The City of New York
Executive Budget
Fiscal Year 2007

Michael R. Bloomberg, Mayor

Office of Management and Budget
Mark Page, Director

Message of the Mayor

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

May 4, 2006

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

My Fellow New Yorkers,

New York City continues to be the greatest place in the world to live, work and do business. We enjoy the lowest crime rate of all large American cities, and this has helped to keep our local economy strong and growing. Tourists continue to flock to the city at historically high levels, which has contributed to the recent growth in jobs in the City. We were successful in securing $6.5 billion in aid from the State of New York to fund 50% of our educational capital needs over the next few years. These funds will help the City add 107 new schools and 66,000 additional seats in classrooms. We will again offer a $400 property tax rebate to those who helped the City out when we most needed it.

While we are reaping the fruits of our hard work in recovering from the terrorist attacks of September 11, 2001, we must remain fiscally vigilant. Interest rates continue to rise and real estate activity has begun to slow, as we have been predicting for some time. The rise in interest rates has also led to a decline in Wall Street profits, which are an important part of the City's financial picture. There is more uncertainty among forecasters about how long the economy can continue to grow at the robust levels we have seen over the last few years. This is no time for the City to become complacent.

The City's budget is expected to generate $3.4 billion in resources in the current fiscal year to help balance Fiscal Year 2007 which begins on July 1, 2006. Agency actions of $299 million and $50 million in federal actions will also help balance the budget in FY2007.

Fiscal prudence requires that we take a long–term view of our finances. Our focus must remain on making the necessary investments now to ensure our City's long-term stability and growth. We are using a portion of the extraordinary one-time resources generated this year to help address certain future long-term liabilities:

- The City is setting up a Retiree Health Benefits Trust Fund to help pay for the future cost of health benefits for City employees.

- The City is also reducing its debt by $200 million annually over the next four years to reduce its future cost for debt service.

- The City is taking steps now to reduce its debt burden by over $800 million in FY 2008 - 2010.

These are investments that the City is making now, with resources generated during the good times, for the future, whose outlook is uncertain.

The budget gaps in the out-years are significant. In FY2008, the budget gap is forecast now at $3.6 billion and the gaps in 2009 and 2010 are larger. Non-discretionary costs now exceed agency spending on services that New Yorkers demand and deserve by $4.7 billion. Pensions, Health Benefits, Medicaid and Debt Service are growing by 12.9% between this year and next year, while agency spending increases only 1.8%.

The City's budget will be balanced in FY2006 and we have produced a plan for balance in FY2007. Our hard work in maintaining the City's financial stability never ceases. Our continued success depends on our ability to grow our economy through investments in economic development and maintaining the quality of life in the City.

If we all continue to work together for our bright future, then there can be no doubt that New York's best days are yet to come.

Very truly yours,

Michael R. Bloomberg
Mayor

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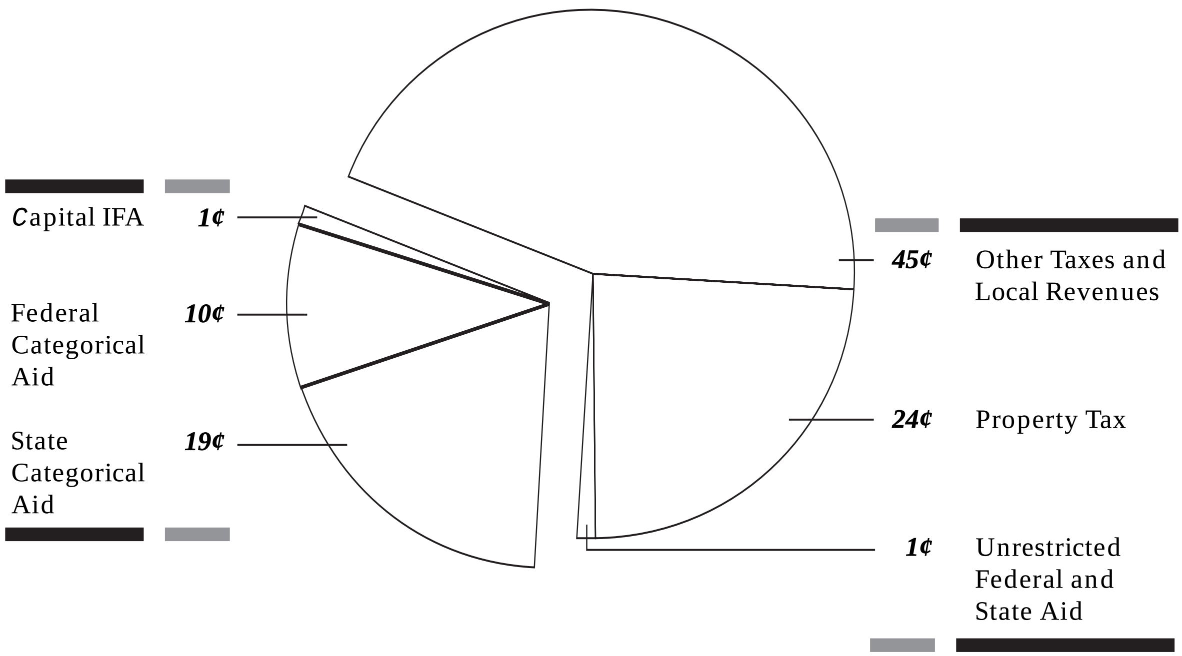
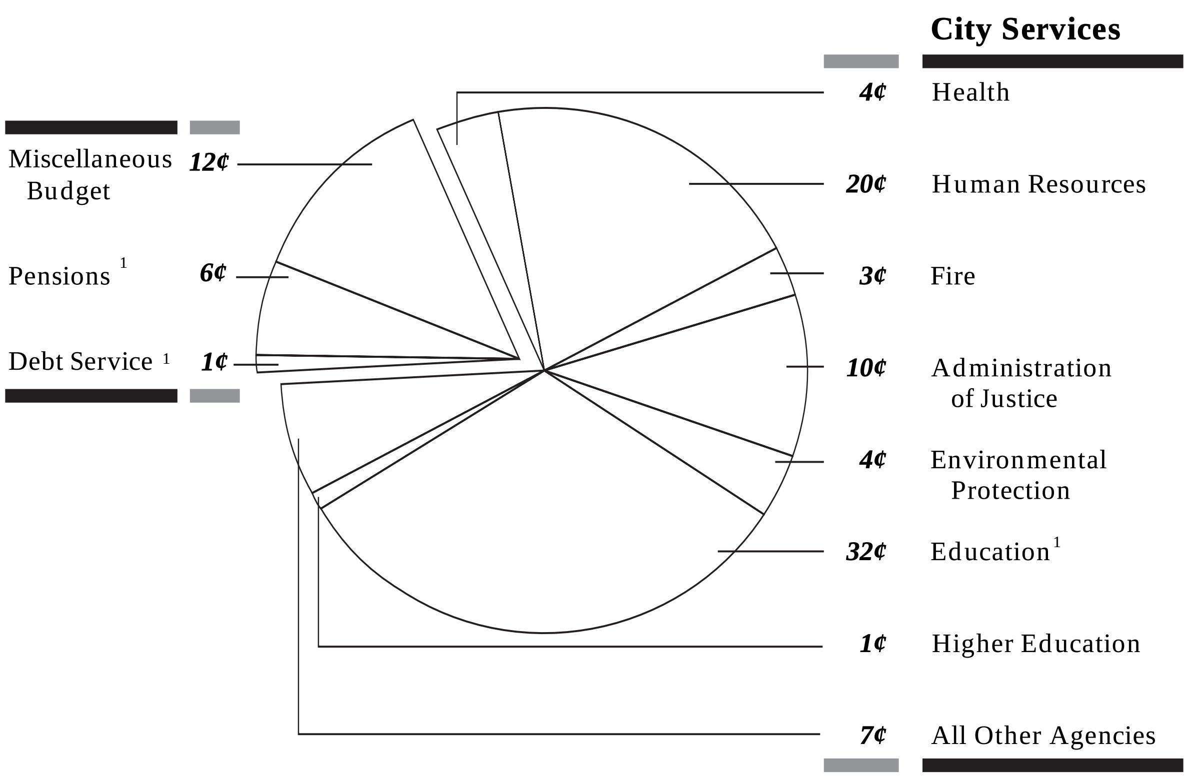


Where the 2007 Dollar Goes To



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

BUDGET AND FINANCIAL PLAN OVERVIEW

The Executive Budget is $52.7 billion. This is the twenty-seventh consecutive budget which is balanced under generally accepted accounting principles.

Major highlights of the Executive Budget and Financial Plan are:

- an operating surplus of $3,439 million is projected for 2006, which will be used to help balance the 2007 budget. Discretionary transfers of $3,264 million to the budget stabilization account and prepayments of $51 million in lease debt service and $124 million for a Transit Authority subsidy are provided in fiscal year 2006, which reduce equivalent costs in fiscal year 2007.

- the 2007 budget includes a general reserve of $300 million, while the 2006 budget 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.

- revenues and expenditures are balanced for 2006 and 2007 and gaps of $3.6 billion, $4.2 billion and $3.6 billion are projected for fiscal years 2008 and 2010, respectively, after implementation of the gap closing program.

