazard violation remediation.

The Division of Tenant Resources provides permanent housing assistance to households that have been displaced by fires or emergency vacate orders. The Rent Subsidies unit provides low-income families housing made affordable through the use of Federal Section 8 certificates and vouchers that subsidize monthly rental payments. This Division also develops and coordinates programs designed to enhance the economic self-sufficiency of tenants of City-owned and City-assisted housing.

The Division of Housing Supervision is responsible for the regulation of 141 Mitchell Lama rental and co-op housing companies with approximately 60,000 apartments. Housing Supervision is also responsible for administering the Senior Citizens Rent Increase Exemption program for 4,500 households in City and State Mitchell-Lamas and other regulated developments.

The Division of Architecture, Construction and Engineering (DACE) reviews the contract documents of private architects to ensure conformance to HPD standards and to all zoning and building codes. DACE also monitors ongoing construction work to ensure conformity to contract documents, construction techniques and codes.

Development

The Office of Development is responsible for HPD's housing production functions. Its Division of New Construction promotes the construction of new homes and apartments on formerly vacant City-owned land. Activity for 2003 includes the construction of over 1,900 units in new one- to three-family homes, multiple dwellings and mixed-use multiple dwellings. These owner-occupied housing units will be built on City-owned land with City capital subsidies for construction and associated costs. Through the Alliance for Neighborhood Commerce, Home Ownership and Revitalization (ANCHOR), HPD combines retail development along targeted commercial corridors with new housing construction to generate economic activity and provide neighborhood services in revived residential communities. HPD will also continue the development of long-term, large-scale projects for both homeowners and rental tenants in selected neighborhoods in Brooklyn, the Bronx, Manhattan and Queens from 2003 through 2006.

The Office of Development's Division of Housing Finance administers multi-family and small building disposition and loan programs. Through these programs, vacant City-owned buildings are rehabilitated and returned to the private housing market. This division is also responsible for the Supportive Housing Program, which over 2003-2006 will produce approximately 1,250 units of supportive housing for mentally-ill and low-income New Yorkers, as well as for people with HIV/AIDS.

Capital Review

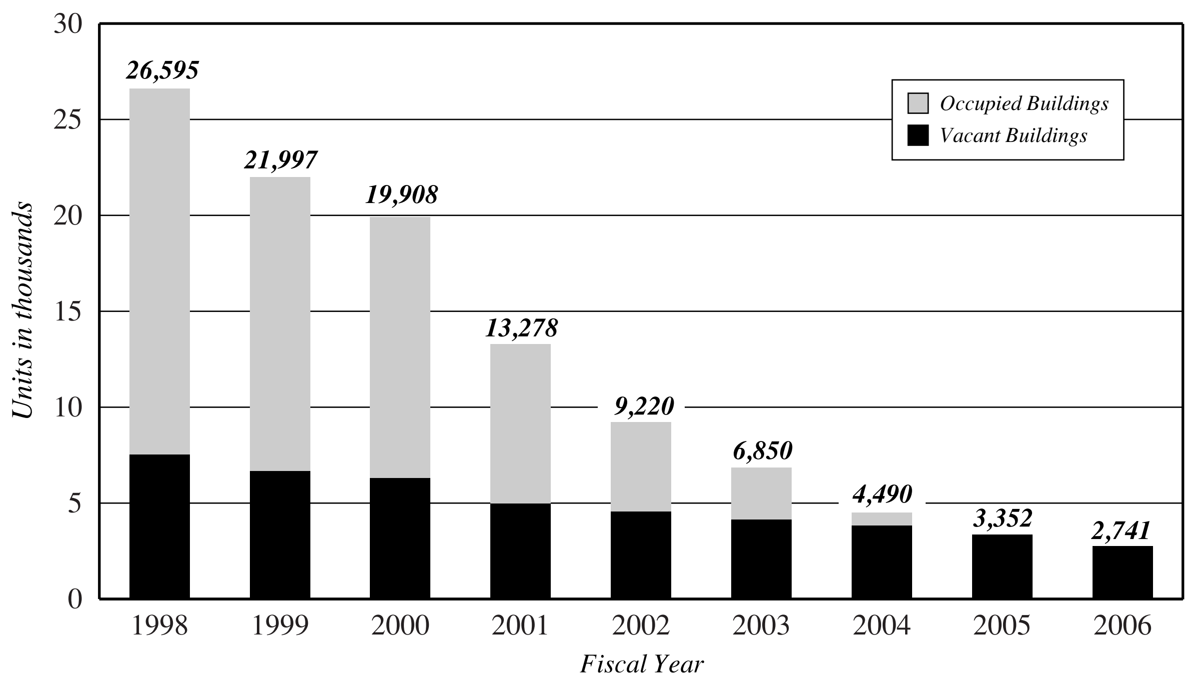
The 2003-2006 Four Year Capital Plan for HPD is $1.7 billion, including $1.2 billion in City funding and $462 million in non-City funds. The agency continues to use its City capital sources to leverage State and Federal funds as well as substantial private equity (which does not flow through the City's capital budget). The Four Year Plan reflects the City's continuing commitment to affordable housing by funding the creation and preservation of units in City-owned and privately-owned buildings.

Under the Four Year Plan, the City will continue to pursue the "Building Blocks!" strategy: the rehabilitation and sale of City-owned *in rem* residential buildings to responsible private owners, including tenant cooperatives, not-for-profit organizations, and local entrepreneurs. A total of $817 million ($530 million in City funds) is provided to fund the occupied *in rem* programs under this strategy, namely TIL, NRP, NEP, and Neighborhood Homes. HPD will also continue to return vacant buildings to the private sector under the HomeWorks, StoreWorks and Vacant Buildings programs. A total of $24 million (all City funds) is budgeted over the four year period for these three programs. Through the use of asset sales and the tax exemption certificate program, HPD will be able to transfer additional housing units to the private sector.

The chart below summarizes the progress of the *in rem* disposition program from FY98 through the Four Year Plan.

HPD *IN REM* DISPOSITION PROGRAM HISTORY

There were 44,000 *in rem* units in FY94, when HPD initiated most of its major *In Rem* Disposition programs. The chart below shows remaining units by fiscal year and includes commercial units.



Concurrently, the City will enhance its efforts to prevent abandonment of privately-owned buildings and forestall their entry into City ownership by investing a total of $510 million ($418 million in City funds) in programs providing financial and technical assistance to private landlords. The City will combine its current loan programs, such as Participation Loan (PLP), Article 7A (7A), Article 8A (8A), Small Homes Private (SHP), Home

Improvement (HIP), and Senior Citizen Home Assistance (SCHAP), with the recently initiated Housing Preservation program. The Housing Preservation program, also referred to as Third Party Transfer, will allow for tax delinquent property to be transferred to responsible new owners without the City taking title in the interim.

The Four Year Plan also includes funds for new construction projects to promote homeownership to families at various income levels. New Homes (NYC Housing Partnership) and Nehemiah provide for the construction of one- to three-family homes. Along with ANCHOR, these programs form the basis for the new construction projects being built in conjunction with large-scale neighborhood redevelopment programs in Brooklyn, the Bronx, Manhattan and Queens.

The table below shows capital commitments by Ten Year Plan category over the 2002-2006 period, including actual commitments for 2001.

Capital Commitments

($000's)

	2001 Actual		2002 Plan		2003 Plan		2004 Plan		2005 Plan		2006 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Occupied *In-Rem* Rehab/ Privatization	$77,049	$158,476	$197,980	$285,554	$100,524	$179,354	$102,343	$168,580	$130,998	$214,998	$181,854	$239,854
Vacant *In-Rem* Rehab..	9,002	9,312	851	644	6,950	6,950	2,366	2,366	5,500	5,500	9,500	9,500
New Construction	19,373	19,373	18,347	29,305	21,160	36,160	12,940	12,940	0	0	8,000	8,000
Neighborhood Initiatives	15,758	15,758	9,778	9,778	14,076	14,076	34,201	34,201	22,186	22,186	5,457	5,457
Assistance to Private Owners	93,982	137,013	100,836	130,800	113,802	153,487	96,803	162,015	125,788	163,960	152,857	169,500
Other Housing Support Investment	19,062	19,669	24,671	24,671	13,168	13,168	9,151	9,151	14,747	14,747	18,450	18,450
Total	$234,226	$359,601	$352,463	$480,752	$270,130	$403,645	$257,804	$389,253	$299,219	$421,391	$376,118	$450,761

The $1.7 billion Four Year Plan emphasizes the following goals:

- Treatment and disposition of occupied, City-owned buildings — rehabilitation in 2003 through the privatization initiatives ($179 million total funds, including $101 million in City funds); rehabilitation in the 2003-2006 period ($817 million total funds, including $530 million in City funds).

- Reconstruction of vacant buildings — rehabilitation in the 2003-2006 period of City-owned vacant units under the HomeWorks, StoreWorks and Vacant Buildings programs ($24 million total funds, all City funds).

- Assistance to private owners — the Housing Preservation, PLP, 8A, 7A, SHP, HIP and SCHAP programs will allow the rehabilitation of 20,750 units in the private sector in the 2003-2006 period ($510 million total funds, including $418 million in City funds).

- Construction of new units — funding for the production of over 5,000 homeownership and rental units in the 2003-2006 period ($134 million total funds, including $119 million in City funds) under the new construction homeownership programs, including the large scale neighborhood projects.

- Production of supportive housing — funding for the creation of 1,250 units for homeless and low-income single adults and special needs populations in the 2003-2006 period ($124 million total funds, including $55 million in City funds).

DEPARTMENT OF CITYWIDE ADMINISTRATIVE SERVICES

The Department of Citywide Administrative Services (DCAS) is the principal support agency for the City of New York providing City agencies with various services, including personnel services, real estate services, facilities management, and municipal supply services. Services are provided by six programmatic divisions including the Division of Citywide Personnel Services (DCPS), the Division of Municipal Supply Services (DMSS), the Division of Facilities Management and Construction (DFMC), the Division of Real Estate Services (DRES), the Division of Fiscal Management and Operations (DFMO), and the Division of Administration and Security (DAS).

Financial Review

The 2003 Executive Budget for the Department of Citywide Administrative Services provides $722.3 million, an increase of $51.7 million above the amount forecasted for 2002. This increase is primarily attributed to increases and adjustments in intra-city sales and one-time savings achieved in 2002. The $178.0 million DCAS Capital Commitment Plan for 2002 includes $166.9 million for the Public Buildings program and $11.1 million for the Real Property program.

Revenue Forecast

In 2003, DCAS will collect $60.2 million in revenue, $26.2 million less than the amount forecasted for 2002. The decrease is attributable to non-recurring revenues collected in 2002 for property sales, rents, sales of relinquished vehicles, release of mortgage escrow, and interest received from the State Office of Court Administration. The Division of Real Estate Services (DRES), the largest revenue generating component of DCAS, will collect $41.3 million from land sales and rents from commercial properties.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- The 2003 Executive Budget provides total funds of $722.3 million, of which $470.6 million is for goods and services that agencies purchase from DCAS through intra-city agreements for utilities, municipal supplies, etc.

- The 2003 Executive Budget provides a total of $619.7 million for the Division of Facilities Management and Construction (DFMC). DFMC maintains and operates 52 public buildings, including court facilities, and provides citywide energy management services. Included in the $619.7 million is $22.5 million in State funding, a decrease of $4.3 million from 2002, to provide cleaning services for court facilities.

- The 2003 Executive Budget provides a total of $14.0 million for the Division of Real Estate Services (DRES).

- The 2003 Executive Budget provides a total of $9.4 million for security services in DCAS managed buildings.

Summary of Agency Financial Data

($000's)

	2001 Actual	2002 Forecast	2003 Preliminary Budget	2003 Executive Budget	Increase/(Decrease) 2002 Forecast	Increase/(Decrease) 2003 Preliminary Budget
Expenditures						
Personal Service	$82,707	$99,281	$100,096	$101,830	$2,549	$1,734
Other Than Personal Service	541,536	571,307	597,274	620,436	49,129	23,162
Total	$624,243	$670,588	$697,370	$722,266	$51,678	$24,896
Funding						
City	$120,735	$136,864	$152,646	$161,890	$25,026	$9,244
Other Categorical Grants	54,170	55,881	58,380	56,473	592	(1,907)
Capital IFA	6,576	8,589	8,726	8,726	137	—
State	17,919	26,942	23,192	22,529	(4,413)	(663)
Federal						
• JTPA	—	—	—	—	—	—
• CD	246	1,052	—	—	(1,052)	—
• Other	104	37,849	2,000	2,000	(35,849)	—
Intra-City Other	424,492	403,411	452,426	470,648	67,237	18,222
Total	$624,243	$670,588	$697,370	$722,266	$51,678	$24,896
*Personnel (at fiscal year-end)**						
City	1,047	1,046	1,093	1,103	57	10
Non-City						
• JTPA/IFA	122	153	156	156	3	—
• CD	—	—	—	—	—	—
• Other	414	497	497	487	(10)	(10)
Total	1,583	1,696	1,746	1,746	50	—

* *Part-time, seasonal and hourly appropriations in the 2003 Executive Budget support the equivalent of 456 full-time positions, of which it is estimated that 455 will be City funded.*

Programmatic Review

DCAS provides an array of support services to City agencies through the divisions described below.

Division of Citywide Personnel Services

The Division of Citywide Personnel Services (DCPS) is responsible for the classification of positions and salaries, civil service administration, personnel development and training, citywide redeployment, and other special programs such as the Employee Blood Program, the Urban Corps, Public Service Fellows, and Leadership Institute programs. DCPS also offers Work Experience Program (WEP) participants the opportunity to learn clerical and office skills.

In order to simplify civil service job titles and streamline exam administration, DCPS is continuing its strategy to consolidate, reclassify, and broadband titles with overlapping functions as well as eliminate vacant job titles that are no longer needed. The Division continues its efforts to reduce, eliminate or combine civil service examinations for titles that require similar knowledge and skills. DCPS has eliminated 2 exams and 16 competitive civil service titles thus far in 2002. Examinations are administered by DCPS for City and non-City entities such as the Metropolitan Transportation Authority and the New York City Housing Authority. The preliminary plan for examinations in 2003 includes 90 civil service and 30 license examinations. As of March, 60 civil service and 23 license exams were administered in 2002. The Division anticipates the implementation of On Line Civil Service Applications for use by the public by the end of 2002.

The Department is currently developing the Citywide Automated Personnel System (NYCAPS). When completed, the new system will store and track the information provided by existing City line agency personnel systems. The system will permit oversight agencies and agency personnel divisions, citywide, to share and access data easily and will simplify workflow and system management resulting in more accurate personnel-related information. The NYCAPS team has developed and implemented the Personal Data Quick Hit that provides personal information and the ability to track driver's licenses, City issued property, shields, and emergency contact information for City employees to City agencies. Currently, NYCAPS is conducting reviews of the proposed system with all Mayoral agencies.

Division of Real Estate Services

The Division of Real Estate Services (DRES) offers real property services including broker services, site searches, lease services, and property acquisition for client agencies. This division also provides architectural design and project management services for client agencies in both DCAS managed and privately owned space. The Division manages and oversees approximately 40 City leases as well as the leasing of City owned commercial properties. DRES manages and disposes of City owned commercial properties acquired through tax foreclosure, condemnation, and the transfer or surrender of City surplus properties.

The Division also audits leases to ensure proper lease billing and management. The Lease Audit Program realizes annual savings averaging $1.0 million in recoveries and credits.

Division of Facilities Management and Construction

The Division of Facilities Management and Construction (DFMC) is responsible for maintaining and operating 52 City owned public buildings. This division performs technical engineering, architectural, and construction management services to maintain and operate its facilities. This division also coordinates with the State Office of Court Administration to ensure proper maintenance of court facilities within the City.

The Office of Energy Conservation (OEC), an office within DFMC, is the City's primary energy management entity. This office develops and reports on the City's annual energy budget. OEC coordinates with utility companies and processes payments for the City's electric, gas and steam bills. In addition, OEC establishes, coordinates, and oversees energy conservation guidelines and programs. The Office participates in and administers the High Efficiency Lighting Program (HELP), the Energy Cost Reduction Program (ENCORE), and the Cafeteria Lighting Program (CLP).

Division of Municipal Supply Services

The Division of Municipal Supply Services (DMSS) is the City's chief procurement entity. DMSS procures, warehouses, and distributes supplies necessary for City agencies to fulfill their missions. Centralized contracting enables the City to utilize economies of scale to purchase various commodities at the most favorable market price. This division ensures the quality of goods purchased through inspections and operates the Central Storehouse which warehouses over 2,200 different items. DMSS manages the Direct Delivery Program for office supplies for various client agencies. This program delivers office supplies from the vendor directly to City agencies, thereby reducing the waiting period for the receipt of goods and associated overhead costs. This division is also responsible for the salvaging of surplus property through redistribution to other City agencies and auction.

The Office of Fleet Administration (OFA), an office within DMSS, oversees citywide vehicle procurement, the alternative fuel vehicle program, and fleet maintenance for client agencies. OFA will utilize portable handheld devices by the end of 2002 to streamline inspection processes.

The Division is working to enhance the procurement process through the use of technology and will begin the development of an internet enabled procurement and inventory management application in 2003. In addition, the Bureau of Quality Assurance will utilize portable handheld devices by the end of 2002. In 2003 the Division expects to implement on-line advertisement submission to the City Record as well as on-line vendor registration.

Division of Fiscal Management and Operations

The Division of Fiscal Management and Operations is responsible for providing the Department with the fiscal management and coordination needed to carry out its mandate. This division includes the Office of Operations and Strategic Planning, the Capital Budget Office, and Office of Financial Services including; budget control, audit and accounts, State Court reimbursement, and Internal Audit.

Division of Administration and Security

The Division of Administration and Security (DAS) is responsible for internal administrative support for DCAS including human resources, payroll and timekeeping, disciplinary proceedings, labor relations, printing services, communication services and records management. DAS also coordinates security within the Agency. As a result of September 11th, this security responsibility has been widened to include all DCAS managed facilities and some leased facilities. New responsibilities include risk assessment, security analysis, implementation and continued evaluation of DCAS facilities.

Office of Citywide Equal Employment Opportunity

The Office of Citywide Equal Employment Opportunity (OCEEO) monitors compliance with EEO policy. The EEO policy requires agencies to conduct specialized training programs and document workforce composition. City agencies are required to report annually to OCEEO on policy compliance. OCEEO carries out its monitoring function through training initiatives, agency site visits, and personnel interviews.

The Department also houses the Citywide Occupational Safety and Health program (COSH), the City Publishing Center and the CityStore. The City Publishing Center produces and publishes The City Record, The Green Book and other official City publications. CityStore is the City's book and gift shop. The CityStore operates booths in both the Manhattan Municipal Building and the Times Square Visitor Center, as well as having an on-line store accessible through the City's website. The Department continues development of internet applications for City publications. The City Record is currently available on-line.

Capital Review

The 2003-2006 Four-Year Capital Commitment Plan for the Department is $510.0 million, with $178.0 million provided in 2003. These amounts include State funding of $2.2 million, all of which is scheduled for commitment in 2003.

The Department is responsible for capital improvements to all DCAS managed and client agencies' buildings including office space, warehouses and courts; oversight and improvements to City leased properties; the sale, lease and acquisition of City owned non-residential waterfront and non-waterfront properties. The capital program includes compliance work for public safety and legal mandates; renovation, rehabilitation, construction, design and outfitting of various sites, including the purchase of furniture. The Department also purchases vehicles and various communications and technological equipment.

The table below shows capital commitments by program area over the 2001-2006 period.

Capital Commitments

($000's)

	2001 Actual		2002 Plan		2003 Plan		2004 Plan		2005 Plan		2006 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Legal Mandates and Correction of Unsafe Conditions	$35,372	$35,372	$64,778	$64,778	$29,190	$29,190	$12,921	$12,921	$10,038	$10,038	$6,308	$6,308
Renovation of Other City-owned Facilities	44,600	44,600	48,940	48,940	30,926	30,926	24,220	24,220	350	350	0	0
Renovation of Leased Space	27,506	27,506	16,480	16,480	26,027	26,086	10,828	10,828	2,210	2,210	20,000	20,000
Board of Elections	539	539	23	23	7,085	7,085	16,796	16,796	11,000	11,000	11,000	11,000
Communications Equipment	5,422	5,422	1,226	1,226	3,760	3,760	585	585	0	0	0	0
Rehabilitation of Court Facility System	4,048	4,048	-2,205	-2,047	80	2,218	0	0	410	410	0	0
Rehabilitation of City-Owned Office Space	35,601	35,601	45,928	45,928	62,024	62,024	25,917	25,917	57,581	57,581	99,753	99,753
Equipment and Interagency Services	9,545	9,545	10,111	10,111	5,653	5,653	2,040	2,040	1,920	1,920	1,260	1,260
Rehabilitation of Waterfront & Non-Waterfront Properties	9,928	9,928	22,655	22,655	11,136	11,136	1,787	1,787	3,333	3,333	11,677	11,677
TOTAL	$172,561	$172,561	$207,936	$208,094	$175,881	$178,078	$95,094	$95,094	$86,842	$86,842	$149,998	$149,998

The Four-Year Plan provides a total of $510.0 million, including $482.1 million for the renovation, reconstruction and outfitting of Public Buildings and $27.9 million for Real Property.