- gap closing actions totaling $254 million, $349 million, $220 million and $219 million in 2006 through 2009, respectively, are assumed in the budget and four year financial plan from agency actions and Federal actions, which are offset by the cost of extending the property tax rebate in fiscal years 2008 and 2009 of $256 million.

- in both 2006 and 2007, $1 billion will be deposited into the Retiree Health Benefits Trust Fund to address future liabilities for employee health benefits.

- a cumulative $1.0 billion for Pay Go Capital ($200 million in each fiscal year from 2006 through 2010) is provided to reduce long term debt.

- TSASC restructuring will result in $500 million in out-year gap reduction.

- retirement of TFA debt in 2006 will provide budget relief of $16 million in 2007 and $350 million in 2008.

The 2007 Executive Budget is $1.9 billion lower than the 2006 forecast. After adjusting for the impact of prepayments and payments to the budget stabilization account, the 2007 Executive Budget is higher than the 2006 forecast by $2.3 billion. Major reasons for the increase are as follows:

- personal service costs are up by $1.5 billion both in total funds and City funds of which $0.9 billion reflects the rising cost of pensions, $0.3 billion increased fringe benefit costs (primarily health insurance) and $0.3 million for labor reserve costs for collective bargaining.

- other than personal service (OTPS) costs have increased by $0.8 billion in total funds and $1.4 billion in City funds. Of the $1.4 billion increase in City funds, $0.8 billion results from increasing debt service costs, $0.4 billion in agency OTPS and $0.2 billion in other mandated costs (primarily the general reserve).

Financial Summary—2001-2007
($ in Millions)

	Fiscal Years Ending June 30						
	2001*	2002*	2003*	2004*	2005*	2006**	2007***
Revenues							
Taxes:							
General Property Tax	$8,157	$8,648	$9,942	$11,445	$11,464	$12,437	$12,972
Other Taxes [1]	14,653	12,585	12,847	16,144	18,802	20,464	18,943
Tax Audit Revenues	401	485	571	576	600	712	509
Tax Reduction Program	—	—	—	—	—	—	—
Miscellaneous Revenues	4,953	5,129	4,258	4,583	6,352	5,161	4,807
Transitional Finance Authority - 9/11	—	—	1,500	—	—	—	—
Unrestricted Intergovernmental Aid	634	666	1,443	963	604	490	340
Anticipated State & Federal Actions	—	—	—	—	—	—	50
Less: Intra-City Revenue	(1,330)	(1,390)	(1,110)	(1,213)	(1,279)	(1,432)	(1,307)
Disallowances	(46)	—	(47)	(27)	(87)	(90)	(15)
Subtotal City Funds	$27,422	$26,123	$29,404	$32,471	$36,456	$37,742	$36,299
Other Categorical Grants	492	615	1,006	956	862	1,138	1,111
Inter-Fund Revenues	284	305	300	328	346	380	395
Total City & Inter-Fund Revenues	$28,198	$27,043	$30,710	$33,755	$37,664	$39,260	$37,805
Federal Categorical Grants	4,550	6,097	5,618	5,415	6,654	5,785	5,095
State Categorical Grants	7,768	8,030	8,317	8,454	8,823	9,602	9,804
Total Revenues	$40,516	$41,170	$44,645	$47,624	$53,141	$54,647	$52,704
Expenditures							
Personal Service	$21,183	$22,756	$23,608	$24,410	$26,885	$29,442	$30,926
Other Than Personal Service	17,390	18,409	18,681	19,568	21,804	21,916	22,249
Debt Service	324	704	1,819	2,429	2,086	1,237	3,965
MAC Debt Service Funding	—	5	225	502	111	5	10
Discretionary Transfers							
Debt Service	2,199	667	480	1,043	1,937	3,315	(3,315)
MAC Debt Service	458	—	—	—	—	—	—
Other [1]	287	14	937	880	1,592	124	(124)
	2,944	681	1,417	1,923	3,529	3,439	(3,439)
General Reserve	—	—	—	—	—	40	300
	$41,841	$42,555	$45,750	$48,832	$54,415	$56,079	$54,011
Less: Intra-City Expenditures	(1,330)	(1,390)	(1,110)	(1,213)	(1,279)	(1,432)	(1,307)
Total Expenditures	$40,511	$41,165	$44,640	$47,619	$53,136	$54,647	$52,704
Surplus/(Deficit) GAAP Basis	$5	$5	$5	$5	$5	$ —	$ —

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

The City's Executive Budget Financial Plan sets forth projected revenues and expenditures on a GAAP basis for the 2007 through 2010 fiscal years. 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)

	2007	2008	2009	2010
Revenues				
Taxes:				
General Property Tax	$12,972	$13,832	$14,488	$15,165
Other Taxes	18,943	18,871	19,426	20,359
Tax Audit Revenues	509	509	509	510
Tax Reduction Program	—	(256)	(256)	(256)
Miscellaneous Revenues	4,807	5,147	4,735	4,757
Unrestricted Intergovernmental Aid	340	340	340	340
Anticipated Federal Actions	50	—	—	—
Less: Intra-City Revenues	(1,307)	(1,305)	(1,307)	(1,307)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)
Subtotal City Funds	$36,299	$37,123	$37,920	$39,553
Other Categorical Grants	1,111	972	987	992
Inter-Fund Revenues	395	373	365	365
Total City & Inter-Fund Revenues	$37,805	$38,468	$39,272	$40,910
Federal Categorical Grants	5,095	5,094	5,090	5,090
State Categorical Grants	9,804	9,969	10,066	10,182
Total Revenues	$52,704	$53,531	$54,428	$56,182
Expenditures				
Personal Service				
Salaries and Wages	$19,098	$19,239	$19,332	$19,511
Pensions	4,891	5,614	5,859	5,724
Fringe Benefits	6,937	6,271	6,582	6,835
Subtotal - PS	$30,926	$31,124	$31,773	$32,070
Other Than Personal Service				
Medical Assistance	$4,935	$5,083	$5,222	$5,376
Public Assistance	2,198	2,202	2,202	2,202
Pay-As-You-Go Capital	200	200	200	200
All Other	14,916	15,168	15,547	15,863
Subtotal – OTPS	$22,249	$22,653	$23,171	$23,641
Debt Service	3,975	4,338	4,693	5,066
Budget Stabilization & Prepayments	(3,439)	—	—	—
General Reserve	300	300	300	300
	$54,011	$58,415	$59,937	$61,077
Less: Intra-City Expenses	(1,307)	(1,305)	(1,307)	(1,307)
Total Expenditures	$52,704	$57,110	$58,630	$59,770
Gap To Be Closed	**$—**	**$(3,579)**	**$(4,202)**	**$(3,588)**

When the 2006 budget was adopted in June 2005, budget gaps of $4.5 billion were projected for 2007 and 2008 and a $3.9 billion gap was projected for 2009. The following table details how expenses and revenues have changed from last year's Adopted through the 2007 Executive.

FINANCIAL PLAN UPDATE

($ in Millions)

	2006	2007	2008	2009
2005 Adopted Budget				
Surplus/(Gap)-Restated	**$—**	**$(4,507)**	**$(4,470)**	**$(3,925)**
Revenue Changes				
Property Tax Forecast	$(16)	$(164)	$(235)	$(234)
Real Estate Transaction Taxes	1,149	553	400	382
Tax Audit Revenue	200	—	—	—
Other Tax Revenue Forecast	2,296	1,858	1,516	1,539
TFA - Debt Retirement	(350)	16	350	
Restructure Outstanding TSASC	(232)	(121)	454	22
Lombardi Aid	(81)	(223)	(223)	(223)
Non Tax Revenues	216	312	79	75
Total Revenue Changes	$3,182	$2,231	$2,341	$1,561
Expense Changes				
Collective Bargaining	(666)	(1,088)	(1,188)	(1,188)
State Education Aid	35	300	337	337
Energy	(70)	(139)	(151)	(146)
HHC (includes MA)	(390)	276	81	(9)
Education	(94)	(295)	(296)	(296)
Debt Service and MAC	142	152	161	159
Medicaid/Lombardi Aid	531	223	223	223
Pension Changes to Assumptions and Methods	924	567	(165)	(465)
Retiree Health Benefits Trust Fund	(1,000)	(1,000)	—	—
Other Agency Expenditures	(69)	(508)	(416)	(416)
Re-estimate of Prior Year's Expenses	400	—	—	—
Reduce General Reserve to $40 Million	260	—	—	—
Total Expenditure Changes	**$3**	**$(1,512)**	**$(1,414)**	**$(1,801)**
Gap Closing Program				
Agency Actions	$254	$299	$220	$219
Federal Actions	—	50	—	—
Total Gap Closing Program	**$254**	**$349**	**$220**	**$219**
Extend Property Tax Rebate	—	—	(256)	(256)
Budget Stabilization and Discretionary Transfers	(3,439)	3,439	—	—
Remaining (Gap)	**$—**	**$—**	**$(3,579)**	**$(4,202)**

Exec07 Revised 05/23/06.

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

City Revenue and Expense Growth

	2006	2007	2008	2009	2010
Revenues	**$36,795**	**$36,299**	**$37,123**	**$37,919**	**$39,553**
Year-to-Year Change	$739	($496)	$824	$796	$1,634
Year-to-Year Change	2.0%	(1.3%)	2.3%	2.1%	4.3%
Expenditures					
Controllable Agency Expenses	$17,216	$17,522	$17,705	$17,992	$18,273
Year-to-Year Change	$799	$306	$183	$287	$281
Year-to-Year Change	4.9%	1.8%	1.0%	1.6%	1.6%
Non-Controllable Agency Expenses[1]	$19,669	$22,216	$22,997	$24,129	$24,868
Year-to-Year Change	$1,641	$2,547	$781	$1,132	$739
Year-to-Year Change	9.1%	12.9%	3.5%	4.9%	3.1%
Total Expenditures	**$36,885**	**$39,738**	**$40,702**	**$42,121**	**$43,141**
Year-to-Year Change	$2,440	$2,853	$964	$1,419	$1,020
Year-to-Year Change	7.1%	7.7%	2.4%	3.5%	2.4%
Operating Results-Surplus/(Deficit)	**($90)**	**($3,439)**	**($3,579)**	**($4,202)**	**($3,588)**
Prepayments					
Current Year Surplus	($3,439)	$0	$0	$0	$0
Prior Year Surplus	$3,529	$3,439	$0	$0	$0
Net Prepayments	**$90**	**$3,439**	**$0**	**$0**	**$0**
Gaps to be Closed	**$0**	**$0**	**($3,579)**	**($4,202)**	**($3,588)**

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

Employment Levels

The Executive Budget provides funding for an increase of 2,183 City funded positions in 2007 over the staffing levels projected in the 2006 Adopted Budget. The primary changes are:

- an increase of 800 uniformed Police personnel and 400 full-time civilians.
- an additional 498 full time positions in Children Services primarily for the Intensive Family Services Unit and contracting-in for security and information technology services.
- 440 HASA Housing and Case Management Services workers formerly funded by Federal Grants.
- an increase of 108 EMS positions in the Fire Department.

After providing for the increased staffing outlined above, June 2007 projected staffing levels are still significantly less than staffing levels as of December 2001 as follows:

	December 2001 Total	June 2005 Adopted Budget June 2007 Total	May 2006 Executive Plan June 2007 Total
City Employees			
City Funded Employees	269,956	256,475	258,635
Non-City Funded Employees	41,848	46,212	46,723
Total Employees	311,804	302,687	305,358
Non-City Employees Paid by City Subsidies [1]			
Health and Hospitals Corporation	37,941	37,704	37,945
Housing Authority	14,863	13,345	13,125
Libraries	4,428	3,707	3,615
Cultural Institutions	1,728	1,512	1,366
School Construction Authority	933	453	453
All Other	1,241	1,470	1,490
Sub-Total	61,134	58,191	57,994
Grand Total (Full-Time and FTE's)	**372,938**	**360,878**	**363,352**
City Funded Employees	**316,227**	**301,316**	**303,499**

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

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

FEDERAL AND STATE AGENDA

OVERVIEW

For the second time in over twenty years, the New York State Legislature passed a budget by the April 1st statutory deadline; this budget has subsequently been certified by the State Comptroller. The Governor vetoed approximately $3 billion worth of items in the budget on either fiscal or constitutional grounds. The State Legislature overrode virtually every veto issued by the Governor. Additionally, over $1 billion in the Temporary Assistance to Needy Families (TANF) surplus and $200 million for the Environmental Protection Fund (EPF) have not yet been appropriated. There are still constitutional issues that exist with many of the overrides and it is unclear at this time whether litigation will ensue or if legislative fixes will be passed.

The most significant action in the Adopted State Budget this year is the inclusion of additional capital funding to cover the State's share of the City's $13.1 billion school capital construction plan. The State's contribution will assist the City in carrying out projects such as facility construction and rehabilitation, technology upgrades and system modernizations. The State provided $1.8 billion in EXCEL capital funding and a commitment to provide State building aid for half of the authorized $9.4 billion in financing through the Transitional Finance Authority for school capital projects.

Since the 2007 State Budget has already been passed, there is no State Gap closing Agenda in the City's Executive Budget for 2007. The 2007 Executive Budget includes a menu of items that totals approximately $920 million to help meet a Federal Agenda target of $50 million. The Federal Agenda proposes equitable reimbursement to New York City for undertaking mandated functions. Additionally, greater flexibility in the use of Homeland Security funds and adequate funding for child care are included as part of the Agenda.

FEDERAL AGENDA

Federal Initiatives to Close the Gap

Increase Title I funding to Authorized Levels

The Federal No Child Left Behind Act (NCLB) was created in 2001 to change the way Federal education aid is distributed by holding states and school districts accountable for the academic achievement of all students. In order to achieve this goal, the NCLB Act mandates very high standards of achievement and outlines a series of remedies if those standards are not attained. While high standards are necessary to meet our children's needs, the Federal government has not provided adequate funding for school districts to meet these mandates. When NCLB was enacted in 2001 specific funding levels were authorized in law. However, actual annual appropriations have been far less than the original authorized amounts. The 2006 Federal budget cut national funding for Title I Grants to local governments by approximately $29 million and also cut funding for other Title I programs which are intended to improve the academic performance of disadvantaged school children. The City seeks adequate funding for Title I in the 2007 Federal Budget to assist New York City in providing the educational services required in NCLB. If Title I were fully funded in 2007 and beyond, the City would receive an estimated additional $684 million annually.

Fund Criminal Justice Programs at the Authorized Levels

The State Criminal Alien Assistance Program (SCAAP): The Federal government reimburses states and localities for a portion of the costs of incarcerating illegal aliens who have been convicted of one felony or two misdemeanor offenses. In past years, the City has received $30 million annually to partially offset the costs of keeping these individuals in local jails through the State Criminal Alien Assistance Program (SCAAP). However, this allocation has been reduced in recent years, reaching a low of $15.9 million in 2005, shifting even more of the cost of housing these individuals to the City. The City's jail system holds more than 8,000 criminal illegal aliens each year at a cost of more than $80 million. Cuts in this program force the City to divert already scarce law enforcement resources away from crime prevention and homeland security efforts. The City requests that SCAAP be funded at an appropriate level to cover the full cost of this program which will provide the City with an additional $64 million annually.

Justice Assistance Grants: In 2005, the Byrne Formula grants and Local Law Enforcement Block Grants were merged into the Justice Assistance Grant program (JAG). In the first two years that JAG was available, the Federal appropriation dropped 56 percent, from a total of $725 million in 2004, just before the programs were combined, to $321.5 million in 2006. In that time, New York City's allocation decreased from $11.4 million before the implementation of JAG to $4.8 million in 2006. The City uses JAG funds for important public safety projects such as 911 operators. The reauthorization bill for the Department of Justice signed in January 2006 authorizes JAG at a level of approximately $1.1 billion in 2006. New York City requests that JAG be fully funded at a level of at least $1.1 billion which would provide the City with an additional $12 million in 2007.

Provide Reimbursement for UN Protection and Adequate Future Funding

Under an agreement with the State Department, New York City provides extraordinary security measures for the protection of dignitaries and foreign missions for special international events held in the City. Although the State Department reimburses the City approximately $7 million a year for these services, the cost of providing protection has increased beyond the current reimbursement level. The City is seeking $73 million in 2007, which would include the reimbursement of $50 million in unpaid costs from 2002-2006 and an increase in the annual reimbursement rate from $7 million to $23 million for providing this special UN protection. This would give the City with an additional $66 million in 2007 and an additional $16 million each year thereafter.

Provide Adequate Child Care Funding to Meet TANF Work Requirements

The Deficit Reduction Act of 2005 reauthorized the Temporary Assistance to Needy Families (TANF) program for five years. Policy changes that included re-basing the year for the caseload reduction credit, counting families receiving state assistance in the calculation for work participation and requiring the Secretary for Health and Human Services (HHS) to define eligible work activities, may challenge state and local efforts to achieve Federal work participation rates. Therefore the City urges HHS to provide states with flexibility in developing eligible work activities for TANF recipients that will count towards the work participation rate. Further, with the change in the Federal work requirements there is now an increased need for additional child care funding as more working families will need child care.

TANF reauthorization included an increase in funding for the Child Care Development Block Grant (CCDBG) by $1 billion over a five year period. New York City expects to receive an additional $7 million annually. This additional funding supports approximately 875 child care slots, an insufficient amount to address the City's expanded child care need due to the more rigorous work participation requirements of TANF reauthorization. The City urges Congress to increase child care funding by $6 billion over five years, as proposed by the Senate in 2004. Based on the Federal 2005 allocations, it is estimated that the City would receive $46 million a year in additional funds, which would support approximately 5,700 additional child care slots. Increased funding will allow the City to help TANF recipients achieve self-sufficiency and thus comply with the new Federal mandates.