Highlights of the Four-Year Plan include:

- reconstruction and rehabilitation of public buildings and City owned office space with the focus on the replacement of mechanical, electrical, plumbing and structural systems ($300.8 million); including the Manhattan Municipal Building tenant alterations and electrical improvements ($31.0 million), construction of the Office of Emergency Management Command Center ($30.0 million), reconstruction of the Brooklyn Municipal Building ($15.0 million), exterior and interior reconstruction at 346 Broadway ($10.3 million), installation of security equipment and protective measures ($8.1 million), rehabilitation of base building systems at City Hall ($7.5 million), and renovation of Queens Borough Hall ($2.9 million).

- rehabilitation of court facilities ($2.6 million); including exterior and interior reconstruction at 27 Madison Avenue ($2.1 million in State funds).

- legal mandates ($58.5 million); including lead and asbestos abatement ($26.9 million), vapor control and leak detection programs for petroleum storage tanks ($11.7 million), compliance with the Americans with Disabilities Act ($6.7 million), and fire safety improvements ($3.4 million).

- renovation of leased space ($59.1 million); including the construction of the Department of Finance Bronx Business Center ($7.4 million), office space renovation for the Civilian Complaint Review Board ($4.1 million), and renovation of various facilities for the Department of Probation ($2.9 million).

- elections modernization ($45.9 million); including the purchase of voting machines ($33.0 million), consolidation of Board of Elections office and warehouse space in Queens ($4.9 million) and Manhattan ($5.6 million), and the renovation of the Brooklyn offices ($2.4 million).

- equipment and interagency services ($10.9 million); including DCAS vehicles, equipment, and computer purchases.

- reconstruction of waterfront properties ($18.3 million); including various pier improvements.

- reconstruction of non-waterfront properties ($9.6 million); including the Kingsbridge Armory ($7.5 million).

The 2003 Plan provides $178.0 million and includes:

- reconstruction of public buildings and City owned office space ($93.0 million); including tenant alterations and renovations at the Manhattan Municipal Building ($24.9 million), the construction of the Office of Emergency Management Command Center ($15.0 million), rehabilitation of base building systems at City Hall ($6.9 million), installation of security equipment and protective measures ($3.8 million), reconstruction at Queens Borough Hall ($2.9 million), exterior and interior reconstruction at 346 Broadway ($1.3 million), and renovation of the Brooklyn Municipal Building ($0.9 million).

- legal mandates ($29.2 million); including vapor control and leak detection equipment for petroleum storage tanks ($11.7 million), lead and asbestos abatement ($11.3 million), fire safety improvements ($1.4 million) and compliance with the Americans with Disabilities Act ($0.7 million).

- renovation of leased space ($26.1 million); including renovation of office space and the 311 Call Center at 59 Maiden Lane ($12.6 million) and office space renovation for the Civilian Complaint Review Board ($4.1 million).

- elections modernization ($7.1 million); including consolidation of Board of Elections' office and warehouse space in Queens ($4.9 million) and the renovation of the Brooklyn offices ($2.2 million).

- reconstruction of waterfront properties ($2.2 million) and non-waterfront properties ($8.9 million); including reconstruction of the roof at the Kingsbridge Armory ($7.5 million).

DEPARTMENT OF INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS

The Department of Information Technology and Telecommunications (DoITT) provides Citywide coordination and technical expertise in the development and use of voice, video and data technologies in City services and operations. DoITT's Commissioner directs the development of information technology (IT) strategies as the City's Chief Information Officer and the chair of the Technology Steering Committee. DoITT also provides infrastructure support for data processing and communications services to numerous City agencies, researches and manages IT projects, and administers the City's cable television, public pay telephone and high capacity telecommunications franchises.

Financial Review

DoITT's 2003 Executive Budget provides for an operating budget of $174.1 million, an increase of $7.7 million above the amount forecasted for 2002. This increase is primarily attributed to the establishment of the 3-1-1 Call Center.

Revenue Forecast

The Department collects revenue from cable television, high capacity telecommunications and public pay telephone franchises, and international programming fees for use of the City's Crosswalks cable television network. The Department will generate $111.9 million in revenue for 2003, $1.9 million more than the amount forecasted for 2002.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- The Department's 2003 Executive Budget includes $100.3 million for services that DoITT purchases on behalf of client agencies, including telecommunications, data and consultant services.

- The Department's 2003 Executive Budget provides $3.4 million for the Office of Technology. This Office assists the Technology Steering Committee in identifying, developing and implementing the best practices for IT and e-enterprise solutions.

- The Department's 2003 Executive Budget provides $22.9 million for the Information Utility Division. This Division is responsible for the Data Center operations and fiber optic network that provide data processing and networking services to over 60 City agencies, 24 hours a day, seven days a week.

- The Department's 2003 Executive Budget provides $1.9 million for the administration of the City's five cable channels on the Crosswalks television network. The City, in partnership with CUNY, produces programming primarily designed to inform the public on City affairs.

- The Department's 2003 Executive Budget provides $13.3 million for the 3-1-1 Call Center. The Center will give the public access to non-emergency City services through one phone number at any time of the day or night.

Summary of Agency Financial Data

The following table compares the 2003 Executive Budget with the 2003 Preliminary Budget, the 2002 forecast and actual expenditures for 2001.

Summary of Agency Financial Data
($000's)

			2003		Increase/(Decrease)	
	2001 Actual	2002 Forecast	Preliminary Budget	Executive Budget	2002 Forecast	2003 Preliminary Budget
Expenditures						
Personal Service	$24,009	$27,157	$22,865	$27,518	$361	$4,653
Other Than Personal Service	138,632	139,212	132,997	146,593	7,381	13,596
Total	$162,641	$166,369	$155,862	$174,111	$7,742	$18,249
Funding						
City	$48,761	$50,938	$56,545	$73,351	$22,413	$16,806
Other Categorical Grants	1,375	588	400	400	(188)	—
Capital IFA	—	—	—	—	—	—
State	—	—	—	—	—	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	30	9,386	30	30	(9,356)	—
Intra-City Other	112,475	105,457	98,887	100,330	(5,127)	1,443
Total	$162,641	$166,369	$155,862	$174,111	$7,742	$18,249
*Personnel (at fiscal year-end)**						
City	286	309	301	331	22	30
Non-City						
• JTPA/IFA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	—	—	—	—	—	—
Total	286	309	301	331	22	30

* *Part-time, seasonal and hourly appropriations in the 2003 Executive Budget support the equivalent of 80 full-time positions, of which it is estimated that 80 will be City funded.*

Programmatic Review

DoITT takes a lead role advancing technology projects and programs designed to enhance service delivery to the public and facilitate efficient intra-city operations. These initiatives include City network services, the Geographic Information Systems Utility, the 3-1-1 Call Center, and the Channel 16 radio network.

City Network Services

DoITT facilitates electronic transactions among agencies through the City's Intranet and data communications backbone, CityNet. The data processing and electronic connectivity supported by DoITT enables City agencies to communicate with one another and access information essential to their operations on a timely basis.

The Department is also working to further develop interactive relationships between the public and the City through the Internet. NYC.gov, the City's official website and Internet portal, enables users to quickly access City information and services. In 2003, the Department will continue to improve the portal and add to the variety of interactive services already available online, including paying fines, obtaining permits, and applying for benefits.

Geographic Information Systems Utility

Citywide data resource integration is being advanced by DoITT through the Geographic Information Systems (GIS) Utility. The GIS Utility coordinates geographically-oriented data, produced by several City agencies, to improve service delivery and enhance public safety. GIS resources played a critical role in the City's response to the collapse of the World Trade Center. GIS also offers useful information the public can access over the Internet. In 2003, the Department will continue to update existing maps and coordinate planning for new data layers, including information on public transportation services, landmark districts, and real estate tax maps.

3-1-1 Call Center

DoITT is spearheading the multi-agency effort to implement 3-1-1, a centralized call center for non-emergency City services. The 3-1-1 Center, staffed by trained call takers, will be equipped to answer a high volume of calls that are currently answered by over 40 agency-operated help lines. In 2003, the Department will begin offering this service to the public.

Channel 16 Radio Network

Channel 16 will be a Citywide radio frequency network infrastructure that will operate in the 482-488MHz spectrum. The purpose of the project is to implement new radio systems and services that will relieve congestion on other channels. The project will also address the critical need of public safety agencies in the New York Metropolitan Area to communicate during emergencies. The Department plans to complete the design of the network in 2003.

ECONOMIC DEVELOPMENT

Since 1992, two organizations, the Department of Business Services (DBS) and the Economic Development Corporation (EDC), have administered the City's economic development programs. DBS also provides administrative support to the Mayor's Office of Film, Theater and Broadcasting (Film Office). City funds for EDC and the Film Office flow through the budget of DBS. In order to facilitate comprehensive service delivery to businesses, DBS and EDC are both located at 110 William Street, while the Film Office is located in the Midtown Entertainment District.

DBS provides services primarily to small businesses in New York City through technical assistance in procurement, contracting and local commercial development. DBS also assists small businesses in their interactions with other City agencies to facilitate the delivery of City services and utilities. EDC serves as the City's corporate attraction and retention arm. In addition, EDC undertakes financing initiatives and develops commercial and industrial projects. Waterfront, maritime and intermodal transportation development is also under EDC's purview.

Financial Review

The 2003 Executive Budget for Economic Development provides for $31 million in operating expenses at DBS and $4 million in operating expenses at EDC, funded with Federal funds of $5 million and City funds of $30 million. The DBS operating budget includes allocations for NYC & Co. (formerly known as the New York Convention and Visitors Bureau), the NYC Empowerment Zone, the Film Office, and other DBS programs such as the Market Security and Enforcement Division, the Commercial Revitalization program and the Vendor/Microenterprise Division. EDC funds the majority of its operating budget through the management of its real estate portfolio.

City funded capital commitments of $603 million are forecast in the 2003-2006 capital plan. Of this amount, $501 million reflect Mayoral commitments. The remaining $102 million reflect Elected Officials commitments. The amount of total City funded capital commitments for the 2003-2006 plan represents an decrease of $106 million over the amount of commitments forecast in the 2002-2005 plan.

Revenue Forecast

The Department of Business Services collects revenue from the rental and sale of commercial, industrial, maritime and market properties administered by EDC, and other miscellaneous fees. The 2003 revenue estimate for Economic Development is $58.9 million, $37.2 million less than the amount forecast for 2002. The decrease is attributable to one-time asset sales that will be concluded this year.

Expense Budget Highlights

- under the Charter Revision passed in November 2001, an Organized Crime Control Commission (OCCC) has been established. Part of the security and regulatory function of DBS at the Fulton Fish Market and other wholesale public markets will be merged into the new Commission.

- the Executive Budget provides new funding for a functional reorganization of DBS. The Neighborhood Development Division will develop and promote Business Improvement Districts (BIDs) and Local Development Corporations (LDCs). The Business Services Division will coordinate small business assistance and incentives, the vendor and microenterprise programs, and the public markets unit. The Economic and Financial Opportunity Division will focus on outreach and technological assistance to certify minority and women owned businesses for government contracts.

- since the World Trade Center (WTC) disaster, the Department has focused on economic recovery. The Emergency Response Unit worked directly with more than 2,000 downtown businesses in the wake of the disaster, while the public markets staff temporarily moved the Fulton Fish Market to the Hunts Point Market in the Bronx. Staff has also worked directly with the Garment Industry Development Corporation and many Chinatown businesses to help them regain utilities and transportation access, as well as to encourage clientele to return.

- through a contract with DBS, NYC & Co. receives City funding for its efforts to establish the City as the country's premier convention center and to publicize the City's institutions and opportunities for all visitors. Since the WTC disaster, NYC & Co. has redoubled its efforts to help the tourism, business travel, and entertainment industries recover. The "Paint the Town Red, White & Blue" campaign works to draw large events to the City, and the Broadway recovery program provided $2.5 million to purchase tickets to struggling Broadway shows as incentives for tourism. The program succeeded so well that theatres are back to capacity, and $1 million was redistributed to smaller arts groups around the City.

- in 1995, portions of Upper Manhattan and the South Bronx were designated an Empowerment Zone (EZ), entitling the City to an additional $100 million in Federal aid over ten years. Both the City and New York State have committed funds matching this investment. These funds facilitate economic development initiatives by local businesses and community-based organizations. The Executive Budget includes $12 million in 2003 for this program.

Summary of Agency Financial Data

($000's)

	2001 Actual	2002 Forecast	2003 Preliminary Budget	2003 Executive Budget	Increase/(Decrease) 2002 Forecast	Increase/(Decrease) 2003 Preliminary Budget
Expenditures						
Personal Service	$6,849	$7,406	$7,007	$6,807	($599)	($200)
Other Than Personal Service	37,475	59,544	26,941	27,333	(32,211)	392
Total	$44,324	$66,950	$33,948	$34,140	($32,810)	$192
Funding						
City	$36,258	$24,967	$28,738	$28,843	$3,876	$105
Other Categorical Grants	—	14,604	—	—	(14,604)	—
Capital IFA	—	—	—	—	—	—
State	—	—	—	—	—	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	5,814	10,354	5,200	5,287	(5,067)	87
• Other	—	15,955	—	—	(15,955)	—
Intra-City Other	2,250	1,070	10	10	(1,060)	—
Total	$44,324	$66,950	$33,948	$34,140	($32,810)	$192
*Personnel (at fiscal year-end)**						
City	131	142	140	119	(23)	(21)
Non-City						
• JTPA/IFA	—	—	—	—	—	—
• CD	11	13	13	14	1	1
• Other	3	3	—	—	(3)	—
Total	145	158	153	133	(25)	(20)

* *Part-time, seasonal and hourly appropriations in the 2003 Executive Budget support the equivalent of 7 full-time positions, of which it is estimated that 6 will be City funded.*

Programmatic Review

Department of Business Services

The Department of Business Services (DBS) is responsible for providing direct services to New York City's business community. The Counsel's Office and the Finance and Administration Division support the programmatic functions. The programmatic divisions are detailed below.

Neighborhood Development

- the BID unit assists business communities in establishing and operating BIDs, as well as provides fiscal oversight and technical assistance for the City's 44 existing BIDs.

- the Commercial Revitalization unit contracts with 92 LDCs to revitalize business strips throughout the five boroughs, using a combination of Federal and City funds.

Business Services

- through outreach and technical assistance services, the City Business Assistance Program (CBAP) helps businesses interact with other City agencies. CBAP agents also advise businesses about local stoopline, sanitation and vending regulations. The unit coordinates graffiti removal projects and helped merchants conform to the Zero Visibility Rule. CBAP agents have assisted over 1,300 businesses in the past year.

- the Emergency Response Unit (ERU) works directly with the Mayor's Office of Emergency Management to respond to businesses affected by disasters in the five boroughs. The ERU provides updates on building re-openings, facilitates the resolution of matters affecting day-to-day business operations, and compiles evidence to support business claims for assistance. Thus far, ERU has provided critical aid for over 50 major disasters, including the ongoing work of recovery from the WTC disaster and the plane crash in Belle Harbor, Queens.

- the Business Incentives Unit coordinates the Lower Manhattan Energy Program (LMEP), which offers benefits in the form of utility credits for up to 12 years. To date, 31 office towers have applied for and received benefits on behalf of their tenants. The Energy Cost Savings Program, which also helps businesses in other NYC areas, approved 66 projects affecting 3,178 jobs in the first four months of 2002.

- the Vendor/Microenterprise Unit conducted 56 Business Basics courses for 300 microentrepreneurs, 56 computer classes for 750 clients, and 20 technical assistance classes for 575 clients in the first four months of 2002.

Economic and Financial Opportunity

- the Economic and Financial Opportunity Division enables small, minority and women-owned businesses to grow and actively participate in the City's procurement process. It provides personal outreach, registration, and technological assistance to connect businesses with new opportunities.

New York City Economic Development Corporation

EDC works with the private and public sectors to revitalize businesses, create jobs and generate revenue for the City. EDC also manages and develops City-owned commercial, industrial, and waterfront properties, including marine terminals, public markets, rail yards and industrial parks.

The financing arm of EDC includes several small business lending, guarantee and bond issuance programs. The purpose of these programs is to create jobs and retain businesses through financial assistance offered at market or below market rates. EDC also contracts with the New York City Industrial Development Agency (IDA) to provide financing for larger industrial and marketing projects. Since mid-September 2001, EDC resources have focused on businesses affected by the World Trade Center disaster.

- in conjunction with and administered by the Empire State Development Corporation, EDC established a $20 million grant program for small and medium-size businesses in lower Manhattan.

- in partnership with the State, EDC established a $50 million loan guarantee fund to support a $250 million bridge loan program for small businesses, most of which qualify for Small Business Administration (SBA) relief. Participating banks approve bridge loans within three days of application while SBA processes the loan applications.

- during the first four months of 2002, EDC secured business commitments representing 3,300 jobs retained, 1,148 jobs created, and annual tax revenue of $22.9 million.

DBS contracts with EDC to administer the City's waterfront properties. In the aftermath of the World Trade Center disaster, EDC worked with the Department of Transportation (DOT) to expand ferry service into Manhattan. Additional ferry landings were provided at piers 11 and 16 in lower Manhattan, and improvements were made to Pier 4 at the Brooklyn Army Terminal. EDC also constructed an emergency ferry landing at Pier 79, located at 39th Street on the Hudson River.

Under its contract with DBS, EDC acts as managing agent for City-sponsored projects. Projects are divided into two main categories: Economic Development and Port Development. These projects are funded primarily through the capital budget, as described below.

Capital Review

The primary goal of the Four Year Capital Plan is to encourage development in order to create and retain jobs in New York City and bolster the City's tax base. The 2003-2006 Four Year Plan totals $603 million in City funds.

The following chart shows Capital plan commitments by major function over the 2001-2006 period. Actual commitments are provided for 2001.

Capital Commitments

($000's)

	2001 Actual		2002 Plan		2003 Plan		2004 Plan		2005 Plan		2006 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Commercial Development	$88,005	$ 88,005	$281,201	$559,732	$62,946	$91,346	$26,820	$26,820	$19,019	$19,019	$89,600	$89,600
Industrial Development . . .	18,001	18,001	60,041	60,723	20,889	20,889	33,555	33,555	26,706	26,706	55,557	55,557
Market Development	6,420	6,420	33,725	23,725	8,425	8,425	5,500	5,500	3,418	3,418	10,766	10,766
Neighborhood Revitaliz'n .	396	396	12,088	15,688	4,795	4,795	2,327	2,327	3,418	3,418	8,586	8,586
Port Development	64,040	67,530	76,515	126,696	44,384	44,734	4,930	4,930	9,019	9,019	11,659	11,659
Rail Development	2,057	5,024	15,057	42,163	7,000	9,926	500	500	0	0	1,000	1,000
Waterfront Development . .	17,507	20,971	59,270	66,933	43,371	45,371	5,563	5,563	20,918	20,918	19,245	19,245
Aviation	3,428	3,428	490	7,665	0	0	0	0	0	0	0	0
Miscellaneous	2,153	3,300	45,332	53,736	9,250	9,250	2,000	2,000	3,000	3,000	37,000	37,000
Total	$ 202,007	$213,075	$573,719	$957,061	$203,060	$234,736	$80,695	$80,695	$85,498	$85,498	$233,413	$233,413

Highlights of the 2003-2006 Four Year Capital Plan are:

Economic and Port Development

- reconstruction of the Whitehall Ferry Terminal ($29M)
- reconstruction of the St. George Ferry Terminal ($26M)
- development of the BAM (Brooklyn Academy of Music) Cultural District ($59.6M)
- reconstruction of the Apollo Theater in Harlem ($20M)
- reconstruction of the Battery Maritime Building ($32M)

- city-wide waterfront improvements ($158M)
- infrastructure improvements of the Brooklyn Navy Yard ($22M)
- expansion of The Hunts Point wholesale market in the Bronx ($20M)

LIBRARIES

The City of New York funds three independently operated public library systems, each administered by a distinct and separate board of trustees. The New York Public Library manages a three-borough library system: the Bronx with 34 branches, Manhattan with 39 branches and Staten Island with 12 branches. In addition, the New York Public Library oversees four Research Libraries: the Humanities and Social Sciences Library at 42nd Street and 5th Avenue (formerly the Central Research Library), the Library for the Performing Arts at Lincoln Center, the Schomburg Center for Research in Black Culture, and the Science, Industry, and Business Library. The Brooklyn Public Library oversees the operation of 58 branches, a Business Library and a Central Library and the Queens Borough Public Library encompasses 62 branches and a Central Library.

Financial Review

The 2003 Executive Budget for Libraries provides total operating funds, including energy costs, of $223.5 million, a decrease of $30.0 million from the 2002 forecast. The Executive Budget also provides for City funded capital commitments of $63.0 million in 2003.

Expense Budget Highlights

- $85.2 million subsidy for the New York Public Library, a reduction of $10.8 million from the 2002 forecast.

- $16.3 million subsidy for the New York Research Libraries, a reduction of $2.3 million from the 2002 forecast.

- $62.3 million subsidy for the Brooklyn Public Library, a reduction of $8.7 million from the 2002 forecast.

- $59.6 million subsidy for the Queens Borough Public Library, a reduction of $8.2 million from the 2002 forecast.

Summary of Agency Financial Data

($000's)

	2001 Actual	2002 Forecast	2003 Preliminary Budget	2003 Executive Budget	Increase/(Decrease) 2002 Forecast	Increase/(Decrease) 2003 Preliminary Budget
Expenditures						
Personal Service	$—	$—	$—	$—	$—	$—
Other Than Personal Service	382,776	122,164	222,802	223,489	101,325	687
Total	$382,776	$122,164	$222,802	$223,489	$101,325	$687
*Funding**						
City	$382,776	$122,164	$222,802	$223,489	$101,325	$687
Other Categorical Grants	—	—	—	—	—	—
Capital IFA	—	—	—	—	—	—
State	—	—	—	—	—	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	—	—	—	—	—	—
Intra-City Other	—	—	—	—	—	—
Total	$382,776	$122,164	$222,802	$223,489	$101,325	$687
*Personnel (at fiscal year-end)***						
City	—	—	—	—	—	—
Non-City						
• JTPA/IFA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	—	—	—	—	—	—
Total	—	—	—	—	—	—

* *$131.3 million was pre-paid in 2001 for 2002.*
** *The 2003 Executive Budget provides for an estimated 3,637 full-time and full-time equivalent positions, which are funded with City subsidies.*

Programmatic Review

- the three library systems began to scale back their branch library days of service in 2002 as a result of reduced City funding levels. This will continue into 2003 as the three library systems reduce the number of days of service at many branches from six to five days per week, still a relatively high level of service.

- in 2002, the three library systems combined will spend more than $30 million on books, periodicals, videos, music and other library materials. This spending may be reduced by as much as 20 percent in 2003.

- the Libraries provide community programming through the Connecting Libraries And Students Program (CLASP), Summer Reading Program, and Adult Literacy initiatives. CLASP helps make reading and books an integral part of the lives of schoolchildren through a series of programs that create new links among teachers, librarians, and parents. The Summer Reading Program encourages reading among children by combining reading with storytelling and the creative arts. The Adult Literacy initiatives provide literacy instruction for adults 16 years and older. These programs will be scaled back in 2003 in order to direct limited resources towards the library systems' core functions.

- all three library systems have well-developed computer systems that provide the public with free of charge Internet access and basic PC software applications. The libraries have also implemented interactive reference services that allow patrons to search the reference database and send reference inquiries to professional librarians.

The three library systems will continue to provide services throughout the five boroughs at existing branches and the following recently reopened libraries:

- the Library for the Performing Arts at Lincoln Center is now open to the public after being closed for a $38 million capital renovation and upgrade.

- the Woodlawn Heights and Mott Haven branches in the Bronx were reopened after extensive renovations.

- the Donnell Media Center in Manhattan was reopened after major rehabilitation.

- the new and expansive Morningside Heights library branch opened in September 2001, replacing the Columbia branch.

- the Coney Island and Gravesend branches in Brooklyn were reopened in 2002 following major renovations.

The three library systems will continue to provide community programming, including:

- New York Public Library's Story Hour, Picture Book Hour and Read Aloud Programs, which provide literacy outreach to children ages 3 through 12 years.

- Brooklyn Public Library's Kidmobile, which travels to schools, parks and shopping malls with a collection of over 3,000 books, laptop computers and special programs for children.

- Queens Borough Public Library's New American Program, which offers programs for multicultural/multilingual audiences on topics related to assimilation. The Library also promotes the celebration of cultural events in Queens' various ethnic communities.

Capital Review

The Four-Year Capital Commitment Plan totals $136.4 million in City funds. The table below shows capital commitments by program area over the 2003-2006 period.

Capital Commitments
($000's)

	2001 Actual		2002 Plan		2003 Plan		2004 Plan		2005 Plan		2006 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
New York Research Library	-79	-79	53,408	53,408	512	512	0	0	1,250	1,250	4,102	4,102
New York Public Library	8,761	8,761	36,337	36,337	45,676	45,676	1,546	1,546	1,149	1,149	42,556	42,556
Brooklyn Public Library	8,204	8,204	18,939	18,939	10,347	10,347	1,949	1,949	3,115	3,115	11,347	11,347
Queens Public Library	2,617	2,617	13,314	13,314	6,453	6,453	0	0	70	70	6,322	6,322
Total	18,503	18,503	121,998	121,998	62,988	62,988	3,495	3,495	5,584	5,584	64,327	64,327

For the period 2002-2006, City funded capital commitments total $258.4 million. The 2002-2006 Plan includes $59.3 million for new construction, renovations and upgrades for New York Public Library's Research Libraries, including:

- funding to support construction of an infill building in the south courtyard of the Humanities and Social Services Library at 42nd Street ($17.8 million) which will contain administrative space, classrooms and an auditorium. The project will be completed by the end of 2002.

- general renovations at the Humanities and Social Services Library ($17.6 million).

The 2002-2006 Plan includes $127.3 million for renovations and upgrades at New York Public Library's Branch Libraries located in Manhattan ($67.3 million), the Bronx ($45.3 million), Staten Island ($12.1 million) and general funding for projects in all three boroughs ($2.6 million), including:

- funding for the Adopt-a-Branch Program which combines private donations with City monies to fund renovations at various branches. Five branches have been adopted and are currently undergoing major renovations, or are in the planning stages: Chatham Square, George Bruce, Inwood, Muhlenberg and Ottendorfer. The 2002-2006 Plan includes $14.3 million for these five projects, leveraging $2.5 million in private donations.

- funding for a major expansion of the Mid-Manhattan library ($25.3 million). Total project costs are to estimated to be $120 million.

- construction of a new Bronx Borough Center ($21.1 million).

- extensive renovations at the Kingsbridge library in the Bronx ($4.5 million).

- funding to construct a new Mid Island branch in Staten Island ($4.0 million).

- extensive renovation of the Seward Park library in Manhattan ($4.5 million).

- construction of a new Soho branch in Manhattan ($2.3 million).

The 2002-2006 Plan includes $45.7 million for the Brooklyn Public Library, including:

- extensive renovations at the Brooklyn Central Library ($13.2 million) which includes a new auditorium and new front plaza.
- acquisition and renovation of the Kensington Branch Library ($4.2 million).
- extensive renovations at the Williamsburg Library ($2.9 million).
- extensive renovations at the Park Slope Library ($2.3 million).

The 2002-2006 Plan includes $26.2 million for the Queens Borough Public Library system, including:

- construction of a new branch in Long Island City ($5.0 million).
- purchase of computer equipment and infrastructure improvements at the Queens Borough Public Library ($5.6 million).
- construction of a new building for the Cambria Heights Library, which is currently housed in a rented facility ($3.4 million).
- expansion of the Corona Branch Library ($1.6 million).

THE DEPARTMENT OF CULTURAL AFFAIRS

The Department of Cultural Affairs (DCA) is responsible for sustaining and promoting the cultural quality of life throughout the City. DCA achieves these goals by providing direct financial support to over 500 museums, performing arts institutions and groups, gardens, zoos and other cultural groups, as well as providing legal, construction, and managerial support services.

Financial Review

The Department of Cultural Affairs' 2003 Executive Budget provides for operating expenses of $110.4 million, a decrease of $15.1 million from the 2002 forecast. It also provides for City funded capital commitments of $154.0 million in 2003.

Expense Budget Highlights

- $91.9 million for the 34 City-owned cultural institutions, including energy subsidies.
- $13.2 million in grants for various cultural organizations citywide.
- $2.0 million for the Cultural Challenge Program.
- $3.3 million in operating funds for the Department of Cultural Affairs.

Summary of Agency Financial Data

($000's)

	2001 Actual	2002 Forecast	2003 Preliminary Budget	2003 Executive Budget	Increase/(Decrease) 2002 Forecast	Increase/(Decrease) 2003 Preliminary Budget
Expenditures						
Personal Service	$2,233	$2,192	$2,167	$2,172	($20)	$5
Other Than Personal Service	133,225	123,393	108,801	108,244	(15,149)	(557)
Total	$135,458	$125,585	$110,968	$110,416	($15,169)	($552)
Funding						
City	$133,312	$123,401	$109,451	$109,944	($13,457)	$493
Other Categorical Grants	—	—	—	—	—	—
Capital IFA	41	41	41	41	—	—
State	102	—	—	—	—	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	184	754	232	237	(517)	5
• Other	—	—	—	—	—	—
Intra-City Other	1,818	1,389	1,244	194	(1,195)	(1,050)
Total	$135,458	$125,585	$110,968	$110,416	($15,169)	($552)
*Personnel (at fiscal year-end)**						
City	30	32	32	32	—	—
Non-City						
• JTPA/IFA	1	1	1	1	—	—
• CD	2	2	2	2	—	—
• Other	—	—	—	—	—	—
Total	33	35	35	35	—	—

* *The 2003 Executive Budget provides for an estimated 1,736 full-time and full-time equivalent positions, which are funded with City subsidies.*

Programmatic Review

The City supports operations at 34 City-owned cultural institutions, which include world-renowned organizations such as the Metropolitan Museum of Art, the Wildlife Conservation Society, the American Museum of Natural History, the Brooklyn Academy of Music, Carnegie Hall, Lincoln Center for the Performing Arts, the Brooklyn Museum of Art, and the New York Botanical Garden. The Cultural Institutions Group (CIG) also includes preeminent institutions such as the Joseph Papp Public Theater/New York Shakespeare Festival, the New York Hall of Science, the Staten Island Zoological Society, Queens Theater in the Park, Wave Hill, El Museo del Barrio, and the Brooklyn Children's Museum.

DCA supports capital construction and improvement projects at other distinguished cultural institutions, such as the Morgan Library, the Museum of Modern Art, the Isamu Noguchi Foundation and the Brooklyn Historical Society.

DCA is also instrumental in supporting arts organizations and cultural activities in all five boroughs through a variety of grants and support services. DCA provides program grants to over 500 arts-related organizations citywide, with recipients as diverse as the New York Philharmonic, the Tibetan Museum, Bargemusic, Harlem School of the Arts, Bronx Choral Society, Hospital Audiences, the Public Art Fund, African Poetry Theatre, the Jewish Museum, Pregones, the International Center of Photography, Pan Asian Repertory Theater, Jazzmobile, and the Children's Museum of Manhattan. In addition, DCA funds the Cultural Challenge Program which in 2003 will address the stabilization needs of the cultural community. To provide for greater efficiencies, the borough Arts Development Funds and the Program Development Fund will be combined in 2003 into one competitive process.

The City's funding is combined with very substantial private contributions. In some cases, these private contributions supplement the City's operating subsidy and in others, the private contributions far out-weigh the City's contribution. Likewise with capital projects, City funding is often combined with significant private, State and Federal funds.

In addition, DCA administers a number of smaller programs that have far reaching impacts. The Materials for the Arts program, in cooperation with the Department of Sanitation and the Board of Education, provides donated used equipment and supplies to arts organizations and arts education programs in the public schools. The Community Development Program awards federal grants to arts groups serving low- and moderate-income neighborhoods. DCA provides funding to increase parental involvement with arts education at schools through the Parents as Arts Partners Program. And finally, DCA administers the Percent for Art program which oversees commissions for public works of art as part of City construction projects.

Capital Review

The Four-Year Plan totals $462.6 million in City funds for 104 different cultural institutions in all five boroughs.

Capital Commitments

($000's)

	2001 Actual		2002 Plan		2003 Plan		2004 Plan		2005 Plan		2006 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Department of Cultural Affairs	162,367	162,428	346,828	362,632	153,982	166,488	65,549	65,549	41,901	41,901	201,125	203,740
Total	162,367	162,428	346,828	362,632	153,982	166,488	65,549	65,549	41,901	41,901	201,125	203,740

Major Highlights of the 2002-2006 Plan, which totals $809.4 million in City funds, includes:

- renovations at the American Museum of Natural History ($71.1 million) including a major upgrade of the museum ($37.5 million); and a complete renovation of the Hall of Ocean Life ($10.6 million).

- funding to support a major upgrade at Lincoln Center for the Performing Arts ($144.0 million). Lincoln Center has developed a Master Plan for upgrading and expanding its campus over the next 10 years at a cost of $1.2 billion. The City has committed to support 16 percent of this project, up to $240 million, over the next ten years.

- a series of new projects at the New York Aquarium, which are part of the greater revitalization of Coney Island ($33.7 million). Projects include a new Carousel Visitor Center, a new Boardwalk Entrance, renovation of the Main Hall, a Plaza Master Plan, improvements to the Aquatheater, and a new animal medical facility.

- general renovations and an upgrade of the museum entrance at the Brooklyn Museum of Art ($34.1 million). The entrance upgrade project ($32.0 million) is currently underway.

- infrastructure improvements at the New York Botanical Garden ($31.3 million). The Garden has embarked on a $300 million Master Plan which includes the construction of the Glasshouses for the Living Collections and a new Visitors' Center.

- comprehensive reconstruction and expansion at the Metropolitan Museum of Art ($26.2 million). Projects include the renovation of the Great Hall and the Fifth Avenue Plaza, construction of a new Education Center, expansion of the Museum's Library, and reconstruction work in the Italian Sculpture, Egyptian, and Decorative Arts Galleries and the Cloisters.

- construction of a new wing for the Museum of Jewish Heritage. The 2002 budget includes $25.0 million for this $50 million project, the remainder of which is being privately funded.

- expansion of the Queens Museum of Art ($22.0 million), including significantly expanded exhibition spaces.

- expansion of the Brooklyn Children's Museum ($19.1 million), including new performance areas, expanded galleries, a media center and high performance/green integrated building systems.

- renovations and improvements at the Brooklyn Botanic Garden ($18.7 million) including construction of a new science and learning center, construction of a new visitor center at the Cherry Esplanade and garden-wide paving.

- renovations and equipment purchases for the Bronx Zoo ($18.3 million), including the renovation of the Lion House ($14.7 million).

- renovation of the façade and administrative offices at the Brooklyn Academy of Music ($18.0 million).

- funding to support construction of a permanent facility at the former Coliseum site for Jazz at Lincoln Center ($17.3 million). Including prior year commitments, the overall City contribution to this $120 million project is $22.0 million.

- major expansion and improvements to the New York Hall of Science in Queens ($17.2 million). This is the final funding for this $40.7 million project.

- funding to support the construction of a third stage – Zankel Hall – at Carnegie Hall ($14.3 million). Including prior year commitments, the overall City contribution to this $69.0 million project is $33.2 million.

- a major renovation of the façade at the P.S. 1 Institute of Contemporary Art ($13.0 million).

- renovations at the Jamaica Center for Arts and Learning in Queens ($10.7 million).

- renovations at City Center in Manhattan ($8.1 million), including an upgrade of the HVAC system and reconstruction of the dome.

- restoration of the historic Hunterfly Houses at Weeksville in Brooklyn ($7.5 million).

- funding to support the construction of the Jewish Children's Museum in Brooklyn ($7.5 million).

- reconstruction of the Reptile Wing at the Staten Island Zoological Society ($7.0 million).

- construction of an addition at the Queens Theater in the Park ($5.8 million).

- funding to support the construction of a new permanent home for the Alvin Ailey Dance Foundation in Manhattan ($5.5 million).

- construction of a new building for the Staten Island Children's Museum connecting the existing museum to the discovery center in the recently renovated barn ($4.5 million).

PENSIONS AND OTHER FRINGE BENEFITS

Pension Overview

The Executive Budget for 2003 provides for $1,771 million in City pension contributions, an increase of $151 million from the amount forecast for 2002. As listed on the table below, of the total amount for 2003, $1,710 million represents contributions to the City's five actuarial retirement systems, $31 million represents contributions to actuarial systems covering certain non-City employees of the City University, the library system, day care centers, and certain cultural institutions, and $30 million represents, primarily, supplemental payments to widows and widowers of uniformed employees who were killed in the line of duty. The 2003 forecast also reflects unallocated savings of $284 million, predominantly for an initiative to reschedule City contributions over a ten year period related to additional cost of living supplementation for retirees.

Pension Expenditures and Funding Sources

($000's)

			2003		Increase/(Decrease)	
	2001 Actual	2002 Forecast	Preliminary Budget	Executive Budget	2002 Forecast	Preliminary Budget
Expenditures						
Personal Service						
• City Actuarial	$1,178,840	$1,564,725	$1,945,781	$1,710,081	$145,356	$(235,700)
• Non-City Actuarial	19,444	27,747	31,047	31,047	3,300	—
• Non Actuarial	18,850	27,700	29,631	29,631	1,931	—
Total	$1,217,134	$1,620,172	$2,006,459	$1,770,759	$150,587	$(235,700)
Funding						
City	$1,107,013	$1,463,435	$1,870,297	$1,634,597	$171,162	$(235,700)
State	17,591	26,361	28,292	28,292	1,931	—
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	2,525	30,371	7,865	7,865	(22,506)	—
Intra-City Other	90,005	100,005	100,005	100,005	—	—
Total	$1,217,134	$1,620,172	$2,006,459	$1,770,759	$150,587	$(235,700)

The City's five actuarial retirement systems are the New York City Employees' Retirement System, the New York City Teachers' Retirement System, the New York City Police Pension Fund, the New York City Fire Pension Fund, and the Board of Education Retirement System. As of June 2000 these systems covered approximately 585,000 employees, retirees and beneficiaries of the City, the Board of Education, and certain independent agencies. Each system is governed by a board of trustees and functions in accordance with applicable state and local laws. Required contributions are made on a statutory basis based on actuarial valuations of liabilities and assets. The funding assumptions have been approved by the trustees as recommended by the City Actuary, and the statutory interest rate assumption for all five systems is eight percent.

These systems provide "defined" retirement benefits (as well as death and disability benefits) to members based on, or defined by, final pay times years of service. Benefit formulas vary by system and by entry date of pension membership, better know as tiers. Benefit payments are financed with employee and employer contributions, as well as pension asset investment income. In defined benefit plans, employer contributions make up for shortfalls in investment income, while excess investment returns reduce employer contributions.

Starting in the mid 1970s the State legislature instituted new tiers that were expected to provide less costly benefits than provided for under Tier 1. A notable feature of Tier 1 is that it provides civilian employees at age 55 having 25 years of service, a retirement benefit of 55 percent of final pay. Commencing in 1973 with Tier 2, and later in 1976 with Tier 3, benefits were reduced for new members. Tier 4 in 1983, which virtually replaced Tier 3, provided pensions which would begin at age 62, as opposed to the earlier age 55 under Tier 1. Reforms also came to uniformed police and fire pensions under Tier 2 which provided for, among other things, a 20 year service, half-pay pension based on a final three year average pay, as opposed to the Tier 1 final year salary basis.

Throughout the 1980s, the 1990s and up to the present, there have been numerous and significant benefit improvements enacted through state legislation. For example, in 1998, the vesting period for civilians was reduced from 10 years to 5 years (Chapter 389), and the service fraction was raised to two percent at 20 years of service as opposed to waiting until 25 years of service (Chapter 266). In 2000, associated with ratified labor settlements, civilian Tier 1 and 2 members will receive an additional two years of service credit (Chapter 126), and employee contributions were completely removed for basic Tier 3 and 4 members having 10 years of membership service. Tier 1 police and fire members will receive additional Increased Take Home Pay (Chapter 373), while Tier 2 police and fire members will have their pensions based on a final one year average salary; an improvement from a final three-year average (Chapter 372).

In addition to a number of other ad-hoc legislative efforts to increase certain retirees' benefits to be more in line with inflation, in 2000, under Chapter 125, significant upward cost of living adjustments (COLAs) were granted to the pensions of existing retirees, but also the legislation built in permanent annual automatic COLAs to be based on actual future inflation. The significant increased cost of this legislation is being phased-in over a number of years.

Other Fringe Benefits

The City provides a number of fringe benefits to its employees, retirees and eligible dependents. Contribution levels and terms of coverage are governed by various contractual, legal and collective bargaining provisions.

The City's basic Health Insurance program provides comprehensive major medical and hospitalization benefits to its members. In addition, the City makes annual contributions to union-administered Welfare Funds, which typically provide supplemental health insurance benefits to their members. Annual contributions conform to collective bargaining and labor agreements.

The City also participates in federal Social Security and makes the required employer contributions on behalf of covered employees. Under state Worker's Compensation, the City provides statutory wage-replacement and medical benefits to employees who sustain on the job injuries, and under Unemployment Benefits, provides up to 26 weeks of wage-replacement benefits, up to statutory maximum levels. The City also separately provides medical benefits to uniformed employees of the Police, Fire and Sanitation departments who are injured in the line of duty.