Revise Foster Care Eligibility

Prior to 1996, a child's eligibility for Title IV-E foster care payments was linked to the child's eligibility for the Title IV-A (Aid to Dependent Children or ADC) program. When The Personal Responsibility Work Opportunity Responsibility Act (PRWORA) was passed by Congress in 1996, the ADC program was ended and replaced by TANF. However, the prior program's eligibility criteria remained as a condition of Title IV-E eligibility. The City supports an amendment to Title IV-E of the Social Security Act to link the eligibility of a child for foster care payments to existing Federal poverty guidelines rather than the current eligibility that is based on the ADC program. Furthermore, in cases where information on parental income is not available and the child has no resources, the child's income should be used to determine IV-E eligibility. Children in foster care would therefore qualify for Federal reimbursement based upon their family's current income eligibility.

Ten years after the enactment of PRWORA, it is unfair and illogical to expect states to continue to apply the requirements of an obsolete program. Basing Title IV-E eligibility on poverty indices would allow this determination to be made much more quickly and easily as well as allow the Federal government to support the care of children already eligible for Federal support. Currently, the City's Administration for Children's Services (ACS) spends an estimated $750 million in foster care services and related administration of which 52 percent is IV-E eligible. Approximately 5,000 of the children currently in ACS care are not IV-E eligible for reasons including the current income guidelines. If 25 percent of these children were to become IV-E eligible under changes to Federal law, the City could realize approximately $28 million in additional Federal aid.

Reprogram CDBG Funds Distributed Outside the Formula Allocation

The Federal Community Development Block Grant (CDBG) Fund allocates formula grants as well as Economic Development Initiative Grants. New York City currently receives a CDBG entitlement formula grant which the City uses for a wide range of programs including residential emergency repair, maintenance and upgrade of City-owned, tax foreclosed housing and neighborhood redevelopment; economic development programs such as neighborhood commercial revitalization; sanitation programs such as vacant lot clean-up and many other public service programs that are vital to New York City citizens. Over the past years, New York City's CDBG formula grant allocation has been cut by a total of $37 million. The 2006 Federal Budget reduced the City's grant by 10 percent alone. These significant cuts will affect necessary community services that New York City provides.

The Economic Development Initiative (EDI) grants are allocated out of the CDBG Fund at Congress' discretion. In addition, they are not required to principally benefit low- and moderate-income persons, as is required under the formula grants. Since New York City and other localities have had major cuts to their formula grant allocations in the past few years, New York City is proposing that EDI grants funding be included in the CDBG formula grants allocation, which will make more funds available to localities for important needs-based programs. Based on the 2006 Federal CDBG appropriation, if the $310 million which was allocated to the EDI grants were to be combined with the $3.7 national CDBG formula grant appropriation, New York City would be eligible for approximately $15 million in additional funds based on our current percentage of formula grants.

Reimburse the City for Outstanding Foreign Dignitary Parking Tickets

In 2002, the State Department and New York City agreed to a historic parking program that has dramatically reduced illegal parking by the diplomatic community and improved the collection of payments for summons issued. Since the implementation of the program, the rate of summonses resolved increased from 9 percent to 67 percent. Not only has the program generated more revenue for the City, it has reduced the number of parking violations issued. Given the success of this program, the City is seeking to collect fines accrued prior to the implementation of the program. More than 170 countries owe the City over $18 million prior to the 2002 agreement.

The 2006 Foreign Operations Appropriations bill included a provision that withheld 110 percent of the amount owed to the City from scofflaw countries, except aid that is determined to be in the national interest. The City supports incorporating similar language into the 2007 appropriations and supports applying this funding to unpaid fines and penalties dating back to April 1, 1997.

CONTRACT BUDGET

The Contract Budget is presented as part of the 2007 Executive Budget submission. The Contract Budget includes all projected expenditures for contracts that are personal service, technical or consulting in nature, as defined in Section 104 of the City Charter. Purchase orders and open market orders, as well as small purchases that do not require registration by the Comptroller's Office, are included in the Contract Budget. Contracts for the purchase of supplies, materials and equipment are not included.

The 2007 Executive Contract Budget contains 17,725 contracts totaling over $7.79 billion. Approximately 77 percent of the total contract budget dollars will be entered into by the Department of Social Services, the Administration for Children's Services, the Department of Homeless Services, the Department of Health and Mental Hygiene and the Department of Education. The Administration for Children's Services has over $1.33 billion in contracts, over 72 percent of which represents contracts allocated for Children's Charitable Institutions ($467 million) and Day Care ($499 million). Of the over $2.62 billion in Department of Education contracts, approximately 35 percent are allocated for pupil transportation contracts ($917 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 2006 Modified Budget condition for these contract object codes.

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

	Est. # of Contracts	Dollars (Millions)	% Total Dollars
Social Service Related and Health Services .... • Home Care, Child Welfare, Employment Services, Public Assistance, Day Care, Family Services, Homeless Programs, AIDS, Senior Citizen Programs, Health, Mental Hygiene, & Prison Health, etc.	4,584	$3,640	46.7%
Youth and Student Related Services .... • (including Transportation of Pupils and Payments to Contract Schools)	1,537	1,840	23.6
Other Services .... • Custodial, Security Services, Secretarial, Cultural Related, Employee Related, Economic Development, Transportation, Municipal Waste Exporting, etc.	2,862	904	11.6
Professional Services/Consultant .... • Accounting, Auditing, Actuarial, Education, Investment Analysis, Legal, Engineering & Architectural, System Development & Management Analysis, etc.	4,623	1,000	12.8
Maintenance & Operation of Infrastructure .... • Lighting, Streets, Buildings, Parks, Water Supply, Sewage and Waste Disposal,etc.	1,789	224	2.9
Maintenance of Equipment .... • Data Processing, Office Equipment, Telecommunications & Motorized Equipment, etc.	2,330	190	2.4
TOTAL	17,725	$7,798	100.0%

BOROUGH PRESIDENTS' PROPOSED REALLOCATIONS

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

The Queens Borough President proposed increasing allocations by $148 million. Among the suggested increases are $16.6 million to the Queens Public Library, $15.3 million to Cultural Affairs, $35 million for youth programs, $10 million for seniors, $21 million for the City University of New York, $11.7 million for Parks, $4.7 million for housing programs, $24 million for health and mental health programs.

The proposed funding sources come from eliminating the property tax exemption for Madison Square Garden, procurement consolidations and efficiencies, converting the multiple dwelling registration flat fee to per unit fee, energy conservation at municipal agencies, expanding the bottle bill in New York City to capture unclaimed deposits, eliminating school year jury duty for teachers and ending the City's use of outside contractors for elevator inspections.

The Manhattan Borough President proposed increasing allocations by $380 million. Among suggested increases are $10 million to the Administration of Children's Services, $14 million to the Department for the Aging, $50.1 million to the City University of New York, $19 million for education, $163 million for the Health and Hospital Corporation, $25.3 million for health and mental health services, $39.8 million for the New York Public Libraries, $13.4 million for the Department of Parks and Recreation, $30 million for youth and community development, $10.5 million for homeless services, $5 million for cultural affairs and $350 thousand for the Department of Buildings.

The proposed funding sources come from use of $350 million set aside by the Mayor from tobacco revenues and $176 million in tax revenues raised by implementing the IBO Progressive Personal Income Tax Proposal.

The Borough Presidents of Queens and Manhattan have not proposed specific borough reallocations of appropriations.

COMMUNITY BOARD PARTICIPATION IN THE BUDGET PROCESS

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

Each community board receives an annual budget to pay for a district manager, support staff and other operating expenses. In 2007 the uniform base budget for each community board is $185,695. This excludes the cost of office rent and heat, light and power, which are in a separate unit of appropriation. Included in the rent unit of appropriation are funds for the cost of the move and telephone installation for community boards which plan to move in 2007.

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

Each year agencies that deliver local services consult with community boards about budget issues and the needs of the districts, prior to preparing their departmental estimates. The boards then develop and prioritize their capital budget requests (up to 40) and expense budget requests (up to 25). For 2007 community boards submitted 1,614 capital requests to 28 agencies and 1,310 expense requests to 35 agencies. Almost two-thirds of the community board capital budget requests seek improvements to streets, sewers and parks. Community board expense budget requests concentrate on Citywide programs and personnel increases.

Boards also rank agencies' local service programs by their importance to the community. For 2007 community boards ranked 85 programs within 24 agencies. The top five programs are police patrol, services to the elderly, parks maintenance, emergency medical services and youth programs. Historically, local services have been the highest ranked.

District specific budget information is available in the following geographic budget reports, which accompany the release of the 2007 budget.

Register of Community Board Budget Requests for the Executive Budget, Fiscal Year 2007 – 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 2007 – details the expense budgets of fourteen agencies that deliver local services by borough and service district. Includes 2007 Executive Budget information as well as 2006 current modified budget and budgeted headcount data (as of April 10, 2006).

Executive Capital Budget for Fiscal Year 2007 – 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 2007 Executive Budget Commitment Plan – presents information on capital appropriations and commitments by community board, including implementation schedules for each month of 2006 and the succeeding four years for all active project identifications by budget line.

ECONOMIC OUTLOOK

Overview

After an extremely sluggish start to the recent recovery, the U.S. economy took off in 2004 as hiring progressively intensified. Real GDP posted growth of 4.8 percent and more than half a million jobs were created in the latest quarter.* The economy is currently headed for a much anticipated soft landing in response to policy actions of the Federal Reserve Bank. The housing market is expected to soften, which in turn will dampen consumption spending. A slowdown in capital investment is likely to occur next year. After averaging 3.3 percent in 2006, real GDP growth is forecast to bottom out in 2007 at 2.5 percent.

It is now clear that strong residential investment, as well as the consumer spending induced by mortgage equity withdrawals, helped to maintain growth in spite of hurricanes, skyrocketing energy prices and destabilizing events in the Middle East. The main worry right now is that a decelerating economy will likely be more vulnerable to external shocks than it has been. Offsetting this risk are the strong positions of financial intermediaries and investment banks, large cash holdings of U.S. corporations, and robust investor confidence worldwide. After the anticipated soft landing in 2007, the economy should return to long-term real GDP growth of around 3.0 percent and employment growth of roughly 1.0 percent, all within a very stable 2.2 - 2.4 percent range for inflation.

In New York City the most recent economic slump lasted through 2003. The economy began to turn around in 2004, and 2005 was the first year of substantial growth. This growth was aided by robust revenue on Wall Street, intense real estate activity and record tourism. As in the past, the securities sector has spearheaded the turnaround by infusing money into ancillary sectors as well as into the real estate market. The increases in income and wealth have translated into growth of 49,000 jobs or 1.4 percent in 2005. As a result, vacancy rates and rental prices in the commercial real estate market responded positively. Residential real estate prices have soared, catalyzing new development in some areas for the first time in decades. Tourists have also had a huge effect on the City, as their great numbers pushed hotel room rates above pre-9/11 levels to more than $240 per night and led to significant expansion in the leisure & hospitality sectors.

The City's economy is poised to continue to grow in 2006, adding an expected 45,000 jobs while wage earnings increase 5.5 percent. Wall Street will benefit from robust M&A activity and decent returns on equity holdings. By year's end, increasing interest rates will take their toll on the housing market, resulting in a drop in prices and transaction volume from last year's historic highs. Higher interest rates along with the slowing national economy will have a deleterious effect on Wall Street profitability and bonus payouts in 2007. In tandem with the anticipated national slowdown, these factors will result in a modest increase of 22,000 new jobs in the City in 2007 as wage earnings grow by a little over two percent. From 2008 to 2010, the City should add over 35,000 jobs per year as earnings grow by almost five percent per year.

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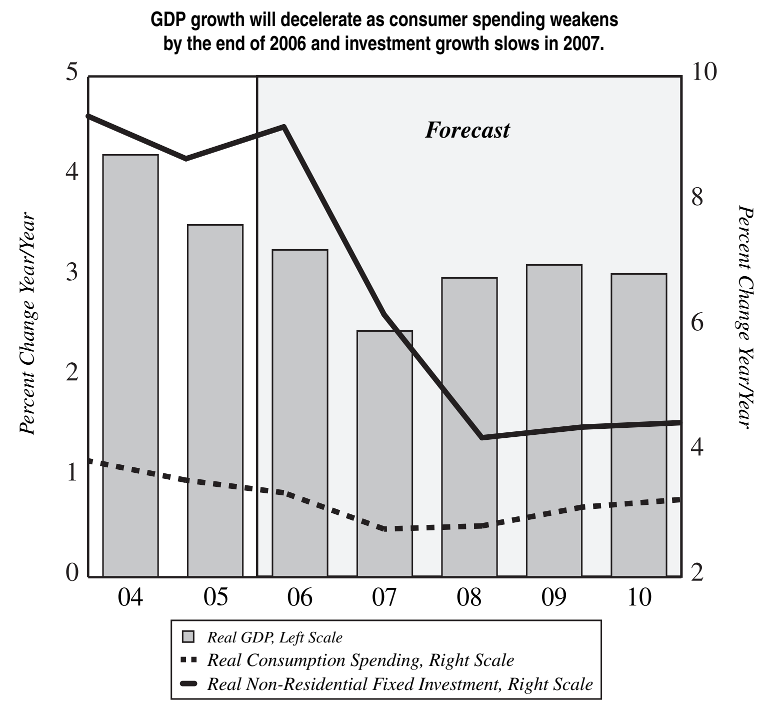
* *All economic data are reported on a calendar year basis.*

The U.S. Economy

The U.S. economy is on firm ground after six years of expansion. In spite of a series of local and global challenges, the world's largest economy has been performing remarkably well. During the last three years, real GDP grew by an average of 3.5 percent. At the present time, a cyclical correction is underway under the stewardship of the Federal Reserve as GDP growth is forecast to slow to 2.5 percent in 2007 in response to rising interest rates. A softening housing market will pull down consumption spending growth, and more significantly, residential fixed investment by the middle of 2006. Other forms of capital investment will slow starting next year. Inflation is expected to remain tame, but a tightening job market, stronger global economic growth, and rising oil prices all pose risks for higher inflation.

One of the most surprising aspects of this recovery has been the acceleration of employment growth so late in the business cycle. Buoyed by a glut of capital equipment remaining from the previous expansion, the first two years of the current economic recovery exhibited productivity gains at an annual rate of close to four percent. This resulted in "jobless" growth. As the recovery gained momentum, both demand for labor as well as capital inputs increased substantially. In 2004 and 2005, the economy absorbed 3.5 million jobs, a rate of 1.3 percent annual growth, while gross private domestic investment surged by an average of 8.6 percent. Job growth was strongest in construction, professional & business services, leisure & hospitality, and in education & healthcare.

U.S. GDP, INVESTMENT AND CONSUMPTION



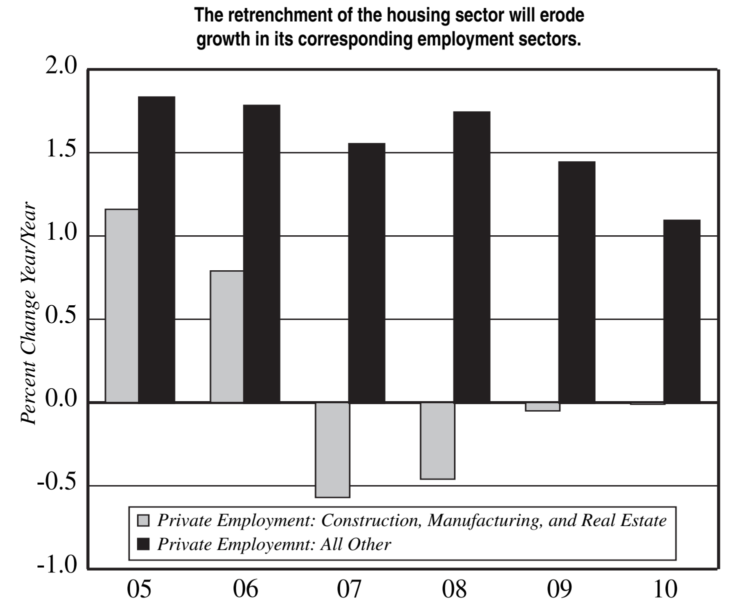
The housing market provided the main fuel for the second half of the recovery. It directly contributed in the form of residential fixed investment and indirectly boosted consumer spending through mortgage equity withdrawals and the wealth effect from increased home equity. The general impression is that the housing market has expanded beyond a sustainable level and is currently on its way to a correction. Many leading housing indicators are pointing down. The ratio of inventory of new homes-to-sales has risen to its highest level in a decade, affordability has been declining steadily and homebuilders' confidence has plummeted as cancellations for new homes have soared.

Nationally, the housing market is expected to soften with a slowdown in sales and prices weakening. The decline should be gradual as real estate continues to benefit from some of the factors that lifted it in the first place: growth in income and employment, and favorable demographics. Baby boomers have been a vital force for this market. From 1990 to 2004, there has been a 63 percent increase in the population of age 45-59 years, concomitant with a 53 percent increase in the number of homeowners of the same age cohort.[1] The favorable age composition of the population combined with income and job growth should continue to act as a sustained tailwind. Mortgage rates, however, are on their way up - the incremental rise in mortgage rates by almost a full

1. *Source: U.S. Census Bureau*

percentage point in less than a year has been the major factor eroding affordability.

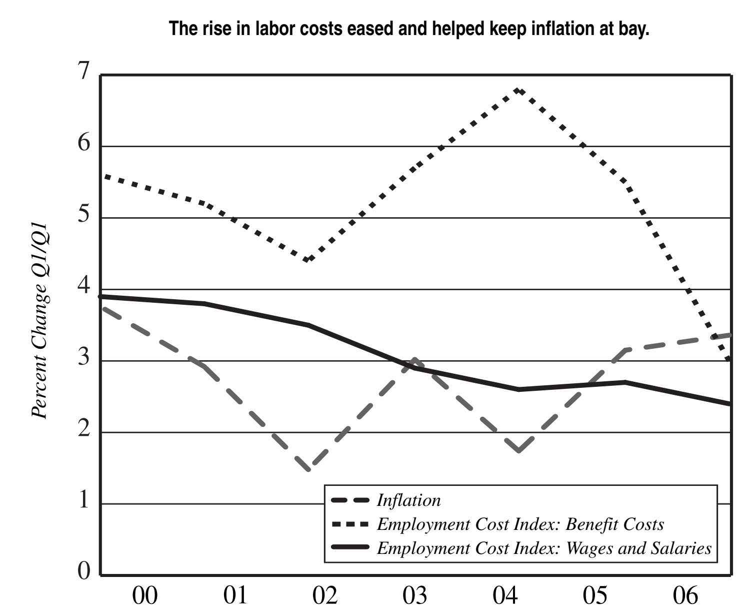
U.S. EMPLOYMENT



The sectors that previously prospered due to the housing boom will naturally be affected the most as the economy takes a breather, particularly construction, real estate, and some sub-sectors within trade and manufacturing. On the positive side, professional & business services, information, and the non-cyclical education & health services are not expected to be affected by the slowdown. Overall U.S. payroll employment growth is forecast to ease to 1.1 percent in 2007 from 1.4 percent in 2006 and will remain in that range for the rest of the forecast period. As a result, the unemployment rate will move up a notch to around 5.0 percent, consistent with long-term potential real GDP growth of roughly 3.0 percent.