In general, the City's Miscellaneous Expense Budget contains the fringe benefit appropriations on behalf of employees and retirees of the mayoral agencies. Separate allocations are included in the Board of Education, the City University system, the Health and Hospitals Corporation, and the various other covered organizations, libraries and cultural institutions, for the fringe benefit costs of their active and retired employees.

The following table sets forth the fringe benefit amounts carried in the Miscellaneous Budget for 2002 and 2003. Please note that the 2003 forecast incorporates the remaining unallocated savings targets from citywide fringe benefit initiatives and early retirement programs that have yet to be implemented programmatically.

Fringe Benefits

($ 000's)

	2002 Forecast	2003 Executive	Increase/ (Decrease)
Workers' Compensation	$ 102,710	$ 113,294	$ 10,584
Health Insurance Plans	1,272,690	1,321,044	48,354
Social Security Contributions	688,202	673,532	(14,670)
Unemployment Insurance Benefits	10,500	11,500	1,000
Supplementary Employee Welfare Benefits	359,091	399,778	40,687
Workers' Compensation - Other	35,450	37,450	2,000
Sub-total	$2,468,643	$2,556,598	$87,955
Fringe Benefit Cost Containment	—	(216,000)	(216,000)
Early Retirement/Severance	—	(50,000)	(50,000)
Total	$2,468,643	$2,290,598	$(178,045)
Funding			
City	$2,311,254	$2,160,268	$(150,986)
Other Categorical	—	—	—
State	42,103	42,103	—
Interfund Agreements	2,450	2,450	—
Federal			
• CD	25,600	25,600	—
• Other	87,236	60,177	(27,059)
Total	$2,468,643	$2,290,598	$(178,045)

JUDGMENTS AND CLAIMS

The Executive Budget for 2003 provides an appropriation of $419 million for Judgments and Claims. These expenditures represent the City's costs for tort and contract liability and are projected to reach $499 million by 2006. Tort expenditures cover both personal injury and property damage claims, and account for approximately 96 percent of total costs. It should be noted that these projections incorporate the impact of an agreement reached in 2002 between the City and the Health and Hospitals Corporation, whereby a substantial amount of claims costs attributed to the Corporation will be paid for by the Corporation. These amounts, as reduced from the City's annual liability, are estimated at $169 million in 2003, and reaching $188 million by 2006.

The Office of Management and Budget (OMB) employs various statistical methods and financial models to estimate annual claim costs. In addition, OMB consults the Law Department to provide cost estimates for cases that are expected to settle for $1 million or greater. These are mainly serious personal injury cases that have been in litigation or on appeal for a considerable period of time. These cases represent a significant portion of total tort costs, but their relatively small volumes do not lend themselves to statistical analysis. Historical claim data contained on the Comptroller's Omnibus Automated Image Storage and Information System (OAISIS) are analyzed to determine both annual settlement volumes and average claim costs. Total costs are the product of both the volume and average cost projections.

Analysis of Agency Budgets: Covered Organizations

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BOARD OF EDUCATION

The New York City Board of Education provides primary and secondary education for over one million school age children. Through a network of more than 900 elementary, junior high and intermediate schools, more than 200 high schools, and 60 special education schools, the Board provides basic instructional services and offers students special and bilingual education, and vocational training. Support services include free and subsidized transportation, breakfast and lunch services, and the operation and maintenance of over 1,200 school facilities.

Financial Review

The Board of Education's 2003 operating budget is $11,766.7 million, a $78.8 million, or 0.7 percent increase from the 2002 forecast. In addition, education-related pension and debt service costs of $940.4 million are budgeted in separate agencies. These additional costs include a pension increase of $79.5 from 2002 and a debt service increase of $223.6. City funds including pensions and debt service support $5,851.0 million of the Board of Education's expense budget in 2003, an increase of $453.3 million, or 8.4 percent, from 2002. State funds support $5,576.8 million, a decrease of $23.1 million from 2002. This appropriation level is subject to change after the State budget is finalized. The balance of the education budget is supported by $1,242.3 million in Federal aid (down from $1,267.7 million in 2002), $6.6 million in intra-city funds and $30.3 million in other categorical funds. Including those funds budgeted centrally, total funds budgeted on behalf of the Board increase from $12,325.2 million in the 2002 forecast to $12,707.1 million in the 2003 Executive Budget. The Board's share of the City's overall budget grows from 28.9 percent to 29.6 percent.

Total Board of Education Expenses*
1998-2003
($ millions)

		1999		2000		2001		2002 Forecast		2003 Executive Budget		1998–2003
	1998 Amount	Amount	Change from 1998	Amount	Change from 1999	Amount	Change from 2000	Amount	Change from 2001	Amount	Change from 2002 Forecast	Change from 1998
Board Of Education	$8,911	$9,626	$715	$10,756	$1,130	$11,613	$857	$11,688	$75	$11,767	$79	$2,856
Pensions	379	396	17	102	(294)	384	282	508	124	587	80	208
Debt Service	406	534	128	537	3	422	(115)	129	(293)	353	224	(53)
Labor Reserve as of Previous Plan	0	11	11	10	(1)	0	(10)	0	0	0	0	0
Total Expenditures	$9,696	$10,567	$871	$11,405	$838	$12,419	$1,014	$12,325	(94)	$12,707	382	$3,011
Funding												
City	$4,479	$5,003	$524	$5,330	$327	$5,727	$397	$5,398	($329)	$5,851	453	1,372
Other Categorical	40	34	(6)	68	34	52	(16)	51	(1)	30	(21)	(10)
State	4,155	4,469	314	4,867	398	5,404	537	5,600	196	5,577	(23)	1,422
Federal	1,014	1,054	40	1,133	79	1,232	99	1,268	36	1,242	(26)	228
Intra-City	7	7	0	7	0	4	(3)	9	5	7	(2)	0

* The amounts shown for 1998 through 2001 represent actual expenditures including pensions and debt service funds budgeted in other agencies. The 2002 amounts represent the latest forecast as per the 2003 Executive Budget.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- an additional $42.0 million for the cost of providing transportation to general and special education students.
- an additional $75.0 million for fringe benefit costs.
- an additional $34.3 million for the cost of energy and leases.
- an additional $13.2 million for the transportation and instruction of special education Pre-Kindergarten students.
- an additional $15.0 million in pay-as-you-go capital funding from the School Construction Authority Trustee account.

Streamlining

Faced with reduced resources as a result of the overall economic downturn and impact of the World Trade Center attack, for the first time since 1996, the City is requiring the Board to reduce its planned spending level as part of the program to balance the Citywide Executive Budget. The City is reducing the Board's previously planned 2003 City funding level by $358.3 million. This amount represents an operating budget reduction of 7.4 percent of City funds, or 3.1 percent of all funds. While this amount represents a significant cut to the previously planned amount for 2003, the City is still providing $150.3 million more in City funds for the Board's operating budget than the 2002 forecast. Given this actual change in year over year funding, the Board should be able to minimize the plan reduction's impact on classroom instruction and other direct services to students.

Summary of Agency Financial Data**

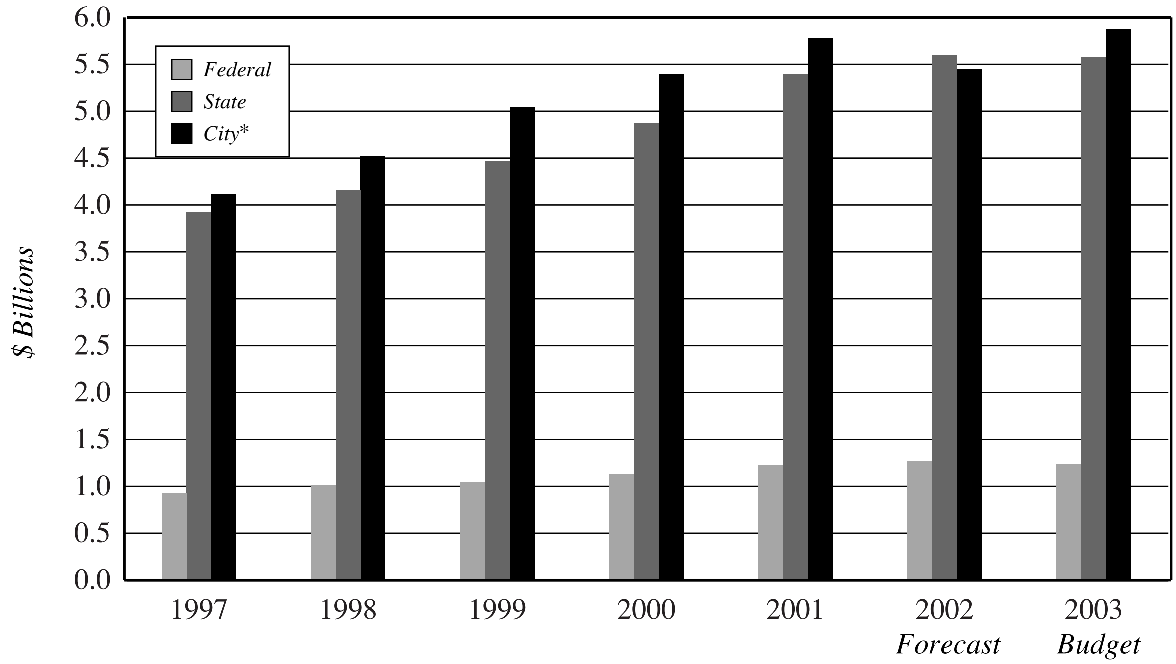
($000's)

	2001 Actual	2002 Forecast	2003 Preliminary Budget	2003 Executive Budget	Increase/(Decrease) 2002 Forecast	Increase/(Decrease) 2003 Preliminary Budget
Expenditures						
Personal Service	$8,607,085	$8,584,470	$8,676,772	$8,750,054	$165,584	$73,282
Other Than Personal Service	3,005,516	3,103,484	3,000,270	3,016,650	(86,834)	16,380
Total	$11,612,601	$11,687,954	$11,677,042	$11,766,704	$78,750	$89,662
Funding						
City	$4,923,886	$4,763,552	$4,838,756	$4,913,837	$150,285	$75,081
Other Categorical Grants	52,085	51,387	15,318	30,318	(21,069)	15,000
Capital IFA	—	—	—	—	—	—
State	5,400,801	5,596,725	5,573,652	5,573,652	(23,073)	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	5,000	5,000	5,000	5,000	—	—
• Other	1,226,506	1,262,672	1,237,329	1,237,329	(25,343)	—
Intra-City Other	4,324	8,618	6,987	6,568	(2,050)	(419)
Total	$11,612,601	$11,687,954	$11,677,042	$11,766,704	$78,750	$89,662
*Personnel (at fiscal year-end)**						
City	84,430	83,486	83,656	83,486	—	(170)
Non-City						
• JTPA/IFA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	18,153	19,029	19,057	19,029	—	(28)
Total	102,583	102,515	102,713	102,515	—	(198)

* *Part-time, seasonal and hourly appropriations in the 2003 Executive Budget support the equivalent of 34,080 full-time positions, of which it is estimated that 30,141 will be City funded.*

** *Excludes funding for pensions and debt service funded centrally.*

FUNDING SOURCES 1997-2003



** City funds include debt service, pensions, other categorical, capital IFA, but not intra-city.*

New York City Public School Enrollment

School Year 1999-2003

	1999 Actual	2000 Actual	2001 Actual	2002 Projection	2003 Projection
BOE Facilities Enrollment					
General Education	969,294	965,558	959,616	957,265	953,607
Special Education*	81,562	80,568	82,465	79,234	78,435
Pre-Kindergarten**	23,922	24,008	23,323	29,073	29,073
Subtotal	1,074,778	1,070,134	1,069,404	1,065,572	1,061,115
Non-BOE Facilities Enrollment					
Charter Schools	NA	1,308	3,274	3,267	3,267
Contract Schools	4,006	4,285	4,689	4,693	4,693
Universal Pre-Kindergarten	NA	9,956	13,686	15,929	15,929
Special Ed Pre-Kindergarten	20,121	20,645	21,578	22,176	22,813
Subtotal	24,127	36,194	43,227	46,065	46,702
TOTAL	1,098,905	1,106,328	1,112,631	1,111,637	1,107,817

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

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

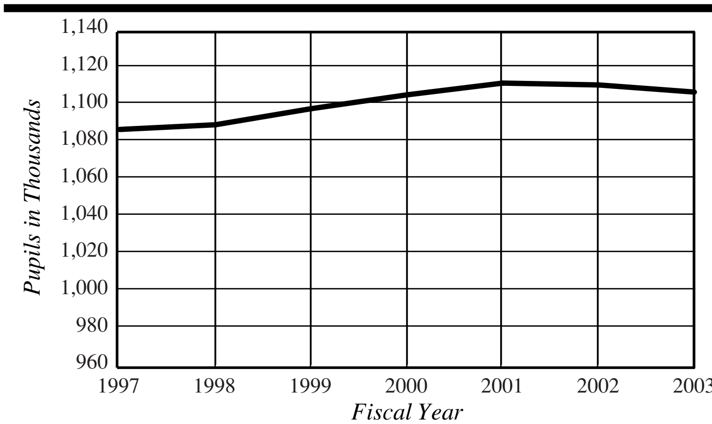
Programmatic Review

The Student Population

Total public school enrollment, including pre-kindergarten, charter school and contract school students, will decrease 3,820 from 1,111,637 in 2002 to a projected 1,107,817 in 2003. In the coming fiscal year, the City projects that general education public school enrollment for K-12 will be 956,874, or 3,658 less than in 2002. Of these students, 953,607 are expected to attend schools run by the Board of Education, and 3,267 are expected to attend charter schools.

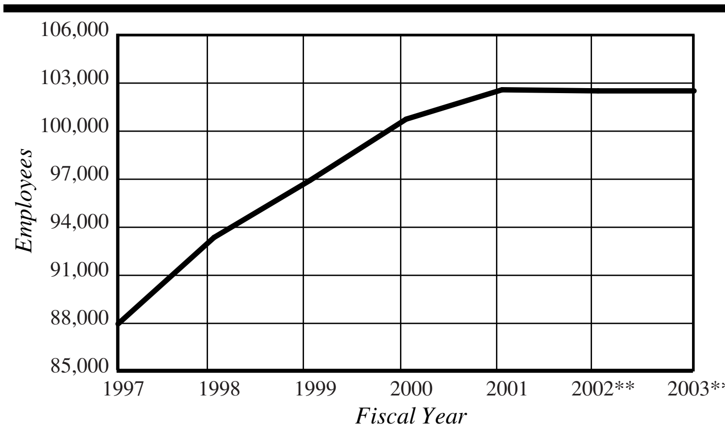
In 2003 the City projects that 83,128 school-age students will be enrolled in full-time special education programs. Of these students, 78,435 are expected to attend Board of Education facilities, and 4,693 are expected to attend specialized private facilities ("contract schools") paid for through the Board's budget. Since 2001, the school-age special education population has dropped 4,026 students, or from 8.3 percent to 8.0 percent of all K-12 students. The City's total special education population also includes approximately 23,000 pre-kindergarten students and a small group of school-age special education students placed in specialized facilities through steps taken outside the Board's regular referral process.

NYC PUBLIC SCHOOL ENROLLMENT 1997-2003



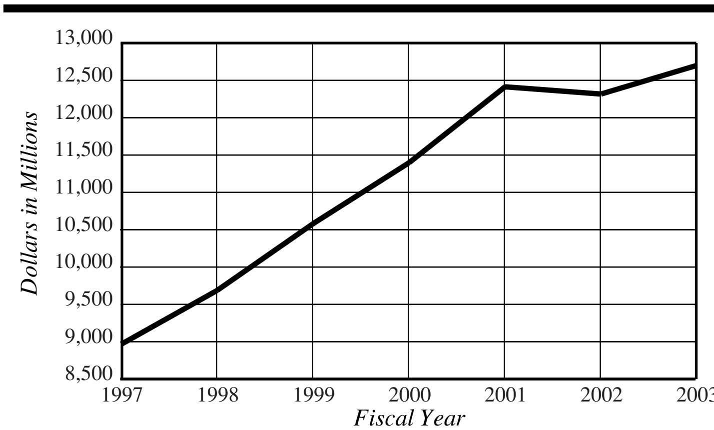
Includes Charter Schools, Special Ed Pre-K, Universal Pre-K, Superstart, Superstart Plus, and Contract schools. Excludes LTA's.

FULL TIME BOARD OF EDUCATION EMPLOYEES 1997-2003*



* *Full time employees only. Excludes FTEs*
** *Projected as of FY03 Executive Budget*

TOTAL BOARD OF EDUCATION EXPENDITURES 1997-2003*



* *Total BOE expenditures include pensions, debt service and labor reserve amounts and exclude Intra-City funds.*

Staffing Levels

In 2003 the City projects that the Board will maintain its 2002 staffing level of 136,595 positions. Of this count, 102,515 are full time and 34,080 are Full Time Equivalents (FTEs). Pedagogical employees (which include teachers, superintendents, principals, assistant principals, guidance counselors, school secretaries, and other school support staff) make up 94,289 of full time employees and 17,192 of FTEs. Non-pedagogical employees represent 8,226 of full time employees and 16,888 of FTEs. Of the full time pedagogical employees, 79,928 are teachers, with 62,381 providing general education services. The remaining teaching staff is primarily for special education (13,294) and bilingual education (2,840).

Capital Review

The City's Four-Year Plan for 2003-2006 anticipates spending $3.7 billion on school construction projects and includes the last two years of the Board of Education's Five-Year Plan for 2000-2004. The capital program's primary objectives are to provide additional capacity and arrest deterioration of the physical plant. The School Construction Authority (SCA) is responsible for acquiring the new school sites and for the design and construction of capital projects that will meet these objectives. Since 1997 the Department of Design and Construction (DDC) has also participated in the rehabilitation of school buildings. Each year the Board allocates funding to both SCA and DDC.

To address the seating shortage, the City's Four-Year Plan provides $1.4 billion for the construction of new schools. An additional $424.1 million is allocated for system expansion associated with new leases, building additions, transportables, modular classrooms, athletic fields and playgrounds. The Plan provides $807.0 million to rehabilitate, replace and upgrade building components. In order to meet high standards for entire school buildings, $129.5 million is designated for existing buildings to undergo major modernizations. Additionally, $246.4 million funds capital improvements associated with programmatic needs, including computers and science labs. Other miscellaneous capital improvements make up the balance of funding. These include emergency projects, research and development, and prior plan completion costs ($666.6 million); and security systems, emergency lighting and code compliance ($50.4 million). In 2003 the Board is allocating 48.0 percent of its $895.2 million appropriation to new capacity projects and 22.6 percent to the rehabilitation, replacement and upgrade of existing building components.

The table below shows the capital commitments by program area over the 2001-2006 period.

Capital Commitments

($000's)

	2001 Actual		2002 Plan		2003 Plan		2004 Plan		2005 Plan		2006 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
System Expansion New Schools	$823,115	$915,881	$441,575	$441,575	$328,927	$328,927	$335,806	$335,806	$316,089	$316,089	$410,235	$410,235
System Expansion Other	250,965	279,250	134,635	134,635	100,289	100,289	102,386	102,386	96,375	96,375	125,080	125,080
School Modernizations	76,631	85,267	41,110	41,110	30,623	30,623	31,263	31,263	29,427	29,427	38,192	38,192
Rehabilitation of School Components	468,615	521,428	251,397	251,397	187,265	202,265	191,181	191,181	179,955	179,955	233,555	233,555
Educational Enhancements.	145,832	162,267	78,234	78,234	58,276	58,276	59,495	59,495	56,002	56,002	72,681	72,681
Emergency, Inspection And Miscellaneous	382,576	431,916	205,240	208,240	152,882	162,882	156,079	166,079	146,915	146,915	190,674	190,674
Safety and Security	29,825	33,186	16,000	16,000	11,918	11,918	12,168	12,168	11,453	11,453	14,864	14,864
Total	$2,177,559	$2,429,195	$1,168,191	$1,171,191	$870,180	$895,180	$888,378	$898,378	$836,216	$836,216	$1,085,281	$1,085,281

Table includes all budget lines

Capital Highlights

The City's 2003-2006 Plan features the following initiatives:

- $40 million of City funds in 2003-2004 for the Take the Field public/private initiative to repair ball fields throughout the City.
- construction of 7 new schools in 2003-2004, providing 5,272 seats.
- design funds for 9 schools in 2003-2004, providing 5,692 seats.
- construction of the $40 million Thurgood Marshall Academy for Learning and Social Change in 2003 – a 750 seat neighborhood school created in partnership with the Abyssinian Development Corporation.

CITY UNIVERSITY OF NEW YORK

The City University of New York (CUNY) includes ten senior colleges, six community colleges, one technical school, the Graduate Center, a law school, and an affiliated medical school. CUNY also sponsors Hunter Campus Schools. The CUNY colleges, some of which date back to the nineteenth century, were federated in 1961. The University is governed by a 17-member Board of Trustees. Ten members are appointed by the Governor with the advice and consent of the New York State Senate, five are appointed by the Mayor, and two, the chairpersons of the Faculty and Student Senates, serve as ex-officio members.