The most surprising macro-economic aspect of the current recovery has been doggedly subdued core inflation. The increase in the core consumer price index (excluding food & energy) has been hovering around 2.1 percent and the core PCE (personal consumption expenditure) deflator is at an even more comfortable 2.0 percent. Part of the explanation for such stable consumer prices can be found in employers' ability to reign in labor costs. First quarter 2006 data indicated wage cost increases fell below inflation for the second straight year and benefit cost growth decelerated significantly. In addition, there are other countervailing structural factors that have helped to keep core inflation at bay. The most noteworthy are the steady decline in labor union membership, trade liberalization, deregulation, and the increasing application of technology and capital-intensive methods of production. The core rate of inflation is forecast to remain stationary at 2.3-2.4 percent.

INFLATION, WAGES AND BENEFIT COSTS

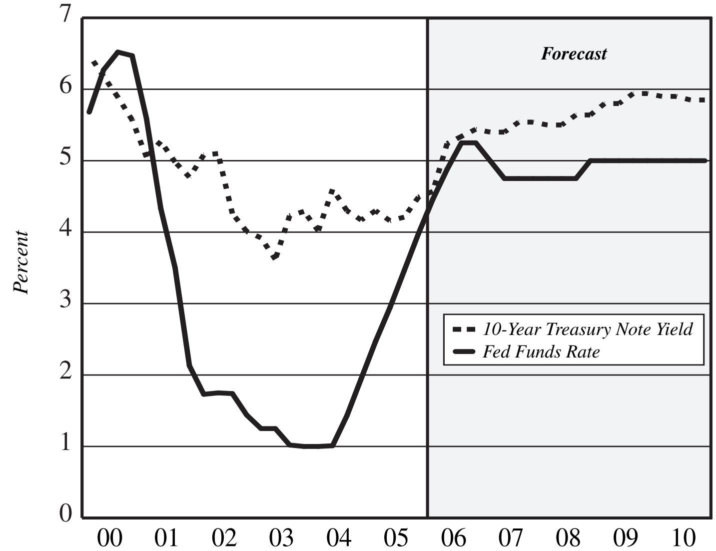


Although energy price increases have not penetrated to core inflation, the added volatility and uncertainty of oil prices still play a role in inflationary expectations and the financial markets. Given the U.S. Energy Information Administration's forecast of narrow global spare capacity and increasing global demand, the current chaotic geopolitical situation adds considerable risk to the future of headline inflation. Assuming that the energy market does not go for another wild ride, headline inflation should decelerate from the current rate of 3.4 percent to 2.3 percent, which puts it equal to the core rate by the end of this year. The anticipated deceleration in headline inflation is the most uncertain part of the inflation forecast at this time because it rests on the assumption that energy prices will stabilize by the end of the year.

The Federal Reserve is currently trying to ensure that cyclical growth does not push the economy into the inflationary zone. In its latest monetary policy statement the Fed expects economic growth to "moderate to a more sustainable pace" and it stressed that "further policy firming may be needed". The best guess for now is that the Federal Funds rate will be lifted to 5.25 percent by June of this year and the 10-year Treasury yield is expected to rise to 5.4 percent by the end of the year. The new Chairman of the Federal Reserve Bank attributes the persistently flat yield curve to a low real interest rate risk premium, a low inflation risk premium and to the global savings glut. Although this may have allayed fears that the flat yield curve does not indicate economic weakness at this time, his intent to more closely follow economic indicators may result in more volatility as bond market players frantically try to interpret ambiguous economic and financial data.

INTEREST RATES

The yield on 10-Year Treasury Notes has reacted minimally to Federal Funds Rate increases. The yield spread will remain relatively narrow in the outyears.



Years of low borrowing costs, high productivity and respectable GDP growth have produced high profit margins for businesses in the nation. Corporate profits, after adjusting for depreciation allowance and inventory valuation, have more than doubled from their trough five years ago, reflecting an average growth of over 15.0 percent on an annual basis. Over the same period, however, investment (nominal non-residential fixed) grew by an average of only 3.1 percent, leaving corporations awash with cash. Going forward, the colossal amount of cash accumulation and the low leverage position of corporations will have the effect of prolonging the investment cycle. However, with interest expenses rising fast and productivity gains decelerating, profit margins will start to narrow long before the investment cycle ends. Corporate profits growth is forecast to go into slightly negative territory in 2007.

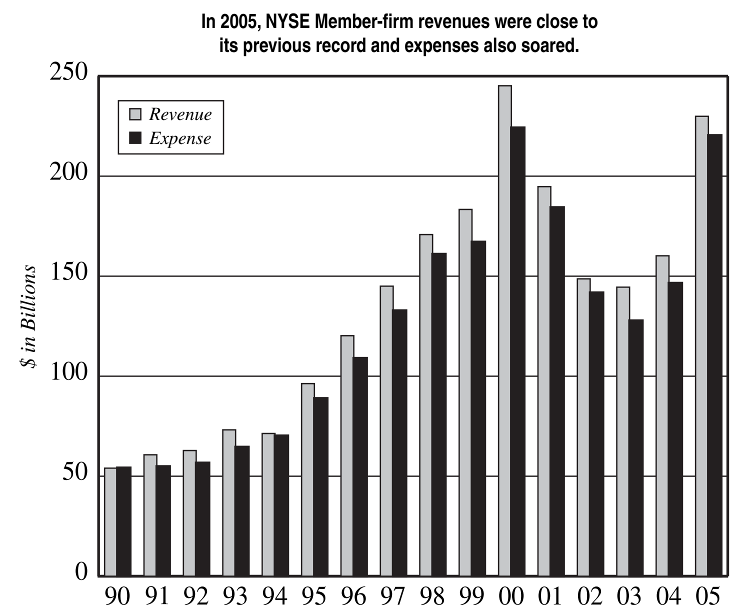
Although the economy is assumed to return to its long-term trend growth of 3.0 percent, there are several weak points that could derail the journey. At this time, the one big risk to the economic outlook is that the debt-laden consumer could retrench more than expected if home prices fall precipitously instead of undergoing a slight correction. Higher interest rates, slower job growth and an uncontrolled run-up in energy prices are also potential hazards in this scenario. The more hawkish Federal Reserve will likely err on the side of further monetary tightening in such a stagflationary environment.

The New York City Economy

New York City's economy kept pace with the nation in 2005 by adding 49,000 jobs, growth of 1.4 percent, marking the best year of employment gains since 2000. The City's resurgence was led by a strong year on Wall Street, a record number of tourists and vigorous real estate markets. The momentum built by these sectors has placed the City on its way toward another solid year of growth in 2006. It has become evident, however, that the City will face some challenges in 2007 as national economic growth eases, the housing market softens, and Wall Street activity ebbs.

As typical for New York City, Wall Street led the way in 2005. Gross revenues for New York Stock Exchange (NYSE) member firms rose to their highest level since 2000 on the strength of M&A activity and strong investment and trading gains. However, net profits were modest for the year at only $9.4 billion, as revenue gains were partially offset by higher interest costs and rising compensation in the form of both new jobs and large bonus payouts. Employment in the sector jumped by nearly 3.7 percent to 171,000 while bonuses are estimated to have been over $21 billion in 2005. So far, preliminary results for the first quarter of 2006 show that Wall Street has succeeded in retaining this momentum, with the M&A cycle in full swing and equity markets showing some early trading gains. Hiring is likely to continue as the securities sector will add 5,000 jobs in 2006 and total bonuses will hold at 2005 levels. Rising interest rates and the nation's cyclical slowdown are expected to cause the securities sector to stall in 2007; the industry will refrain from hiring and bonuses will fall back by 25 percent. The sector should return to trend growth in 2008-2010.

NYSE MEMBER FIRMS



The securities sector drives the other main office-using sectors: professional & business services and information. Growth in both of these sectors was decent in 2005. Business services increased by 13,000 jobs for the year with gains in accounting, architecture & engineering, computer systems design, consulting, and advertising. It is anticipated that the professional & business services sector will continue to add jobs in 2006 and 2007. The information sector added 3,000 jobs in 2005 and is expected to add 5,000 more in 2006, before tapering off in 2007. Both sectors will grow steadily in 2008-2010.

The strong performance in 2005 by these office-using sectors[2] resulted in significant tightening in the Nation's largest and most sought after commercial real estate market. Vacancy rates across New York City declined, most substantially in the Midtown market. By the end of 2005, Midtown's primary market vacancy rate had fallen to 7.6 percent,[3] posting its second consecutive strong year of leasing activity and net absorption. With pressure building, asking rents rose 3.3 percent (2005Q4 vs. 2004Q4). This trend continued into the first quarter of 2006, with vacancy rates sliding to 7.5 percent and asking rates perking up over six

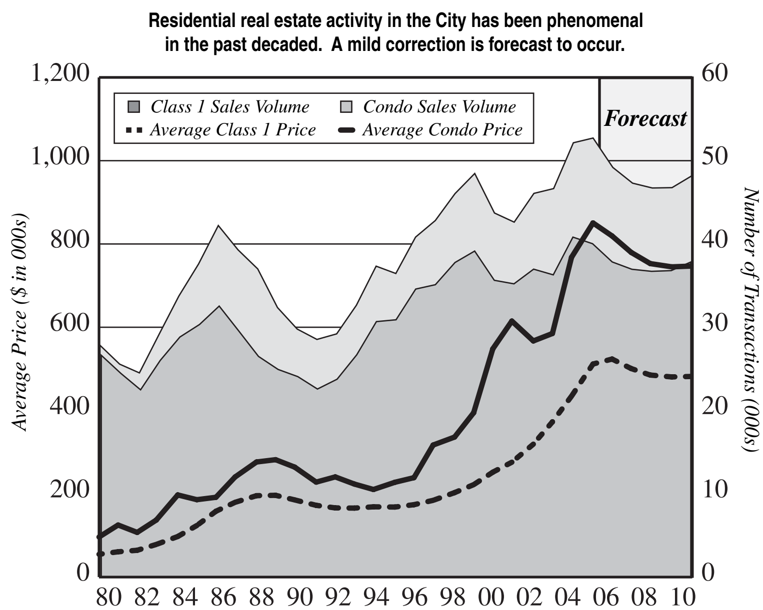
2. *Office-using sectors are defined as finance, professional & business and information services.*
3. *Office data compiled using statistics published by Cushman & Wakefield.*

percent year-over-year. With very limited additional supply coming on line in the Midtown market[4] and office employment relatively strong, vacancy rates are expected to drop to under 7.0 percent in 2006 and to remain there for the rest of the forecast period. Vacancy rates will remain below the "equilibrium rate",[5] pushing rents up roughly seven percent per year throughout the forecast.

Conditions in the Downtown office market are also expected to improve as rising pressure in Midtown begins to spill over while a series of residential conversions removed some older vacant space from the inventory. New supply, namely the completion of 7 World Trade Center in the second quarter of 2006 and the 1.5 million square foot Goldman Sachs headquarters in 2008-2009, will prevent vacancy rates from dropping below 10 percent through the forecast period.

The other main driver of the City's economy has been the residential real estate market. Historically, residential real estate in the City has followed a cyclical trend roughly coinciding with macroeconomic conditions. Recently however, the market has diverged from this relationship, as it has in other supply-constrained markets across the nation and elsewhere in the developed world. Strict zoning laws, stratospheric construction costs and natural geographic barriers have kept New York City housing supply from meeting demand, putting upward pressure on prices. As such, prices in the current boom increased at tremendous rates for both condominiums (300 percent since 1994) and 1-3 family homes (200 percent). In the City, supply is dominated by multi-family units. Conventional 1-3 family homes make up only 28 percent of the housing stock, as compared with 67 percent nationally. This disparity continues to widen as both new construction and speculation are predominantly confined to multi-unit dwellings,[6] yielding greater volatility and downside risk in terms of both transactions and prices.

NEW YORK HOUSING ACTIVITY



The current forecast calls for a correction in the housing market. However, the decline is not going to be as steep as that seen in the previous real estate downturn of the early 1990s, when high mortgage rates, rampant speculation in both residential and commercial real estate, and a protracted recession led to a 19.4 percent decline in home value from 1988 to 1993. The forecast downturn is instead expected to be a product of a moderate rise in interest rates, consumer credit overextension, and a slowdown in the broader economy. As a result of these factors, transaction activity has already begun to show signs of slackening in the City after peaking in mid-2005. By 2009, the number of 1-3 family homes sold in the City is expected to gradually drop by 10 percent while condo volume is expected to drop by over 22 percent. Movement in transaction volume is indicative of the

4. *The only large Midtown office developments anticipated within this forecast period are the New York Times, Bank of America, and Hearst Towers buildings.*
5. *The equilibrium vacancy rate is estimated at between eight and ten percent. When the vacancy rate dips below the equilibrium rate it is assumed that demand exceeds supply, putting upward pressure on prices.*
6. *In 2005, over 30,000 permits were issued for multi-family units while only 1,300 were issued for single-family homes.*

direction and amplitude of change in home prices in the near future. As a result, average prices both for 1-3 family homes and condos will peak in early 2006 before falling by 8 percent and 12 percent, respectively by 2009.

The housing market boom has produced gains in the construction and real estate sectors and bolstered retail sales employment growth. The construction industry added 1,000 jobs in 2005, real estate added 2,000 and retail added 6,000. With little support from the housing market in the forecast period, growth in these sectors will weaken. Construction employment is forecast to add 1,000 jobs in 2006 and then contract by about 1,000 jobs per year from 2007 to 2009. Real estate employment is forecast to add a mere 500 jobs per year from 2006 through 2010. Retail employment will increase by 6,000 jobs in 2006, moderates in 2007 with the rest of the City's economy, and is then forecast to grow by 3,000 jobs per year through 2010.

The tourism industry has also been a significant driver for the City in the current upturn. Tourists returned to the City in record numbers in 2005, invigorating hotel demand. The largest number of domestic tourists in history arrived in the City and free-spending international tourists also returned. Occupancy rates in the City's hotels averaged 86 percent in 2005. The sparse availability of hotel rooms drove room rates up by 15.5 percent to $242 per night throughout the year. The rising volume of tourism is reflected in the huge gains seen in the leisure & hospitality sector, which posted growth of 2.5 percent or 7,000 jobs in 2005. The overall tourism trend is expected to continue through the forecast period. Occupancy rates will remain well above 80 percent, with increases in hotel inventory only gradually absorbing the rising demand. Room rates are projected to increase at about 7 percent per year from 2006 to 2010.

The non-cyclical sectors of the City's economy are expected to expand throughout this forecast period. The healthcare industry in the City grew considerably in 2005, adding 12,000 jobs. Growth is expected to moderate over the forecast period, adding about 9,000 jobs in 2006 and 6,000 jobs per year from 2007 to 2010. Employment in education services was practically flat in 2005, but will regain strength and is forecast to add

NYC Job Growth Gains/(Loss)
Forecast

	2006 *Level (000s)*	2006 *Percent Change*	2007 *Percent Change*
Total	3,645	1.3%	0.6%
Private	3,089	1.5	0.7
Construction	114	0.6	(1.8)
Manufacturing	108	(5.8)	(6.2)
Financial Activities	453	1.6	(0.2)
Securities	175	2.7	(0.7)
Information	168	3.2	0.6
Transportation & Utilities	117	(1.0)	(0.9)
Health & Education	693	2.1	1.7
Leisure & Hospitality	285	2.8	2.8
Wholesale & Retail Trade	433	1.4	(0.1)
Professional & Business Services	565	2.0	2.0
Other Services	154	0.7	0.6
Government	556	0.1	(0.1)

4,000-5,000 jobs per year from 2006 to 2010. Manufacturing is assumed to continue its long-term structural exodus from the City at a pace considerably faster than expected nationally.

In total, the City is expected to add over 45,000 new jobs in 2006, growth of 1.3 percent. Average wage growth across the City is forecast to be 4.3 percent and total wage earnings should rise 5.5 percent. By 2007, the national macroeconomic slowdown, weakness in the residential real estate market, and cutbacks on Wall Street should lead to employment growth of only 22,000 (0.6 percent). Average wage growth will decelerate to 1.8 percent in that year, pulled down by a drop in Wall Street compensation. Total wage earnings, therefore, will rise by only 2.4 percent in 2007. From 2008 through 2010, employment and wage conditions should recover and total wage earnings will grow by an average of 4.8 percent per year.

The factors at risk nationally impact the City to a great extent as well. The most immediate risks to this forecast are a more severe decline in the housing market and weaker than expected activity on Wall Street. There are no fundamental signs suggesting precipitous declines in either market, but a spike in interest rates would hamper activity in both. The flow-through into the rest of the local economy would amplify the effects seen in the forecast to an unknown degree.