CUNY is the largest municipal university system in the United States and ranks third in number of students among the public university systems in the nation. In 2002 CUNY will serve approximately 197,000 students in degree programs with approximately 134,000 in the senior colleges and 63,000 in the community colleges. In addition, CUNY will serve approximately 181,000 non-degree students. Similar levels of enrollment are anticipated in 2003.

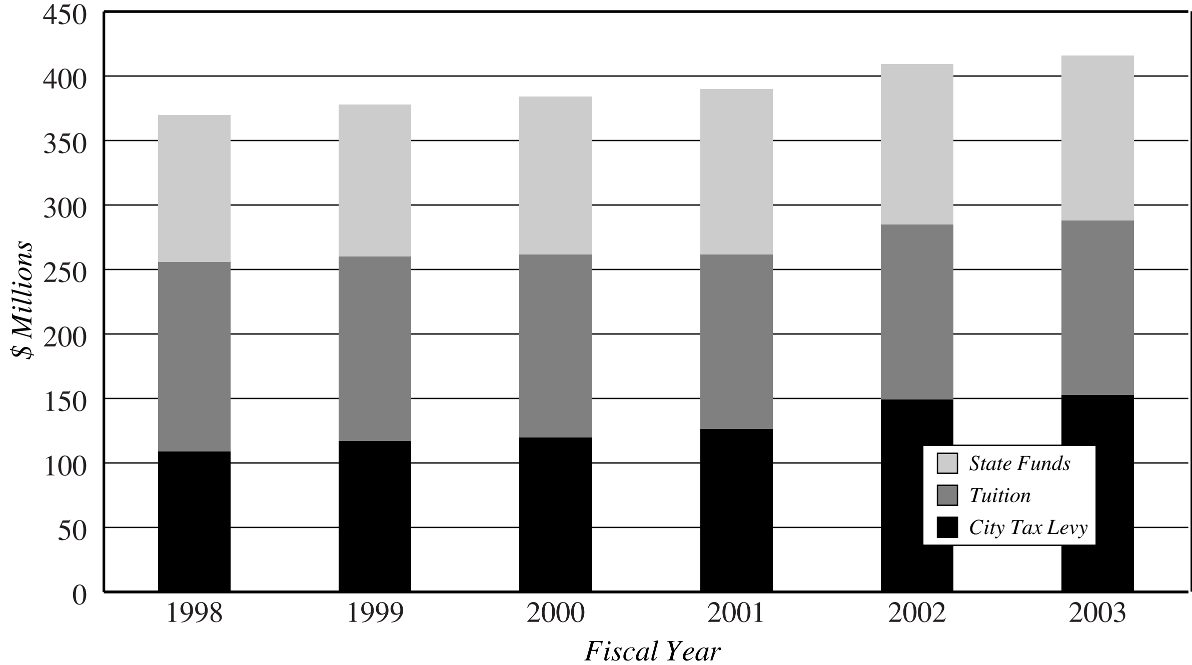
Financial Review

The City University of New York's 2003 Executive Budget is $458.3 million, a net decrease of $12.6 million from the 2002 forecast of $470.9 million. This change is due to a decrease of $6.8 million in Federal - Other funds, $5.0 million in City funds and a $4.2 million decrease in Intra-City funds, which was partially offset by a $3.4 million increase in projected State aid. The community college budget decreased by approximately $5.8 million, from $418.7 million to $412.9 million. The funds provided for the prefunding of the senior colleges have remained unchanged at $35 million. However, funds for the Senior College Merit Scholarship program decreased by $6.5 million, and the Hunter Campus Schools budget decreased by approximately $300,000, dropping from $10.7 million to $10.4 million. Due to delays in finalizing the State budget, all State allocations for the 2002-2003 school year contained in these figures are estimates based on State aid adopted levels for 2002.

Revenue Forecast

Four major sources of revenue fund the CUNY expense budget: State aid; tuition, fees and miscellaneous income; City tax levy funds; and other categorical grants. The 2003 Executive Budget appropriates $128 million in State aid for the community colleges. This is a $3.4 million increase over the 2002 forecast but is the same as the 2002 adopted amount of $128 million. This funding level is subject to change when the State budget is approved. The other major source of 2003 revenue, namely tuition, fees and miscellaneous income, is projected at $135.5 million, the same as the 2002 forecast level. The City's tax levy funds in the 2003 Executive Budget, inclusive of pension contributions budgeted separately in the Pension Agency, are $152.4 million. This amount is $3.3 million higher than the 2002 forecast level of $149.1 million. Other categorical funds, which consist of non-governmental grants, remain unchanged at $5.0 million in both 2002 and 2003. These funds were previously included in City funds along with tuition and miscellaneous fees. Federal – Other funds, which consist mostly of FEMA allocations due to the September 11 events, decrease from the 2002 level of $7.5 million to $700,000 in 2003.

COMMUNITY COLLEGE FUNDING 1998-2003



* *Funding which supports senior college and Hunter Campus Schools activities is not included here. City tax levy includes pension contributions which are budgeted in the Pension Agency. Tuition includes Tuition and Fees, Miscellaneous Revenues, Adult Continuing Education fees and Other Categorical funds. The 2002 amounts are as per the Executive forecast.*

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- an increase of $900,000 in tax levy funds to provide for HIP rate adjustments.
- an increase of $888,000 in tax levy funds to adjust for the energy needs of the community colleges.
- a reduction of $7.0 million in tax levy funds for the Merit Scholarship program.
- a reduction of approximately $ 6.8 million in Federal – Other funds for FEMA related non-recurring costs.

The following table compares the 2003 Executive Budget with the 2003 Preliminary Budget.

Summary of Agency Financial Data

($000's)

			2003		Increase/(Decrease)	
	2001 Actual	2002 Forecast	Preliminary Budget	Executive Budget	2002 Forecast	2003 Preliminary Budget
Expenditures						
Personal Service	$295,245	$320,516	$293,416	$312,006	($8,510)	$18,590
Other Than Personal Service	106,307	150,432	146,706	146,322	(4,110)	(384)
Total	$401,552	$470,948	$440,122	$458,328	($12,620)	$18,206
Funding						
City	$262,419	$285,477	$262,233	$280,439	($5,038)	$18,206
Other Categorical Grants	1,010	5,000	5,000	5,000	—	—
Capital IFA	—	—	—	—	—	—
State	129,301	160,851	164,301	164,301	3,450	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	334	7,540	683	683	(6,857)	—
Intra-City Other	8,488	12,080	7,905	7,905	(4,175)	—
Total	$401,552	$470,948	$440,122	$458,328	($12,620)	$18,206
*Personnel (at fiscal year-end)**						
City	3,742	3,664	3,687	3,687	23	—
Non-City						
• JTPA/IFA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	21	—	—	—	—	—
Total	3,763	3,664	3,687	3,687	23	—

* *Part-time, seasonal and hourly appropriations in the 2003 Executive Budget support the equivalent of 2,387 full-time positions, of which it is estimated that 2,382 will be City funded.*

Programmatic Review

The Executive Budget contains initiatives that continue to support the City's efforts to raise standards and increase accountability at CUNY. Several programmatic enhancements, such as the $5 million expansion in 2002 of College Now, have helped move CUNY toward this goal. Many incoming community college students are, however, still unprepared for college level work and often fail to rapidly move out of CUNY's remedial education program.

Along with programs to help its least prepared students, CUNY will continue to pursue an initiative to attract the City's brightest high school graduates to CUNY for their college education. In fall of 2001 CUNY accepted its first class in the new CUNY-wide Honors College. The Honors College program seeks to attract students with a record of academic achievement and high SAT test scores. Selected students receive free tuition, a laptop computer and a $7,500 academic spending account. These students work with CUNY's most distinguished faculty and receive special attention and academic support throughout their college careers.

Beginning in 2002, the City is providing approximately $15.5 million for the projected collective bargaining costs of CUNY's pedagogical staff to assist the University in maintaining its full time teaching staff. This funding continues in 2003 and in future years of the plan. The City is also enhancing its funding for health insurance costs by $1.4 million and $2.3 million in 2002 and 2003 respectively.

Program Highlights

CUNY is expected to engage in numerous independent and collaborative programs, including:

- CUNY/Board of Education Partnership - CUNY maintains a number of successful collaborative programs with the Board of Education. The College Now/College Tomorrow program, which served 37,500 students in 2002, will expand to 45,000 students in all City public high schools. This program operates at all seventeen undergraduate colleges and instructs students both at high schools and in the colleges, helping twelfth graders acquire skills necessary to graduate, pass Regents and college entrance examinations, and ultimately succeed in college. The Middle College High School Program, which operates at Brooklyn and Medgar Evers colleges, and Hostos, Bronx, LaGuardia, and Kingsborough community colleges, operates alternative high schools within college settings for students identified as being at high risk of dropping out. The College Preparatory Initiative (CPI), launched in 1992, brings together the New York Public Schools and the University to improve academic preparation for college.

- Language Immersion Program - This program provides up to 900 hours of classroom work over three or four annual cycles to immigrant students who require better knowledge of English to be more effective students. The program serves over 2,800 immigrants at eight locations.

- Workforce Development Initiative (WDI) - This program promotes and supports small businesses by retraining and upgrading employee skills, meeting qualified teacher shortages, preparing undergraduates for skill-shortage occupations, creating jobs, providing for economic development, and performing labor market research, planning and coordination.

- Adult Literacy Program - This program is budgeted at $3.0 million in 2003. It will help approximately 7,000 students meet program and employment requirements in the labor market, including English-as-a-Second-Language education.

- Child Care - This program provides child care in 16 centers throughout CUNY. The program serves approximately 1,600 children and provides early child care, infant/toddler care, training for families and early childhood education.

Capital Review

The City University of New York's Four-Year Capital Plan totals $45.3 million, including $37.1 million in City funds and $8.2 million in State funds. The table below shows capital commitments by program area over the 2001-2006 period.

Capital Commitments
($000's)

	2001 Actual		2002 Plan		2003 Plan		2004 Plan		2005 Plan		2006 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Replacement/Rehabilitation of Roofs, Windows, etc.	$1,527	$ 1,620	$18,657	$22,182	$4,867	$ 5,031	$4,132	$4,194	$863	$1,383	$6,517	$10,126
Purchase & Installation of EDP and Other Equipment . .	5,127	5,299	31,590	34,846	2,378	2,406	564	564	2,350	2,350	4,630	4,630
Plant Upgradings	28	47	737	955	99	198	-	-	-	-	6,658	9,077
Federal, State and Local Mandates	-	-	333	666	100	200	286	490	-	-	486	524
Other Projects	420	573	13,741	16,555	105	105	535	535	-	-	2,489	3,475
Total	$7,102	$7,539	$65,058	$75,204	$7,549	$7,940	$5,517	$5,783	$3,213	$3,733	$20,780	$27,832

The 2003-2006 Plan includes $45.3 million to upgrade and maintain the community college physical plant. The major elements of the program include:

- rehabilitation of roofs, windows, doors and structural elements ($20.7 million).
- purchase and installation of electronic data processing and other equipment ($10.0 million).
- plant upgrading of electrical/mechanical systems ($9.3 million).
- other projects and Federal, State and Local Mandates ($5.3 million).

In addition, the City approves funding for major community college projects which are financed through the sale of bonds by the New York State Dormitory Authority in conjunction with the City University Construction Fund. The City and State fund these community college projects equally. Recently funded projects include: a $20.0 million bond for projects at Borough of Manhattan Community College ($4.0 million), at Bronx Community College ($2.0 million), at Hostos Community College ($2.0 million), at LaGuardia Community College ($4.0 million), at Medgar Evers College ($4.0 million), at Queensborough Community College ($2.0 million), and CUNY-Wide Health and Safety/Facility Preservation projects ($2.0 million). Also, funded were the reconstruction of the seawall and building of the Academic Village at Kingsborough Community College, and completion of Fiterman Hall renovations at the Borough of Manhattan Community College. This facility was severely damaged on September 11.

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION

The Health and Hospitals Corporation (HHC) provides comprehensive medical, mental health, and substance abuse services to New York City residents, regardless of their insurance status. Through its seven regional health care networks, HHC operates eleven acute care hospitals, four long-term care facilities, six Diagnostic and Treatment Centers, a certified home health program, and a number of community-based primary care, dental, and child health clinics throughout the five boroughs. HHC also provides services in the City's correctional facilities and conducts mental health evaluations for the Family Courts in the Bronx, Brooklyn, Queens, and Manhattan. HHC facilities also serve as the primary provider network for MetroPlus, one of the largest health maintenance organizations in New York City and a wholly-owned HHC subsidiary.

In 2001, HHC's acute care hospitals operated 4,629 beds and generated 210,099 hospital discharges and 1,003,001 emergency room visits. The hospitals, Diagnostic and Treatment Centers, and community-based clinics provided 4,564,100 clinic visits, of which 1,956,703 were primary care visits and 358,064 were methadone maintenance visits. In 2001, HHC facilities served more than 1.3 million people. Of that number, 545,013 were uninsured. In 1999, HHC served 494,314 uninsured patients.

The growth in the numbers of uninsured patients, the implementation of mandatory Medicaid managed care, Federal Medicare Balanced Budget Act reductions, implementation of the Medicare Outpatient Prospective Payment System, and the loss of health coverage for immigrants due to Federal welfare reform have had a negative impact on HHC's revenues. In addition, HHC experienced a 16 percent increase in the cost of pharmaceuticals between 1999 and 2000 and an 11 percent increase in collective bargaining expenses between 1998 and 2000. Consequently, HHC has implemented many strategies to improve its competitive position, increase cost-effectiveness, and obtain additional funding while ensuring the provision of quality care to its patients.

Financial Review

The Corporation posted a negative accrued balance of $72 million and a positive closing cash balance of $330 million for 2001. HHC continues to maintain the competitive bond ratings necessary to modernize its hospitals.

HHC's operating expenses in the 2003 Executive Budget total $4.14 billion. The revenue derived from third party payors is $3.49 billion. HHC will also receive $248.0 million through intra-city payments and other contractual agreements with the City. The City will provide $52.6 million for treatment of prisoners and uniformed services personnel at HHC facilities and $65.0 million for other City services and debt service costs associated with HHC bonds. The City's total payment of $847.5 million in 2003 also includes $730.0 million to cover the City's share of HHC's projected Medicaid collections and bad debt and charity care pool contributions.

In lieu of a general support payment, the City has established a Purchase of Services Agreement with HHC, which covers the costs of providing care to the City's inmates and uniformed services personnel, as well as expenses associated with other City services. Moreover, the City pays debt service on currently outstanding HHC parity debt and general obligation (GO) bonds, Housing Finance Authority (HFA) leases, and Dormitory Authority of the State of New York (DASNY) bonds related to HHC facilities. HHC pays the City up to $168.8 million for medical malpractice.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

HHC has continued initiatives begun last year to minimize possible accrued and cash deficits. From July 2000 through June 2001, the Corporation decreased its non-resident workforce by 724 full-time equivalents (FTEs), while the number of residents decreased by 21 FTEs, for a total decrease of 745 FTEs.

HHC will take several actions during 2002 – 2003 to mitigate the impact of declining revenues. To stem the increases in the cost of purchasing pharmaceuticals, HHC is participating in the Minnesota Multi-State Group Purchasing Organization, an entity that combines the purchasing power of 34 states and more than 1,700 entities. HHC has also implemented a Prime Vendor Program for the storage and distribution of pharmaceuticals. HHC facilities are collaborating with the Human Resources Administration (HRA) to increase the conversion of uninsured patients onto Medicaid, Child Health Plus, and the new Family Health Plus insurance program in New York State. Expenses are being reduced through the utilization of Kings County Hospital Center's cook chill facility by other HHC facilities. Savings are anticipated as a result of the continued outsourcing of laundry services. Reductions in other than personal services (OTPS) expenditures will be realized through centralized purchasing caps. In addition, HHC will implement an early retirement incentive program.

HHC will also aggressively pursue additional State and Federal aid to offset funding shortfalls. At the State level, HHC will advocate for the simplification of enrollment and application processes for the Medicaid, Child Health Plus, and Family Health Plus insurance programs; funding for the continuation of the HHC Plus Program to provide outpatient health services at HHC facilities to uninsured families with incomes below 150 percent of the Federal poverty level; and the provision of more adequate reimbursement for outpatient services provided to low-income and indigent patients through Medicaid and the bad debt and charity care pools. At the Federal level, HHC's legislative strategies will focus on reversing Medicare reductions scheduled to take effect in October 2002; extending special Medicare payments that are due to expire; adjusting skilled nursing facility and home health payments; and increasing Medicaid funding to facilities in New York State, including Medicaid Upper Payment Limit and Disproportionate Share Hospital funding.

HHC continues to strengthen its position in the managed care environment through MetroPlus and the execution of contracts with other managed care plans. As of January 2002, MetroPlus had 49,295 Medicaid enrollees and 28,238 Child Health Plus enrollees. HHC facilities have also implemented 172 Medicaid managed care contracts with 13 managed care plans for a total of 78,254 enrollees, of which 42,069 are enrollees in Child Health Plus. HHC facilities and MetroPlus will undertake intensive efforts to enroll as many of the current 545,013 uninsured patients and prospective patients into Medicaid, Child Health Plus, and Family Health Plus. Success in this area will not only provide a means to address revenue shortfalls, but will also enable HHC facilities to provide much-needed services to clients.

Streamlining & Service Improvements: Redesign of Outpatient Clinic Operations

Access to care and wait times at hospital clinics and Diagnostic and Treatment Centers are significant factors in determining patient satisfaction and loyalty, as well as treatment outcomes. As HHC facilities strive to succeed in New York's increasingly competitive health care marketplace, facilities are finding improved access to care to be a critical factor not only in building capacity to serve new patients, but also in retaining existing ones. High no-show rates, bottlenecks, and delays are also some of the primary sources of frustration and dissatisfaction among physicians, nurses, and other staff. In its report, "Crossing the Quality Chasm: A New Health System for the 21st Century," the Institute of Medicine's Committee on Quality Health Care in America describes advanced access as "an important vehicle for achieving timely, efficient, and patient-centered care."

HHC plays a critical role in serving the outpatient care needs of New York City's residents. In 2001, HHC facilities provided more than 4.5 million outpatient visits. In order for HHC's hospitals, health centers, and Diagnostic and Treatment Centers to ensure patients' timely access to primary and specialty care outpatient services, HHC must undertake a radical redesign of its outpatient services operations.

To date, several HHC facilities have initiated open/advanced access or other aspects of outpatient services redesign. Their efforts have focused on reducing patients' wait times for appointments with their doctors and reducing "cycle times," the amount of time patients spend in the clinic from the moment they arrive for their appointments until they leave. Achieving improvements in both of these areas has required clinics to redesign the way they conduct business and, in particular, change service and administrative processes and systems to be more patient-centered.

Initial results at the facilities that have begun open/advanced access or clinic redesign initiatives are striking. The South Manhattan Network was the first to incorporate the open/advanced access strategy to improve its ambulatory care operations. After extensive operational assessment of their outpatient services, Gouverneur Diagnostic and Treatment Center and Bellevue Hospital Center redesigned patient flow by consolidating the steps which patients had to take during the course of their visits, revamping their appointment scheduling systems, and structuring teams that foster patient-centered service. To date, cycle times have been reduced by 25 to 50 percent depending on the service, and clinical provider capacity has been increased by 10 to 35 percent. Patients are also able to obtain an appointment within three working days.

Harlem Hospital Center initiated ambulatory care redesign of its internal medicine clinic. Pre-implementation assessment activities determined that the average patient cycle time in this clinic was 166 minutes. The "non-value added time," or time that patients spent waiting, was two hours and six minutes. Harlem's ultimate goal is to reduce the average patient cycle time to 60 minutes per visit. To date, the average cycle time has been reduced to 63.8 minutes, and the average number of patients seen per hour has increased from 1.6 to 2.7. In addition, informal patient and staff surveys have elicited a great deal of positive feedback on the clinic's changes.

At Lincoln Medical and Mental Health Center, redesign efforts were initiated in its Ophthalmology clinic, where the average cycle time prior to redesign was 185 minutes. Subsequent to ambulatory care redesign, the average cycle time was reduced to less than 75 minutes. Clinic visits increased by 15 percent, and surgical cases increased by 26 percent. Again, patient and staff satisfaction increased markedly in response to these access improvements.

HHC is committed to redesigning outpatient clinic operations throughout all of its facilities in order to ensure that all patients have access to uniformly efficient and patient-centered ambulatory care.

Programmatic Review

Major Corporate Initiatives

Asthma Initiative

Asthma is the leading cause of hospitalization for New York City's children, and the communities served by HHC hospitals and health centers are some of the hardest hit. Presently, asthma is HHC's top pediatric admission diagnosis and one of its top ten adult admission diagnoses. Treatment for asthma accounts for almost 12 percent of all outpatient pediatric visits at HHC facilities.

The HHC Board of Directors has declared a "war on asthma." HHC has made the reduction of the deleterious impact of this disease a top priority by enhancing its facilities' capacity to treat adults and children through the use of state-of-the-art clinical protocols and the expansion of community-based asthma education and outreach programs aimed at decreasing asthma hospitalization rates and emergency room visits and improving patients' self-management skills.

HHC providers use an asthma care plan in every asthma patient's medical record. The purpose of the plan is to assist patients in self-management. Patients are instructed on how to monitor their breathing with the regular use of a peak flow meter, how to anticipate asthma flare-ups, and how to communicate their condition to their providers. Each HHC facility provides asthmatic patients with the medical equipment they need to monitor their breathing, such as peak flow meters and spacers. Moreover, asthma best practice guidelines have been incorporated into HHC's computerized patient record and are integrated into the automated problem list.

In addition, several facilities have created Centers of Excellence for asthma treatment and education.

- Harlem Hospital Center's Asthma Prevention Program implemented an asthma support group to help patients maintain appropriate treatment regimens. The hospital staff conduct patient education programs with specific emphasis on self-management methods and the appropriate use of the hospital's outpatient asthma clinic.

- Metropolitan Hospital Center has developed The Family Centered Asthma Program, which offers treatment and educational programs for moderately to severely ill children and adults with asthma. Project staff include pediatric pulmonologists, general pediatricians, internists, nurse clinicians, and health educators.

- North Central Bronx Hospital opened The Family Asthma Center, which provides educational and medical care to asthma patients of all ages. The Center also operates as a primary care providers' referral center for asthma care and disease management education.

- Woodhull Medical and Mental Health Center instituted a Community Asthma Demonstration Project and began the Attack Back Education Program, a school-based asthma initiative, which includes 15 schools that are electronically linked to Woodhull's primary care clinics, pediatric clinics, and inpatient units. Woodhull's computerized asthma monitoring system, called Care Call, records children's daily peak flow meter readings and enables providers to diagnose asthma symptom severity electronically. Woodhull has the lowest emergency room recidivism rate for asthma patients within HHC.

- HHC unveiled another phase of its Corporate-wide asthma initiative in 2001 – the HHC Asthma Van Initiative. HHC purchased 12 customized vans that provide asthma screenings, counseling, education, and referral in high need communities. The vans are staffed with health educators, nurses, and respiratory therapists. Each asthma van contains a telephone and computerized workstation connected to the appointment scheduling system of an HHC hospital or Diagnostic and Treatment Center; a video system and written materials for asthma education; and a state-of-the-art sound system that facilitates communication and marketing to large groups of people during health fairs and other public events.

Service Enhancements Targeted to Health Disparities

HHC has undertaken several initiatives that have resulted in significant progress in improving the health outcomes of its patients and reducing the daunting array of health problems faced by some of the City's communities. The extensive efforts of HHC facilities in the areas of primary care expansion, comprehensive HIV services, asthma treatment outreach and education, women's health, including prenatal care and mammogram screenings, child immunizations, and smoking cessation are examples of successful Corporate-wide initiatives. These initiatives reflect the range of community-oriented health approaches, partnerships, and funding/resource investments that can create and sustain healthier communities.

Primary care capacity and access has improved markedly in many of the communities served by HHC hospitals and health centers. However, access to certain outpatient specialty services for particular populations requires further improvement. Cardiovascular disease, diabetes, and cancer, particularly breast, colon, and prostate cancer, are significant causes of morbidity and mortality in many of the communities that rely on the public hospitals for their health care. HHC will work with its affiliate partners, the New York City Department of Public Health, foundations, community organizations, and others to enhance its existing service capacity in the early detection and effective treatment of these diseases.

Behavioral Health Service Enhancements

HHC continues to provide a significant portion of mental health treatment services to New Yorkers. Because of advances made over the last several years, psychotropic medications have proven to be effective and have fewer side-effects than prior generations of drugs. Many patients find it less difficult to adhere to their medication regimes and are successfully able to sustain themselves in the community. HHC will continue to focus on revamping its programs to become more focused on rehabilitation and recovery. HHC facilities have begun to employ consumers as peer counselors and will expand this initiative. In addition, more peer support groups and activities focused on vocational rehabilitation and employment are planned. HHC will also explore funding opportunities for the expansion of Assertive Community Treatment teams and case management programs. Critical to the success of these efforts will be the availability of a more extensive continuum of residential treatment and housing options. HHC will seek to partner with other human service and mental health organizations to develop a more comprehensive array of residential treatment resources.

HHC will also prioritize the integration of primary care, mental health, and substance abuse services within its ambulatory care settings. These efforts will include educating primary care physicians and nurses, exploring opportunities to co-locate services, and working with MetroPlus to enhance the coordination of care for its enrollees. HHC providers will also develop best practice approaches to disease management for depression and post-traumatic stress disorder.

Information Systems/Technology Enhancements

In order to improve the quality and efficiency of clinical and administrative operations, HHC continues to develop and implement a computerized patient record (CPR) across all networks and facilities. HHC began the CPR as a pilot program at Jacobi Medical Center in 1992. HHC remains a national pioneer in the use of information systems in healthcare. At the core of the HHC CPR, the Per-Se Patient 1 clinical information system and the Siemens Unity registration, scheduling, and billing system can provide access to a patient's clinical and administrative record at all acute care hospitals, long term care facilities, and Diagnostic and Treatment Centers, as well as community-based extension clinics, 24 hours per day, 7 days per week.

The HHC CPR directly supports and enhances Corporate-wide efforts to improve quality and efficiency and to comply with oversight regulations and accreditation requirements. Systems for physicians to order medications, diagnostic tests, and therapeutic interventions have been implemented at all acute care hospitals and Diagnostic and Treatment Centers – a nationally recognized best practice to improve patient safety and the quality of clinical care. In the CPR, clinical documentation may be retrieved and reviewed by clinicians whenever and wherever necessary, enabling better informed clinical decisions and treatments. The continually available CPR will enable facilities to implement advanced/open access and other redesign initiatives. Patient care protocols are being created within the CPR to promote best practices in primary and preventive care for adults and children, women's health, diabetes management, and smoking cessation. The CPR also improves the recording of information for billing purposes and charges, which will facilitate improvements in revenue and billing compliance and assist in productivity reporting for the affiliation contracts.

HHC will continue to develop and implement functions within the CPR across all networks and facilities in order to support further the patient care provided by physicians, nurses, and other clinicians. HHC is developing analytic and network aggregate scales. These analytic tools will facilitate the identification of system-wide strengths and weaknesses and will further enhance HHC's service, productivity, and quality improvement initiatives.

The Community Health Partnership Initiative

In July 1998, the New York State Department of Health (SDOH) awarded HHC approximately $500 million in Community Health Care Conversion Demonstration Project (CHCCDP) funding to be disbursed over a five-cycle period. The funding is drawn from savings to be generated through the implementation of the State's 1115 Medicaid Managed Care Waiver. Through its Community Health Partnership (CHP) program, HHC has funded initiatives to position its hospitals and health centers to succeed in a Medicaid managed care environment while continuing to serve patients regardless of their ability to pay.

In the second half of 2001, SDOH awarded HHC's 11 acute care facilities approximately $174 million in second and third cycle CHP funding to support new initiatives as well as programs, technology enhancements, and worker retraining activities initiated in the first CHP funding cycle

Using CHCCDP funds, HHC has been able to make significant improvements in information systems and technology capabilities in the areas of appointment scheduling, clinical information systems, registration and billing systems, and intra- and inter-facility communications systems.

HHC facilities continue to use CHCCDP funds to develop a wide array of worker retraining programs. Some of the areas of focus include computer skills training, information systems knowledge building, literacy skills development, clinical skills enhancement, cultural competence training, language training, customer service training, and various career ladder programs that promote staff advancement at educational organizations such as City University and with the labor unions.

Since the initiation of CHP, the use of CHCCDP funds for the expansion of primary care capacity has been a priority of HHC facilities. Expansion of primary care capacity has been achieved at more than 40 existing sites through the reconfiguration of physical space, increased clinical staffing, and additional hours of operation. Five new primary care sites were opened to increase access to primary care services in underserved neighborhoods or for special populations.

In the forthcoming funding cycles, HHC will use some of the CHCCDP funding to support its efforts to redesign ambulatory care operations.

Quality Improvements

Full Accreditation

In an increasingly competitive marketplace, a healthcare facility's viability depends on the quality of care that it provides. HHC's commitment to service excellence is confirmed by the receipt of full accreditation from the Joint Commission on the Accreditation of Healthcare Organizations (JCAHO). During the Fall of 2001, Elmhurst Hospital Center, Jacobi Medical Center, Metropolitan Hospital Center, Gouverneur Health Care Services Center, and the Dr. Susan Smith McKinney Nursing and Rehabilitation Center received full JCAHO accreditation. These facilities' high degree of service excellence was confirmed with scores ranging from 92 to 96, well above the national average of 86.

Women's Health Quality Indicators

HHC seeks to increase the percentage of women entering its facilities for prenatal care during their first trimester of pregnancy. In 2001, HHC succeeded in serving 64 percent of women in prenatal care during their first trimester, exceeding its goal of 60 percent. Access to family planning services is another quality indicator monitored by HHC. Family planning visits were provided within six days in 2001, compared with seven days during 1997. Patients' access to breast cancer screening services is also assessed. In 2001, the Corporate-wide average waiting time for mammography screening appointments was four days, compared with five days during 1998.

Affiliation Contracts

In 2001, HHC spent approximately $488 million on contracts with its affiliates, including medical schools and professional corporations, for the provision of all or some medical staff and services at 16 facilities. HHC anticipates that it will spend $507 million on affiliate contracts in 2002 and $534.3 million in 2003. The projected increase in costs is the result of cost of living adjustments, reimbursement for improved provider activity, and expansion of services.

In 1995, the Corporation spent approximately $534 million on affiliate contracts. Expenses associated with these contracts decreased by $100 million between 1995 and 1998 as a result of the implementation of a performance-based productivity contract model that more closely links provider payment to performance. Had the Corporation's affiliation expenses continued to increase at the previous 7.4 percent annual rate, costs in 2000 would have totaled $763.1 million. Based on this estimate, HHC has achieved over $1 billion in cost avoidance between 1996 and 2000 through the implementation of performance-based contracts.

These agreements also contain measurable indicators that allow the Corporation to monitor the quality of services and the quality of providers – important tools for maintaining and improving the Corporation's high standard of service delivery.

Graduate Medical Education (GME)

For the fifth year, HHC hospitals will continue their participation in the New York State initiative coordinated by the Council on Graduate Medical Education (COGME). This initiative, the New York State Professional Education Supplemental Incentive Pool, provides financial inducements for the restructuring of GME to achieve the State's priorities for post-graduate medical training. The program has been renewed under the Health Care Reform Act (HCRA) of 2000. In the first three years of the program, HHC facilities received approximately $38.9 million from the pool. Because HCRA 2000 reduced the annual Statewide incentive pool from $54 million to $31 million, HHC anticipates receiving less incentive money in subsequent years.

Capital Review

The HHC Capital Plan focuses on rehabilitating its network of acute care, long-term care, and ambulatory care facilities. HHC's capital strategy is driven by the changes that have occurred in health care delivery and financing. In particular, the advent of managed care, new technology, and new treatment approaches for certain diseases such as AIDS have significantly affected inpatient utilization. Moreover, patient demands and competition for clients have created the need for greater privacy, more convenient and efficient patient flow, and different configurations of hospital and clinic space.

The HHC Capital Plan includes six major projects. The first two projects are Phase I and Phase II of the reconstruction of Kings County Hospital Center. At a cost of $86.1 million, Phase I of this City-funded project involved the construction of a new 338-bed inpatient hospital which opened in December 2001. Phase II of this project, which is currently estimated to cost $145 million, includes the construction of a new diagnostic, treatment, and emergency/trauma services facility scheduled to open in 2005. This structure will also house the hospital's operating rooms, comprehensive radiology unit, and labor and delivery suite. Excavation for the new structure is currently underway. Phase II also includes the renovation of an existing building to accommodate medical ambulatory care clinics.

The third major project is the reconstruction of Queens Hospital Center. At a cost of $149 million, including demolition, this City-funded project involved the construction of a 200-bed acute care hospital. The new hospital was occupied in January 2002. This 360,000 square foot facility includes Centers of Excellence in women's health and cancer care services.

At an estimated cost of $178 million, the fourth major project is the modernization of Bellevue Hospital Center. The primary component of this City-funded project is the construction of a new ambulatory care building to provide primary care, specialty care, mental health, substance abuse, ambulatory surgery, dental, and dialysis services. Excavation is currently underway. This project also includes the consolidation of six intensive care units onto one floor, the conversion of four-bedded inpatient hospital rooms in the medical/surgical units to one- or two-bedded rooms, and the upgrading of 30-year-old heating, ventilation, and air conditioning (HVAC) systems.

The fifth major project is the modernization of Jacobi Medical Center, which is estimated to cost $160 million. This project involves the construction of a replacement acute care facility of 339 beds. This 390,000 square-foot facility will also house the hospital's operating rooms, radiology units, labor and delivery suite, critical care units, and emergency department services. Foundation work is currently in progress.

The sixth major project is the modernization of Coney Island Hospital, which is estimated to cost $91 million. This project, now in design development, involves the construction and renovation of ambulatory care and acute care facilities. The first phase of the project, to renovate existing space for relocated ambulatory services, is currently in progress.

NEW YORK CITY TRANSIT

New York City Transit (NYCT) operates the most extensive public transportation system in the nation, serving over 2.1 billion subway and bus passengers in calendar year 2001 with over 1.4 billion passengers riding the subway system. Despite the World Trade Center (WTC) disaster and a weakened economy, Calendar Year (CY) 2001 ridership grew by 3.1% over CY 2000.

The subway system operates on 722 miles of track extending over 238 directional route-miles, serving 468 stations throughout the Bronx, Brooklyn, Manhattan, and Queens. The bus system consists of a fleet of over 4,450 buses on approximately 232 local and express routes in all five boroughs. Since September 11, 2001, NYCT has operated without four stations and approximately two and a half miles of track in Lower Manhattan. Three of these stations and all two and a half miles of this track will re-open by the end of CY 2002.

New York City Transit has been an affiliate of the Metropolitan Transportation Authority (MTA) since the inception of the MTA in 1968. The MTA is a New York State public authority responsible for coordinating and implementing a mass transportation program for New York City and the seven adjacent counties. The MTA Board also oversees the development of NYCT's operating budget and coordinates its capital expenditures. NYCT is divided into several operating departments, most notably the Department of Subways and the Department of Buses.

The Staten Island Railway (SIR) is also a subsidiary of the MTA. SIR operates a 14-mile rapid transit line which links 22 communities on Staten Island and provides a vital and convenient connection to the Staten Island Ferry. SIR serves approximately four million passengers per year.

The introduction of the City's successful "One City, One Fare" initiative, as well as increased employment and tourism and a decrease in citywide crime, has resulted in a 29 percent increase in subway and bus ridership since 1997, reaching its highest level in thirty years. This increase resulted in part from the introduction of free intermodal transfers in July 1997, the introduction of the 10 percent Metrocard bonus program in January 1998, the 25 percent reduction in express bus fares in March 1998, and the introduction of the unlimited ride program in July 1998. Approximately 43.8% of all riders now use the unlimited ride Metrocard.

Financial Review

New York City Transit's Financial Plan for calendar years (CY) 2002 through 2006 will be submitted to the Financial Control Board following the presentation of the 2003 Executive Budget. The plan for CY 2002 incorporates the following key elements:

- CY 2002 fare revenue is projected to be $2,076.5 million, a 2.7 percent decrease from CY 2001. Reductions in fare revenue, primarily due to the increased use of fare discounts, will be slightly offset by a mild economic recovery. Following a higher-than-expected increase in ridership during CY 2001, ridership is projected to grow by only 0.2% during CY 2002.

- Tax revenues dedicated for NYCT's use are projected to total $1,087.1 million; $340.3 million from the regional Metropolitan Mass Transportation Operating Assistance Account (MMTOA), $337.4 million from the State "Lock Box" Petroleum Business Tax, $144.6 million from the Urban Mass Transportation Operating Assistance Account (Urban Account), $14.4 million from Mortgage Recording Tax transfers, and a $250.4 million "spin up" on next year's MMTOA subsidy from the State.

- The City's contribution to NYCT's operating budget for CY 2002 totals $238.9 million, including $158.1 million in operating assistance, $45.0 million for student fare discounts, $17.2 million for the Paratransit program, $13.8 million for elderly and disabled fare discounts and $4.8 million for Transit Police.

Due in part to a $24.2 million cash advance on insurance proceeds in CY 2001, NYCT closed CY 2001 with a cash surplus of $25.7 million. Despite this, the MTA is projecting budget shortfalls totaling $1,924.9 million during the CY 2003-06 period. It is the MTA's obligation to propose gap-closing measures where necessary in order to bring the financial plan into balance.

New York City Transit Financial Plan

($ in millions)

	Calendar Years				
	2002	2003	2004	2005	2006
REVENUES					
Subway / Bus Fare Revenue	$2,076.5	$2,097.2	$2,118.2	$2,139.3	$2,160.7
Other Operating Revenue	129.1	75.1	78.4	83.1	83.1
Transit Tax Revenue	1,096.4	778.4	1,028.8	1,028.8	1,028.8
City Subsidies	238.9	242.1	246.2	251.2	257.1
State Subsidies	203.2	203.2	203.2	203.2	203.2
TBTA Surplus Transfer	95.2	95.2	95.2	95.2	95.2
Miscellaneous Revenue	$797.2	$803.7	$810.4	$817.3	$824.3
TOTAL REVENUE	$4,636.5	$4,294.9	$4,580.4	$4,618.1	$4,652.4
EXPENSES					
Salaries & Wages	$2,413.8	$2,413.8	$2,413.8	$2,413.8	$2,413.8
Fringes	741.0	741.0	741.0	741.0	741.0
OTPS	551.9	564.9	578.2	592.0	603.5
Paratransit Expenses	140.6	163.1	184.3	195.4	201.3
Transit Police	4.8	4.6	4.6	4.6	4.6
Capital Expenses	793.0	798.9	804.9	810.9	810.9
Debt Service	207.6	233.6	262.8	295.7	332.7
TOTAL EXPENSES	$4,852.7	$4,919.9	$4,989.6	$5,053.4	$5,107.8
Balance before Adjustments	($216.2)	($625.0)	($409.2)	($435.3)	($455.4)
Cash Flow Adjustments	190.5	0.0	0.0	0.0	0.0
Net Cash from Prior Year	25.7	0.0	0.0	0.0	0.0
Net Surplus / (Deficit)	$0.0	($625.0)	($409.2)	($435.3)	($455.4)
Actions Available to Offset Outyear Budget Gaps, Including Increased Ridership Revenue, Increased State Subsidies, Use of Cash Reserve and Expenditure Reductions	$0.0	$625.0	$409.2	$435.3	$455.4
Surplus / (Deficit)	$0.0	$0.0	$0.0	$0.0	$0.0

City Subsidies

The City's contribution to New York City Transit's operating budget for CY 2002 will total $238.9 million. The City continues to provide a $45.0 million subsidy to transport school children (one-third of the total estimated program costs), while also subsidizing the elderly and disabled reduced-fare program ($13.8 million) and the paratransit program ($17.2 million). In addition, the City match of State "18b" operating assistance, in the amount of $158.1 million, supports a portion of NYCT's overall operating costs and another $4.8 million is used to fund costs associated with the Transit Police. The City also provides approximately $67.6 million directly to the MTA to maintain Long Island Railroad and Metro-North Commuter Railroad stations in the five boroughs and for operating assistance for the commuter railroads as part of the local match of State "18b" aid.

The following chart summarizes the City's subsidies to NYCT for CY 2002:

City Payments to the NYCT, CY 2002
($ in millions)

• Elderly and Disabled Subsidy	$13.8
• School Fare Subsidy	45.0
• Operating Assistance	158.1
• Police Reimbursement	4.8
• Paratransit	17.2
TOTAL	$238.9

Capital Review

The City's four-year Capital Plan totals $424.5 million: $420.5 million for NYCT and an additional $4.0 million for Staten Island Railway. These funds will be used to support NYCT's most essential work: to help bring the entire mass transit system to a state of good repair, to maintain that level on a normal replacement cycle, and to help expand the transit system. City capital funds are used in conjunction with other sources (Federal, State, and Private) towards NYCT's Capital Program. Additionally, the City is committing $345 million of capital funding for Mass Transit purposes as a result of the sale of the New York Coliseum site. Through a Memorandum of Agreement between the MTA and the City, all net sale proceeds of the Coliseum site were to be paid to the City's General Fund, and an equal amount of City funds were to be allocated to the NYCT capital plan.

The City's 2003-2006 four-year Plan for NYCT and SIR includes the following key elements:

- funds to help provide for various NYCT infrastructure improvements, system enhancements, and bus and subway car upgrades, $260.5 million
- funds for NYCT trackwork, $140.0 million
- funding for the NYCT rapid and surface transit revolving funds, $20.0 million
- funds for SIR's track replacement and infrastructure programs, including improvements at the St. George Station and Ferry Terminal, $4.0 million

The table below outlines the City's Capital Commitments to NYCT and SIR for the 2001-2006 period:

Capital Commitments

($000's)

	2001 Actual		2002 Plan		2003 Plan		2004 Plan		2005 Plan		2006 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Coliseum Funds	0	0	345,000	345,000	0	0	0	0	0	0	0	0
Infrastructure	0	0	140,000	140,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000
Trackwork	77,000	77,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	
Revolving Fund	4,000	4,000	6,000	6,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
SIRTOA	0	0	2,000	2,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Miscellaneous	10,311	10,311	8,375	8,375	250	250	250	250	0	0	0	0
Total	$91,311	$91,311	$536,375	$536,375	$106,250	$106,250	$106,250	$106,250	$106,000	$106,000	$106,000	$106,000

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Appendix

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EXHIBIT 1
EXPENDITURE ASSUMPTIONS

Personal Service

The expenditures for personal services in the Executive Budget for 2003 and the three-year projections are as follows:

($ in millions)

	2003	2004	2005	2006
Salaries and Wages	$15,475	$15,500	$15,528	$15,537
Pensions	1,771	2,196	2,564	3,225
Other Fringe Benefits	4,165	4,274	4,653	4,828
Reserve for Collective Bargaining				
Board of Education	469	481	481	481
Other	490	479	480	484
Reserve Subtotal	959	960	961	965
Total	$22,370	$22,930	$23,706	$24,555

Salaries and Wages

The baseline projections for salaries and wages reflect all personnel costs associated with current and projected headcount levels. Excluded from these projections is the portion of the cost of collective bargaining associated with the 2000-2002 round of bargaining which is contained in the Reserve for Collective Bargaining.

Pensions and Other Fringe Benefits

The City's pension expenses on behalf of the five major retirement systems for 2003 through 2006 incorporate the draft valuation projections prepared by the Chief Actuary as well as certain adjustments and initiatives that conform with the City's financial plan. The baseline funding assumptions have been approved by the trustees of the pension systems and the statutory interest rate assumption is eight percent. The financial plan adjustments include a reserve for lower than expected asset earnings in the current fiscal year which impacts City contributions in 2003 and beyond. In addition, starting in 2003, the financial plan includes savings from a proposal to phase-in contributions over ten years associated with funding cost of living adjustment increases.

Total pension expenses for the four years are as follows:

($ in millions)

	2003	2004	2005	2006
City Actuarial Systems	$1,710	$2,134	$2,500	$3,160
Non-City Actuarial	31	31	32	33
Non-Actuarial	30	31	32	32
Total	$1,771	$2,196	$2,564	$3,225

Social Security costs for the City are estimated to increase annually by approximately two percent in 2004, 2005 and 2006, exclusive of headcount adjustments reflected in the plan. These projections are based on the tax rates and wage ceilings issued by the Social Security Administration. Unemployment Insurance costs are projected to increase with citywide wage adjustments, consistent with the statutory maximum weekly benefit levels. Workers' Compensation costs are based on the wage-replacement and medical reimbursement schedules mandated by state law. Costs are estimated to reflect growth in the payroll and projected increases in medical care costs. Health Insurance costs are based on current and projected levels of individual and family contracts. Included also is the estimated impact of initiatives to secure significant savings from fringe benefit cost containment and early retirement programs.

Reserve for Collective Bargaining

The reserve for collective bargaining contains funding for the cost of wage increases for unsettled civilian employees equal to those agreed to in the District Council 37 collective bargaining agreement and the subsequent pattern conforming labor agreements. The reserve also includes funding for the unsettled uniformed force unions at levels sufficient to match those agreed to in the uniformed forces coalition agreement. Further, the reserve contains the unallocated portion (the Additional Compensation Fund) amounting to approximately 1 percent of the settled civilian labor agreement. Finally, the reserve contains smaller amounts for unions who remain unsettled for the 1995 through 2000 round. These funds are excluded in the baseline salaries and wages. Funds for Board of Education collective bargaining have been transferred to the Board and are held in a discrete collective bargaining Unit of Appropriation.

Other Than Personal Service

The following items are included in this category:

($ in millions)

	2003	2004	2005	2006
Administrative OTPS	$9,708	$9,862	$10,014	$10,150
Public Assistance	2,094	1,987	1,995	1,995
Medical Assistance	3,907	4,148	4,288	4,426
Health & Hospitals Corporation	191	189	190	190
Covered Agency Support & Other Subsidies	1,718	1,762	1,818	1,883
City and MAC Debt Service	2,691	3,735	3,915	4,196
General Reserve	200	200	200	200
Total	$20,509	$21,883	$22,420	$23,040

Administrative OTPS

Administrative OTPS costs in each agency's baseline four-year financial plan include the ongoing cost of existing programs, planned increases or decreases from PEG initiatives and other adjustments. For 2004 through 2006 the financial plan includes a Citywide appropriation to provide for an increase in OTPS costs resulting from inflation. The inflation adjustment represents a yearly 2.8 percent increase from 2004 through 2006.

Energy

The cost of energy is budgeted at a constant level in each agency's budget for 2003 through 2006, with the exception of HPD. For 2004 through 2006 the financial plan includes a Citywide appropriation to provide for the changing cost of energy. Price and usage changes for HPD's In-Rem Program are budgeted in HPD's four-year plan. The In-Rem Program is expected to incur no energy cost in 2006. As reflected in the following table, energy costs have dropped significantly in the last year, mainly due to mild winter temperatures and a decrease in oil and natural gas prices.

Energy Cost Comparison
($ in millions)

Estimate as of:	2002	2003	2004	2005
2002 Adopted Budget	$590	$586	$578	$572
2003 Executive Budget	493	585	592	595
Difference	$97	$1	$(14)	$(23)

The cost of gasoline, fuel oil and heat, light and power is assumed to remain relatively flat in 2003 when compared to the 2002 Adopted Budget. The cost will increase by $15 million through 2006.

The annual cost projections are as follows:

Energy Costs

($ in millions)

	2002	2003	2004	2005	2006
Gasoline	$24	$28	$29	$30	$32
Fuel Oil	30	36	37	39	41
HPD-In Rem	15	12	7	2	-
HPD-Emergency Repair	2	2	2	2	-
Heat, Light and Power	422	507	517	522	527
Total	$493	$585	$592	$595	$600

Leases

In each agency the cost of leases is budgeted at a constant level from 2003 through 2006. A citywide adjustment for 2004 through 2006 provides for the increasing cost of leases based on a three percent annual inflator and the annualization of 2003 adjustments, as well as known future leases, where applicable.

In total the four-year plan includes $477 million for leases in 2003, $496 million in 2004, $512 million in 2005 and $527 million in 2006. Of these amounts the citywide adjustment is $19 million, $35 million, and $50 million respectively in 2004 through 2006.

Public Assistance

In 2003, an average of 452,442 persons are projected to receive public assistance, a decline of 11,685 from the 2002 average through March.

Medical Assistance

The financial plan for Medical Assistance assumes growth of 8.9 percent for 2003 (costs exclude expenditures from the Health and Hospitals Corporation, the Department of Health, and administration). In addition, growth of 8.1 percent is expected for 2004.

Health and Hospitals Corporation

Revenue and expenditure projections for 2003 through 2006 include assumptions related to actual collections experience, the impact of rates by third party payors, and collections performance through a variety of revenue enhancement efforts. Total collections for fiscal years 2003 through 2006, excluding Medicaid rate appeals, reflect an increase of 2.3 percent for non-Medicaid payors. Medicaid receipts (which includes fee-for-service as well as managed care) is estimated to increase by 5.7 percent over the four years of the plan. A growth in expenditures of 6.7 percent is projected for fiscal years 2003 through 2006.

Covered Agency Support and Other Subsidies

Included in this category are the contributions made by the City to the Transit Authority, Housing Authority, Libraries, and various Cultural Institutions. Also included in this category are the estimated projections for the cost of Judgements and Claims.

General Reserve

The general reserve is projected at $200 million for 2003 through 2006 to provide for uncontrollable increases in expenditures as well as shortfalls in revenues. To allow for any further uncertainties which may occur in the future, the general reserve has been increased above the mandated amount of $100 million.

Debt Service

Debt Service projections cover payments of debt service on currently outstanding City and MAC debt and future issuances in accordance with the 2002-2006 financing program (See Financing Program). Actual debt service payments in these years will be affected by the timing of City public sales and by market conditions. Estimates of City debt service costs in debt to be issued are based on estimates of the periods of probable usefulness of the capital expenditures for which the debt will be issued.

City debt service estimates also include payments to MAC for amortization and interest on City obligations held by MAC. During 2002-2006, the City estimates that the payments to MAC will be $5 million, $255 million, $489 million, $490 million, and $492 million, respectively. MAC debt service funding is shown net of such payments. To the extent that City debt service payments to MAC are from revenues derived from the real property tax, payments to MAC have the effect of reducing MAC’s funding requirement from certain State revenues otherwise available to the City for budgetary purposes.

Below are the detailed estimates for debt service for 2002-2006:

($ in millions)

	2002	2003	2004	2005	2006
Long-Term Funded Debt	$441	$2,172	$2,951	$3,090	$3,290
Short-Term Debt	14	65	74	75	75
Lease Purchase/City Guaranteed Debt	113	199	221	260	339
Budget Stabilization Account	322	—	—	—	—
Total City Debt Service	$890	$2,436	$3,246	$3,425	$3,704
MAC Debt Service Funding	5	255	489	490	492
Total Debt Service	$895	$2,691	$3,735	$3,915	$4,196

EXHIBIT 2

FISCAL YEAR 2003 EXECUTIVE BUDGET AND PROJECTIONS, FISCAL YEAR 2003 THROUGH FISCAL YEAR 2006

($ in thousands)

Dept. No.	Agency	FY 2001 Actual Expenditures	Fiscal Year 2002 Executive Budget	Fiscal Year 2002 8 Month Actuals July-Feb.	Fiscal Year 2002 Forecast	FY 2003 Executive Budget	FY 2004 Estimate	FY 2005 Estimate	FY 2006 Estimate
002	MAYORALTY	$89,123	$74,567	$72,557	$127,765	$78,927	$78,927	$78,927	$78,927
003	BOARD OF ELECTIONS	44,161	41,351	59,442	76,067	46,040	50,168	50,168	50,168
004	CAMPAIGN FINANCE BOARD.	6,184	76,941	53,549	56,488	10,556	18,771	18,771	18,771
008	OFFICE OF THE ACTUARY	3,104	3,591	2,227	3,365	3,733	3,734	3,735	3,735
010	PRESIDENT,BOROUGH OF MANHATTAN	5,218	5,145	3,275	5,067	4,171	4,012	4,012	4,012
011	PRESIDENT,BOROUGH OF THE BRONX	7,381	7,262	4,898	7,249	5,907	5,728	5,728	5,728
012	PRESIDENT,BOROUGH OF BROOKLYN	6,861	6,236	3,804	6,815	5,039	4,729	4,729	4,729
013	PRESIDENT,BOROUGH OF QUEENS	6,682	5,986	3,785	6,437	4,824	4,560	4,560	4,560
014	PRESIDENT,BOROUGH OF S.I.	4,986	4,983	2,984	4,849	4,128	4,040	4,040	4,040
015	OFFICE OF THE COMPTROLLER . . .	55,516	53,285	36,608	58,883	46,541	46,541	46,541	46,541
017	DEPT. OF EMERGENCY MANAGEMENT	—	—	—	—	2,236	2,236	2,236	2,236
021	TAX COMMISSION	2,128	2,028	1,281	2,103	2,118	2,119	2,119	2,119
025	LAW DEPARTMENT.	96,748	93,290	67,585	94,842	96,082	95,953	95,846	95,846
030	DEPARTMENT OF CITY PLANNING .	18,408	17,053	12,469	22,623	19,853	17,781	17,781	17,781
032	DEPARTMENT OF INVESTIGATION .	23,014	22,641	16,574	22,876	22,128	22,128	22,128	22,128
035	N.Y.P.L.- THE RESEARCH LIBRARY .	25,597	12,958	4,031	9,138	16,348	16,348	16,348	16,348
037	NEW YORK PUBLIC LIBRARY	146,176	76,267	19,665	46,156	85,233	85,233	85,233	85,233
038	BROOKLYN PUBLIC LIBRARY	107,651	55,908	11,550	34,271	62,265	62,265	62,265	62,265
039	QUEENS BOROUGH PUBLIC LIBRARY	103,352	53,503	18,384	32,599	59,643	59,643	59,643	59,643
040	BOARD OF EDUCATION.	11,612,603	11,512,564	6,892,344	11,687,954	11,766,704	11,806,016	11,940,908	12,080,053
042	CITY UNIVERSITY.	401,553	432,098	257,161	470,948	458,328	459,348	460,369	460,991
054	CIVILIAN COMPLAINT REVIEW BD.	9,182	10,188	6,231	10,030	11,160	11,783	11,637	11,637
056	POLICE DEPARTMENT	3,391,258	3,247,912	2,542,398	3,805,408	3,361,353	3,419,585	3,411,875	3,409,335
057	FIRE DEPARTMENT.	1,073,121	1,088,872	857,822	1,241,171	1,069,087	1,065,437	1,064,709	1,063,681
068	ADMIN. FOR CHILDREN SERVICES.	2,256,218	2,408,972	1,890,994	2,409,521	2,335,317	2,351,119	2,351,119	2,351,120
069	DEPARTMENT OF SOCIAL SERVICES	5,716,436	5,592,512	4,112,281	5,800,206	5,759,119	5,931,251	6,053,919	6,173,919
071	DEPT. OF HOMELESS SERVICES . . .	475,653	490,980	421,480	548,878	563,590	594,064	603,071	603,003
072	DEPARTMENT OF CORRECTION . . .	830,687	866,747	588,912	890,674	924,355	931,128	932,892	929,445
073	BOARD OF CORRECTION	874	976	596	932	873	952	952	952
094	DEPARTMENT OF EMPLOYMENT . .	91,391	97,880	129,271	144,435	96,349	96,349	96,349	96,349
095	CITYWIDE PENSION CONTRIBUTIONS	1,217,134	1,453,850	965,091	1,620,172	1,770,759	2,195,614	2,563,477	3,224,561
098	MISCELLANEOUS	3,953,363	4,175,066	2,065,332	3,936,738	4,021,161	4,092,692	4,455,869	4,622,575
099	DEBT SERVICE	2,522,395	1,269,291	75,217	889,763	2,435,845	3,246,304	3,425,046	3,704,355
100	M.A.C. DEBT SERVICE	457,900	—	—	5,000	255,300	489,200	490,400	491,900
101	PUBLIC ADVOCATE	2,668	2,454	1,884	2,836	2,062	2,062	2,062	2,062
102	CITY COUNCIL.	44,397	46,204	31,097	47,816	46,296	46,296	46,296	46,296
103	CITY CLERK	2,612	2,517	1,776	3,007	2,618	2,618	2,618	2,618
125	DEPARTMENT FOR THE AGING	236,581	230,509	220,915	243,836	209,134	209,134	209,134	209,134
126	DEPARTMENT OF CULTURAL AFFAIRS	135,458	104,618	84,105	125,585	110,416	110,416	110,416	110,416
127	FINANCIAL INFO. SERV. AGENCY . .	29,044	30,124	21,940	31,204	33,186	35,086	35,086	35,086
130	DEPARTMENT OF JUVENILE JUSTICE	109,233	103,132	53,256	111,122	108,825	112,681	111,681	107,681
131	OFFICE OF PAYROLL ADMIN.	6,478	8,149	3,870	6,253	8,784	8,525	8,525	8,525
132	INDEPENDENT BUDGET OFFICE . . .	2,291	2,749	1,781	2,673	2,764	2,855	2,855	2,855
133	EQUAL EMPLOYMENT PRACTICES COM	481	581	235	432	617	617	617	617
134	CIVIL SERVICE COMMISSION	467	657	320	489	593	593	593	593
136	LANDMARKS PRESERVATION COMM.	3,243	3,151	2,335	3,617	3,186	3,187	3,187	3,187

EXHIBIT 2

FISCAL YEAR 2003 EXECUTIVE BUDGET AND PROJECTIONS, FISCAL YEAR 2003 THROUGH FISCAL YEAR 2006

($ in thousands)

			Fiscal Year 2002						
Dept. No.	Agency	FY 2001 Actual Expenditures	Executive Budget	8 Month Actuals July-Feb.	Forecast	FY 2003 Executive Budget	FY 2004 Estimate	FY 2005 Estimate	FY 2006 Estimate
138	DISTRICTING COMMISSION	—	—	—	—	2,253	—	—	—
156	TAXI & LIMOUSINE COMMISSION .	22,920	22,735	16,517	23,435	22,393	22,518	22,518	22,518
226	COMMISSION ON HUMAN RIGHTS .	7,180	6,903	5,345	7,765	7,799	7,799	7,799	7,799
260	YOUTH & COMMUNITY DEVELOPMENT	142,842	120,441	115,969	167,162	142,135	136,853	136,853	136,853
312	CONFLICTS OF INTEREST BOARD .	1,595	1,627	1,062	1,796	1,701	1,722	1,722	1,722
313	OFFICE OF COLLECTIVE BARG. . . .	1,419	1,469	1,102	1,519	1,552	1,552	1,552	1,552
499	COMMUNITY BOARDS (ALL)	11,041	11,216	7,370	11,986	11,942	11,942	11,942	11,942
781	DEPARTMENT OF PROBATION	90,542	86,720	58,848	93,191	82,130	82,239	82,239	79,491
801	DEPT. OF BUSINESS SERVICES.	44,322	49,246	25,971	66,950	34,140	31,133	31,133	31,508
806	HOUSING PRESERVATION & DEV. . .	417,699	418,740	303,760	467,267	371,369	370,340	367,198	381,898
810	DEPARTMENT OF BUILDINGS	48,457	27,057	36,487	56,336	52,023	46,289	46,289	46,289
816	DEPARTMENT OF PUBLIC HEALTH.	917,951	916,235	497,484	1,069,430	1,297,329	1,258,809	1,304,704	1,332,271
817	DEPT OF MENTAL HEALTH	595,789	585,389	603,616	660,516	—	—	—	—
819	HEALTH AND HOSPITALS CORP. . . .	919,738	974,137	540,468	915,471	920,994	936,135	954,148	972,456
826	DEPT OF ENVIRONMENTAL PROT. .	633,158	677,741	474,253	689,262	725,015	696,126	695,411	694,411
827	DEPARTMENT OF SANITATION	935,509	986,224	750,123	1,040,648	966,541	1,011,974	1,036,811	1,036,811
829	ORGANIZED CRIME CONTROL COMM.	2,606	2,859	1,892	2,678	4,081	4,443	4,443	4,443
836	DEPARTMENT OF FINANCE	179,962	195,092	132,984	192,885	186,351	188,220	190,472	190,472
841	DEPARTMENT OF TRANSPORTATION	479,030	459,246	388,009	541,873	488,802	488,377	488,527	488,815
846	DEPT OF PARKS AND RECREATION	218,434	194,088	180,753	245,466	191,794	204,690	204,690	204,690
850	DEPT. OF DESIGN & CONSTRUCTION	83,201	80,810	410,283	839,743	86,001	86,001	86,001	86,001
856	DEPT OF CITYWIDE ADMIN SRVCES	624,242	668,113	598,283	670,588	722,266	727,834	726,959	726,059
858	D.O.I.T.T.	162,641	148,912	126,268	166,369	174,111	173,854	173,847	173,847
860	DEPT OF RECORDS & INFO SERV. . .	4,116	3,664	2,807	4,530	4,035	3,821	3,822	3,822
866	DEPARTMENT OF CONSUMER AFFAIRS	13,892	13,358	9,659	14,860	14,196	14,079	14,079	14,079
901	DISTRICT ATTORNEY - N.Y..	78,554	66,608	55,246	81,787	68,767	68,767	68,767	68,767
902	DISTRICT ATTORNEY - BRONX	44,592	39,597	29,039	45,065	41,218	41,218	41,218	41,218
903	DISTRICT ATTORNEY - KINGS	76,990	65,846	52,817	74,635	66,703	66,703	66,703	66,703
904	DISTRICT ATTORNEY - QUEENS . . .	40,697	33,578	26,559	39,687	35,240	35,202	35,202	35,202
905	DISTRICT ATTORNEY - RICHMOND	6,981	5,853	4,643	6,918	5,901	5,901	5,901	5,901
906	OFF. OF PROSEC. & SPEC. NARC.. . .	15,898	13,844	10,441	16,184	14,741	14,741	14,741	14,741
941	PUBLIC ADMINISTRATOR - N.Y.. . . .	944	918	705	962	1,027	1,027	1,027	1,027
942	PUBLIC ADMINISTRATOR - BRONX	326	330	216	340	347	347	347	347
943	PUBLIC ADMINISTRATOR- BROOKLYN	448	443	291	464	470	470	470	470
944	PUBLIC ADMINISTRATOR - QUEENS	335	344	224	353	363	363	363	363
945	PUBLIC ADMINISTRATOR -RICHMOND	168	237	155	243	247	247	247	247
	PRIOR PAYABLE ADJUSTMENT	—	—	—	(210,000)	—	—	—	—
	GENERAL RESERVE	—	200,000	—	40,000	200,000	200,000	200,000	200,000
	ENERGY ADJUSTMENT	—	—	—	—	—	11,853	20,741	29,191
	LEASE ADJUSTMENT	—	—	—	—	—	18,621	34,805	50,485
	OTPS INFLATION ADJUSTMENT . . .	—	—	—	—	—	30,744	61,488	92,232
TOTAL EXPENDITURES		$42,159,230	$40,875,368	$27,092,961	$42,706,657	$42,879,530	$44,812,782	$46,125,651	$47,594,399
LESS: INTRA-CITY EXPENDITURES		1,329,845	1,343,429	471,667	1,366,336	1,012,105	1,007,066	1,007,059	1,006,859
NET TOTAL EXPENDITURES.		$40,829,385	$39,531,939	$26,621,294	$41,340,321	$41,867,425	$43,805,716	$45,118,592	$46,587,540

EXHIBIT 3
ACTUAL REVENUE

	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000	Fiscal Year 2001
Taxes:				
Real Property	$7,239	$7,631	$7,850	$8,245
Personal Income	5,118	5,378	5,353	5,746
General Corporation	1,551	1,423	1,779	1,735
Banking Corporation	515	388	347	424
Unincorporated Business	671	657	805	820
Sales and Use	3,052	3,192	3,509	3662
Commercial Rent	358	333	344	377
Real Property Transfer	288	424	403	473
Mortgage Recording	232	408	483	407
Utility	223	222	247	300
Stock Transfer	114	114	114	0
All Other	591	584	609	620
Tax Audit Revenue	458	536	416	401
Total Taxes	20,410	21,290	22,259	23,210
Miscellaneous Revenues:				
Licenses, Franchises, Etc.	273	291	329	338
Interest Income	199	182	195	245
Charges for Services	435	440	439	439
Water and Sewer Charges	823	778	801	843
Rental Income	151	114	139	154
Fines and Forfeitures	468	479	468	495
Miscellaneous	486	408	718	1,109
Intra-City Revenue	705	780	1,150	1,330
Total Miscellaneous	3,540	3,472	4,239	4,953
Unrestricted Intergovernmental Aid:				
Federal Revenue Sharing	-	-	-	-
N.Y. State Per Capita Aid	327	328	405	327
Other Federal and State Aid	295	324	226	307
Total Unrestricted Intergovernmental Aid	622	652	631	634
Other Categorical Grants	412	367	432	492
Transfers from Capital Fund:				
Inter Fund Agreements	251	249	239	284
Provision for Disallowance of Categorical Grants	(14)	(39)	(5)	(46)
Less Intra-City Revenue	(705)	(780)	(1,150)	(1,330)
Total City Funds	24,516	25,211	26,645	28,197
Federal Categorical Grants:				
Community Development	255	239	264	250
Welfare	2,344	2,183	2,335	2,339
Education	1,014	1,053	1,127	1,227
Other	679	787	691	734
Total Federal Grants	4,292	4,262	4,417	4,550
State Categorical Grants:				
Welfare	1,580	1,442	1,382	1,581
Education	4,155	4,413	4,829	5,388
Higher Education	125	128	124	129
Health and Mental Health	269	323	348	349
Other	243	333	379	321
Total State Grants	6,372	6,639	7,062	7,768
Total Revenues	$35,180	$36,112	$38,124	$40,515

EXHIBIT 4

REVENUE ESTIMATES

($ in Millions)

	Fiscal Year 2002 8 Months Actual	Fiscal Year 2002 Forecast	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006
Taxes:						
Real Property	8,043	8,562	8,866	9,290	9,689	10,105
Personal Income	3,194	4,329	4,399	4,689	4,944	5,309
General Corporation	636	1,379	1,428	1,544	1,644	1,784
Banking Corporation	158	353	317	386	413	458
Unincorporated Business	407	799	870	935	1,007	1,072
Sale and Use	2,202	3,370	3,564	3,697	3,845	3,974
Commercial Rent	192	375	364	373	387	399
Real Property Transfer	238	434	422	454	500	533
Mortgage Recording	301	442	384	393	430	450
Utility	147	268	277	278	277	271
All Other	271	582	587	607	625	641
Tax Audit Revenue	245	462	427	427	427	427
Decoupling from New Federal Depreciation Rule	0	0	128	119	109	15
State Tax Relief Program	466	632	645	699	723	773
Total Taxes	16,500	21,987	22,678	23,891	25,020	26,211
Miscellaneous Revenue:						
Licenses, Franchises, Etc.	221	332	343	342	344	338
Interest Income	62	80	66	119	124	125
Charges for Services	268	427	429	425	426	428
Water and Sewer Charges	547	853	883	871	889	905
Rental Income	57	110	266	405	367	122
Fines and Forfeitures	306	465	489	486	485	485
Miscellaneous	201	852	724	551	276	262
Intra-City Revenue	441	1,366	1,012	1,007	1,007	1,007
Total Miscellaneous	2,103	4,485	4,212	4,206	3,918	3,672
Unrestricted Intergovernmental Aid:						
N.Y. State Per Capita Aid	0	327	327	327	327	327
Other Federal and State Aid	81	354	394	253	228	228
Total Unrestricted Intergovernmental Aid:	81	681	721	580	555	555
Transitional Finance Authority 9/11	0	0	1,500	0	0	0
Anticipated State and Federal Aid:						
Anticipated State Aid	0	0	400	250	250	250
Anticipated Federal Aid	0	0	230	230	230	230
Total Anticipated Aid	0	0	630	480	480	480
Other Categorical	173	745	428	397	403	410
Inter Fund Agreements	87	322	323	317	317	317
Reserve for Disallowance of Categorical Grants	0	(15)	(15)	(15)	(15)	(15)
Less: Intra-City Revenue	(441)	(1,366)	(1,012)	(1,007)	(1,007)	(1,007)
Total City Funds	18,503	26,839	29,465	28,849	29,671	30,623

REVENUE ESTIMATES

($ in Millions)

	Fiscal Year 2002 8 Months Actual	Fiscal Year 2002 Forecast	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006
Federal Categorical Grants:						
Community Development .	153	361	267	266	259	253
Welfare	909	2,541	2,318	2,224	2,227	2,227
Education	332	1,263	1,237	1,237	1,237	1,237
Other	807	2,274	536	438	438	442
Total Federal Grants . . .	2,201	6,439	4,358	4,165	4,161	4,159
State Categorical Grants:						
Welfare	768	1,529	1,570	1,567	1,573	1,573
Education	2,928	5,600	5,577	5,653	5,720	5,745
Higher Education	1	161	164	164	164	164
Department of Public Health	74	443	462	477	485	493
Other	133	329	271	267	269	264
Total State Grants	3,904	8,062	8,044	8,128	8,211	8,239
TOTAL REVENUE	24,608	41,340	41,867	41,142	42,043	43,021

EXHIBIT 5

FULL-TIME and PART-TIME POSITIONS (FTEs)

	2/28/02 Actual		6/30/03 Executive Budget	
	Total	City	Total	City
MAYORAL AGENCIES:				
Uniformed Forces:				
Police -Uniform [1]	37,896	37,896	36,878	36,878
-Civilian	15,048	14,435	14,717	14,643
Fire -Uniform	11,312	11,304	11,157	11,149
-Civilian	4,510	4,506	4,660	4,655
Sanitation -Uniform	7,942	7,797	7,468	7,306
-Civilian	2,272	2,061	2,131	1,863
Correction -Uniform	10,557	9,814	10,655	9,912
-Civilian	1,600	1,485	1,889	1,774
Health and Welfare:				
Social Services	14,381	10,832	15,225	12,064
Admin. for Children's Services	7,712	7,658	8,010	7,847
Homeless Services	2,036	2,027	2,154	2,151
Public Health	5,454	4,456	5,549	4,536
Other Mayoral:				
Housing Preservation and Development	2,601	633	2,686	581
Environmental Protection	5,721	365	6,358	403
Finance	2,365	2,365	2,448	2,436
Transportation	4,255	2,269	4,223	2,152
Parks [2]	6,454	6,064	3,582	3,077
Citywide Administrative Services	1,907	1,312	2,202	1,558
All Other Mayoral	17,736	13,591	17,839	13,855
COVERED ORGANIZATIONS:				
Board of Education -Pedagogical [3]	111,481	92,019	111,481	92,019
-Non-Pedagogical [3]	25,114	21,608	25,114	21,608
City University -Pedagogical	3,940	3,940	3,977	3,977
-Non-Pedagogical	2,280	2,274	2,097	2,092
Sub-Total	304,574	260,711	302,500	258,536
NON-CITY EMPLOYEES PAID IN PART BY CITY SUBSIDIES:				
Health and Hospital Corp.	37,941		36,941	
Housing Authority	14,863		17,082	
Libraries	4,428		3,637	
Cultural Institutions [4]	1,728		1,728	
School Construction Authority	933		875	
New York City Employees Retirement System	369		375	
Economic Development Corporation	344		365	
Teachers Retirement System	308		308	
Police Pension Fund	66		75	
All Other	155		159	
Total	365,709		364,045	

[1] Police Department uniform headcount will be at 39,110 with the swearing in of attrition replacement recruit classes July 1, 2002.
[2] February 2002 Actual includes HRA funded temporary positions.
[3] Forecast as of June 2003 reflects the Feb. 2002 actual. Final forecast to be determined by the Board of Education.
[4] Includes only Cultural Institutions employees funded with city fund subsidies. Forecast as of June 2003 reflects the Feb. 2002 actual. Final forecast to be determined by the Cultural Institutions.

EXHIBIT 5A
FULL-TIME EMPLOYEES

	2/28/02 Actual		6/30/03 Executive Budget	
	Total	City	Total	City
MAYORAL AGENCIES:				
Uniformed Forces:				
Police -Uniform [1]	37,896	37,896	36,878	36,878
-Civilian	9,327	8,714	9,161	9,087
Fire -Uniform	11,312	11,304	11,157	11,149
-Civilian	4,390	4,386	4,475	4,470
Sanitation -Uniform	7,942	7,797	7,468	7,306
-Civilian	2,211	2,000	2,078	1,810
Correction -Uniform	10,557	9,814	10,655	9,912
-Civilian	1,556	1,441	1,836	1,721
Health and Welfare:				
Social Services	12,342	9,053	12,826	9,731
Admin. for Children's Services	7,301	7,258	7,614	7,451
Homeless Services	1,526	1,517	1,610	1,607
Public Health	3,133	2,223	3,424	2,493
Other Mayoral:				
Housing Preservation and Development	2,369	531	2,611	538
Environmental Protection	5,389	269	6,064	290
Finance	2,030	2,030	2,123	2,111
Transportation	3,948	2,041	3,992	2,057
Parks [2]	1,930	1,687	1,961	1,615
Citywide Administrative Services	1,561	971	1,746	1,103
All Other Mayoral	15,843	12,326	16,259	12,744
COVERED ORGANIZATIONS:				
Board of Education -Pedagogical [3]	94,289	77,317	94,289	77,317
-Non-Pedagogical [3]	8,226	6,169	8,226	6,169
City University -Pedagogical	2,265	2,265	2,302	2,302
-Non-Pedagogical	1,568	1,567	1,385	1,385
Sub-Total	248,911	210,576	250,140	211,246
NON-CITY EMPLOYEES PAID IN PART BY CITY SUBSIDIES:				
Health and Hospital Corp.	35,331		34,331	
Housing Authority	14,717		16,429	
Libraries	3,802		3,092	
Cultural Institutions [4]	1,706		1,706	
School Construction Authority	933		875	
New York City Employees Retirement System	338		344	
Economic Development Corporation	328		350	
Teachers Retirement System	307		307	
Police Pension Fund	65		74	
All Other	152		156	
Total	306,590		307,804	

[1] Police Department uniform headcount will be at 39,110 with the swearing in of attrition replacement recruit classes July 1, 2002.
[2] February 2002 Actual includes HRA funded temporary positions.
[3] Forecast as of June 2003 reflects the Feb. 2002 actual. Final forecast to be determined by the Board of Education.
[4] Includes only Cultural Institutions employees funded with city fund subsidies. Forecast as of June 2003 reflects the Feb. 2002 actual. Final forecast to be determined by the Cultural Institutions.

EXHIBIT 6

FY 2003 EXECUTIVE BUDGET
CITY GAP CLOSING PROGRAM - 5 YEAR VALUE
(City $ in 000's)

	2002	2003	2004	2005	2006
MAYORAL AGENCIES:					
Uniformed Forces:					
Police	$264,583	$191,003	$143,588	$145,538	$148,078
Fire	97,562	80,424	54,298	54,935	55,964
Correction	88,918	81,871	73,240	69,040	69,040
Sanitation	82,900	138,995	73,714	46,776	46,776
Health and Welfare:					
Admin. for Children's Services	125,523	127,529	98,739	98,739	98,739
Social Services	12,814	70,145	34,487	34,487	34,487
Homeless Services	13,815	30,094	26,935	26,561	26,629
Public Health	31,980	75,448	55,237	55,237	55,237
Aging	12,300	24,628	24,628	24,628	24,628
Youth & Community Dev.	5,184	5,088	5,088	5,088	5,088
Other Mayoral:					
Cultural Affairs	9,667	19,128	19,128	19,128	19,128
Libraries	8,139	39,318	39,318	39,318	39,318
Housing Preservation & Dev.	29,857	13,660	11,160	11,160	11,160
Finance	29,729	17,150	12,185	12,185	12,185
Transportation	51,479	24,445	21,262	21,902	23,295
Parks & Recreation	8,991	27,366	15,470	16,470	12,470
Citywide Admin. Services	38,535	16,151	6,533	6,533	6,533
Other	189,082	247,267	205,428	178,418	179,140
COVERED ORGANIZATIONS:					
Board of Education	93,253	362,279	355,704	355,704	355,704
Health and Hospitals Corp.	7,154	9,212	7,836	7,836	7,836
CUNY	4,980	29,051	12,887	12,887	12,887
OTHER:					
M.A.C. Debt Service	—	250,000	—	—	—
Procurement Savings	—	27,127	27,127	27,127	27,127
Subtotal Agency Programs	**$1,206,445**	**$1,907,379**	**$1,323,992**	**$1,269,697**	**$1,271,449**
CITYWIDE INITIATIVES:					
Early Retirement/ Severance	—	50,000	100,000	100,000	100,000
Fringe Benefit Cost Containment	—	500,000	525,000	550,000	575,000
TFA Fin. Req'd by 9/11 Event	—	1,500,000	—	—	—
Decouple Fed. Accel. Deprec.	—	128,000	119,000	109,000	15,000
State & Federal Actions	—	800,000	500,000	500,000	480,000
Sale of Tax Benefits	—	100,000	—	—	—
Total Program	**$1,206,445**	**$4,985,379**	**$2,567,992**	**$2,528,697**	**$2,441,449**

Technical Note: Gap closing program includes initiatives from the April 17, 2002 Executive Budget and the December 4, 2001, December 31, 2001 and February 13, 2002 Financial Plans.

EXHIBIT 6A

FY 2003 EXECUTIVE BUDGET
CITY GAP CLOSING PROGRAM - 5 YEAR VALUE
(City $ in 000's)

	2002	2003	2004	2005	2006
OTHER:					
Mayoralty	$8,506	$34,974	$31,081	$6,581	$6,581
Board of Elections	200	2,000	—	—	—
Campaign Finance Board	20,735	8,216	—	—	—
Office of the Actuary	456	—	—	—	—
Tax Commission	90	25	25	25	25
Law	10,104	14,627	2,585	2,692	2,692
City Planning	789	839	639	639	639
Investigation	867	1,301	1,301	1,301	1,301
Civilian Complaint Review Board	985	252	42	192	192
Board of Correction	99	158	79	79	79
Department of Employment	—	2,127	2,127	2,127	2,127
Citywide Pension Contributions	10,000	7,288	29,094	28,815	27,381
Miscellaneous	44,210	46,058	53,551	49,522	50,212
FISA	3,266	6,541	341	341	341
Juvenile Justice	1,879	766	(3,250)	(3,250)	750
Payroll Administration	3,102	1,940	192	192	192
Equal Employment Comm.	260	—	—	—	—
Civil Service Commission	204	100	100	100	100
Landmarks Preservation	133	686	1,211	1,211	1,211
Taxi & Limousine	1,897	3,032	766	2,907	766
Human Rights	302	—	—	—	—
Office of Collective Bargaining	50	18	18	18	—
Probation	8,232	10,513	9,513	9,513	9,513
Dept. of Business Services	19,839	15,540	9,477	9,477	9,102
Buildings	3,331	6,209	6,284	5,684	5,684
Mental Health	16,012	—	—	—	—
Environmental Protection	8,751	6,728	6,728	6,728	6,728
Organized Crime Control Comm.	447	611	—	—	—
Design & Construction	4,500	—	—	—	—
DOITT	11,361	40,960	18,129	18,129	18,129
DORIS	52	—	—	—	—
Consumer Affairs	590	832	577	577	577
PA - Manhattan	13	—	—	—	—
PA - Bronx	7	—	—	—	—
PA - Brooklyn	6	—	—	—	—
PA - Queens	10	—	—	—	—
PA - Staten Island	4	—	—	—	—
Subtotal	$181,289	$212,341	$170,610	$143,600	$144,322
OTHER ELECTED:					
BP - Manhattan	$354	$1,001	$1,001	$1,001	$1,001
BP - Bronx	619	1,429	1,429	1,429	1,429
BP - Brooklyn	332	1,176	1,176	1,176	1,176
BP - Queens	231	1,121	1,121	1,121	1,121
BP - Staten Island	429	1,007	1,007	1,007	1,007
Comptroller	73	10,920	10,920	10,920	10,920
Public Advocate	(55)	514	514	514	514
City Council	—	1,532	1,424	1,424	1,424
DA - Manhattan	1,714	4,787	4,787	4,787	4,787
DA - Bronx	1,001	2,795	2,795	2,795	2,795
DA - Brooklyn	1,693	4,727	4,727	4,727	4,727
DA - Queens	890	2,487	2,487	2,487	2,487
DA - Staten Island	156	428	428	428	428
Prosec. & Spec. Narc.	356	1,002	1,002	1,002	1,002
Subtotal	$7,793	$34,926	$34,818	$34,818	$34,818
Total Other	**$189,082**	**$247,267**	**$205,428**	**$178,418**	**$179,140**

Technical Note: Gap closing program includes initiatives from the April 17, 2002 Executive Budget and the December 4, 2001, December 31, 2001 and February 13, 2002 Financial Plans.

EXHIBIT 6B

FY 2003 EXECUTIVE BUDGET
CITY GAP CLOSING PROGRAM - BY EXPENSE AND REVENUE

(City $ in 000's)

	Expense	Revenue	Total
MAYORAL AGENCIES:			
Uniformed Forces:			
Police	$102,736	$88,267	$191,003
Fire	46,137	34,287	80,424
Correction	80,871	1,000	81,871
Sanitation	117,089	21,906	138,995
Health and Welfare:			
Admin. for Children's Services	125,701	1,828	127,529
Social Services	69,139	1,006	70,145
Homeless Services	30,094	—	30,094
Public Health	56,987	18,461	75,448
Aging	24,628	—	24,628
Youth & Community Dev.	5,088	—	5,088
Other Mayoral:			
Cultural Affairs	19,128	—	19,128
Libraries	39,318	—	39,318
Housing Preservation & Dev.	9,760	3,900	13,660
Finance	14,350	2,800	17,150
Transportation	12,165	12,280	24,445
Parks & Recreation	16,803	10,563	27,366
Citywide Admin. Services	6,313	9,838	16,151
Other	138,297	108,970	247,267
COVERED ORGANIZATIONS:			
Board of Education	354,135	8,144	362,279
Health and Hospitals Corp.	9,212	—	9,212
CUNY	12,887	16,164	29,051
OTHER:			
M.A.C. Debt Service	250,000	—	250,000
Procurement Savings	27,127	—	27,127
Subtotal Agency Programs	**$1,567,965**	**$339,414**	**$1,907,379**
CITYWIDE INITIATIVES:			
Early Retirement/ Severance	50,000	—	50,000
Fringe Benefit Cost Containment	500,000	—	500,000
TFA Fin. Req'd by 9/11 Event	—	1,500,000	1,500,000
Decouple Fed. Accel. Deprec.	—	128,000	128,000
State & Federal Actions	170,000	630,000	800,000
Sale of Tax Benefits	—	100,000	100,000
Total Program	**$2,287,965**	**$2,697,414**	**$4,985,379**

Technical Note: Gap closing program includes initiatives from the April 17, 2002 Executive Budget and the December 4, 2001, December 31, 2001 and February 13, 2002 Financial Plans.