Executive Budget Fiscal Year 2007
Forecasts of Selected United States and New York City Economic Indicators
Calendar Years 2005-2010

	2005	2006	2007	2008	2009	2010	1974-2004*
NATIONAL ECONOMY							
Real GDP							
Billions of 2000 Dollars	11,135	11,498	11,781	12,134	12,512	12,892	
Percent Change	3.5	3.3	2.5	3.0	3.1	3.0	3.1
Non-Agricultural Employment							
Millions of Jobs	133.5	135.4	136.8	138.3	139.9	141.1	
Change from Previous Year	2.0	1.9	1.4	1.5	1.6	1.2	
Percent Change	1.5	1.4	1.1	1.1	1.1	0.9	1.7
Consumer Price Index							
All Urban (1982-84=100)	195.2	200.7	205.1	209.8	214.8	220.0	
Percent Change	3.4	2.8	2.2	2.3	2.4	2.4	4.6
Wage Rate							
Dollars Per Year	42,885	44,392	45,840	47,516	49,254	50,994	
Percent Change	4.6	3.5	3.3	3.7	3.7	3.5	4.8
Personal Income							
Billions of Dollars	10,249	10,882	11,424	12,026	12,700	13,372	
Percent Change	5.5	6.2	5.0	5.3	5.6	5.3	7.1
Before-Tax Corporate Profits							
Billions of Dollars	1,434	1,590	1,550	1,563	1,559	1,588	
Percent Change	35.4	10.8	-2.5	0.8	-0.3	1.8	6.5
Unemployment Rate							
Percent	5.1	4.8	5.1	5.1	5.0	5.0	6.4 (avg)
10-Year Treasury Bond Rate							
Percent	4.3	5.1	5.5	5.6	5.9	5.9	7.9 (avg)
Federal Funds Rate							
Percent	3.2	5.0	4.8	4.8	5.0	5.0	6.8 (avg)
NEW YORK CITY ECONOMY							
Real Gross City Product**							
Billions of 2000 Dollars	454	464	460	476	493	513	
Percent Change	3.3	2.2	-0.7	3.3	3.8	3.9	3.1
Non-Agricultural Employment							
Thousands of Jobs	3,599	3,645	3,667	3,697	3,738	3,775	
Change from Previous Year	49.1	45.4	21.7	30.6	40.9	37.4	
Percent Change	1.4	1.3	0.6	0.8	1.1	1.0	0.1
Consumer Price Index							
All Urban NY-NJ Area							
(1982-84=100)	212.7	218.8	224.4	229.7	235.3	240.9	
Percent Change	3.9	2.9	2.5	2.4	2.4	2.4	4.6
Wage Rate							
Dollars Per Year	68,074	70,979	72,269	74,105	77,442	80,866	
Percent Change	5.0	4.3	1.8	2.5	4.5	4.4	5.9
Personal Income							
Billions of Dollars	347	368	381	397	420	442	
Percent Change	5.9	6.1	3.5	4.2	5.6	5.3	6.4
NEW YORK CITY REAL ESTATE MARKET							
Manhattan Primary Office Market							
Asking Rental Rate***							
Dollars Per Sq Ft	47.75	49.72	52.21	55.00	58.17	60.33	
Percent Change	1.4	4.1	5.0	5.3	5.8	3.7	N.A.
Vacancy Rate***							
Percent	9.4	8.1	8.0	8.0	7.5	7.3	N.A.

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

TAX REVENUE

Overview

New York City's tax revenues have undergone an extremely strong recovery from the 2001 terrorist attack and the national recession. This revenue recovery has been driven by the economic factors noted in the Economic Outlook, as well as by tax program changes implemented in response to those fiscal shocks. Tax revenues grew by over 42 percent from 2002 to 2005 and are expected to grow again in 2006, although most revenue sources will grow at a slower pace in the current year than in the past few years. Excluding the effects of tax program changes, revenues grew by just under 27 percent, underscoring the importance of both the economic recovery and policy responses to the restoration of the City's revenue stream. Some of the strength in revenue growth over the past four years has come from two volatile sources – income taxes from Wall Street firms and real estate transaction taxes – and both of these sources are showing some signs of weakness. While the total revenue forecast does not foresee a decline (on a common rate and base), the weakness in these two volatile income sources combined with a likely slowdown in the national and local economies implies that revenue growth over the next few years will be much weaker than recent experience.

Total tax revenue*, excluding audits, is forecast to increase 9.9 percent in 2006 and 0.6 percent in 2007. The property tax is forecast to increase 8.5 percent in 2006 and 4.5 percent in 2007. The non-property taxes,

2006 and 2007 Tax Revenue Forecast
($ in Millions)

Tax	2006 Forecast	2007 Executive Budget	Increase/(Decrease) From 2006 to 2007 Amount	Growth
Real Property	$12,437	$12,972	$535	4.3%
Commercial Rent	478	502	24	5.0
Mortgage Recording	1,361	882	(479)	(35.2)
Real Property Transfer	1,240	863	(377)	(30.4)
Personal Income†	6,744	6,039	(705)	(10.5)
General Corporation	2,294	2,408	114	5.0
Banking Corporation	575	525	(50)	(8.7)
Unincorporated Business	1,221	1,209	(12)	(1.0)
Sales and Use	4,427	4,508	81	1.8
Utility	400	359	(41)	(10.3)
Cigarette	121	118	(3)	(2.5)
Hotel	294	309	15	5.1
All Other	453	385	(68)	(15.0)
Subtotal	$32,044	$31,079	$(965)	(3.0)%
STAR Aid	857	836	(21)	(2.5)
Tax Audit Revenue	712	509	(203)	(28.5)
Total††	**$33,613**	**$32,424**	**$(1,189)**	**(3.5)%**

† *Personal income tax after TFA retention of $350 million in 2006 and $688 million in 2007.*

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

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

excluding the real property transfer and mortgage recording taxes, are forecast to increase 10.4 percent in 2006 and 1.2 percent in 2007. After the inclusion of tax law changes and changes in retention by the Transitional Finance Authority (TFA), total tax revenue is forecast to increase 8.7 percent in 2006, and to decline 3.0 percent in 2007. The notable tax law changes are the expiration of both the temporary personal income tax increase at the end of calendar year 2005 and the temporary 1/8 percent sales tax rate increase on June 1, 2005 and the re-instatement of the sales tax exemption on clothing and footwear for purchases under $110 from September 1, 2005.

In 2004, City tax revenue rebounded from the lows seen in 2002 and 2003 resulting from the impact of the September 11, 2001 terrorist attack, the national recession and the ensuing slow pace of the national economic recovery. The next year saw steady growth in the local and national economies and a rebound in New York Stock Exchange (NYSE) member-firm profits, which more than doubled to $16.8 billion in calendar year 2003 from $6.9 billion in calendar year 2002. Non-property tax revenue grew 13.3 percent in 2004 (25.7 percent after including the effects of tax law changes and TFA retention). Non-property tax collection strength continued into 2005 with growth of 18.7 percent, the result of continued Wall Street strength ($13.7 billion in NYSE member-firm profits in calendar year 2004) and the addition of 44,000 jobs and a booming real estate market.

Non-property tax collection growth in early 2006 is still strong, but there is growing evidence that momentum is slowing down. In calendar year 2005, NYSE member-firm profits totaled only $9.4 billion, a significant decline from the calendar year 2004 level. The bonus payout for calendar year 2005 grew only 10 percent over the previous year, after the prior two years when bonus growth averaged 38 percent. Residential property sales volume, as well as average sales prices, have seen declines since August 2005, as the rise in interest rates cools the residential real estate market. With a smaller bonus payout and a slowdown in the residential market, growth in non-property tax collections for 2006 is expected to slow to 10.6 percent from the robust 18.7 percent growth seen in 2005.

The personal income tax in 2006 is forecast to grow 12.6 percent reflecting wage earnings growth driven by employment gains, a moderate bonus payout and an estimated 22 percent growth in capital gains realizations in calendar year 2005. Business tax collections (general corporation, banking corporation and unincorporated business taxes) are expected to increase 9.8 percent in 2006 as the national recovery continues, despite a Wall Street profitability slowdown. Sales tax collections are expected to grow 10.0 percent (1.7 percent after including the expiration of the temporary 1/8 percent tax rate increase and the re-instatement of the sales tax exemption on clothing and footwear purchases under $110) in 2006, reflecting growth in wage earnings, the continuation of strong real estate related consumer spending as well as strength from the booming tourism industry.

Real property transfer tax collections are forecast to remain strong, growing at 17.5 percent (though less than half of last year's growth), due to high, but slowing, levels of residential sales and robust strength in commercial transactions, buoyed by continued investor interest in New York City's commercial office buildings. Similarly, mortgage recording tax collections are forecast to grow 8.1 percent in 2006, only a fraction of last year's booming 55.5 percent growth, largely due to increasing interest rates.

Property tax revenue is forecast to increase 8.5 percent in 2006, based upon 7.5 percent growth in billable assessed value. The commercial rent tax is forecast to grow 4.6 percent.

In 2007, non-property taxes are forecast to decline 1.4 percent (a decline of 7.4 percent after including the effects of the aforementioned tax law changes and TFA retention). Personal income tax revenue growth is expected to be flat (a decline in growth of 10.5 percent after including the effects of the phase-out of the temporary tax increase and an increase in TFA retention of over $330 million from the prior year) reflecting a slowdown in growth in the national and local economies, a bonus decline in calendar year 2006, as well as a forecast decline capital gains realizations. Payments from business taxes should remain at the high levels achieved in the previous two years as GDP growth and national corporate profits moderate. The sales tax is forecast to grow 3.1 percent (1.8 percent growth after including the effects of the tax law changes) paralleling forecast growth in wage earnings of 3.5 percent.

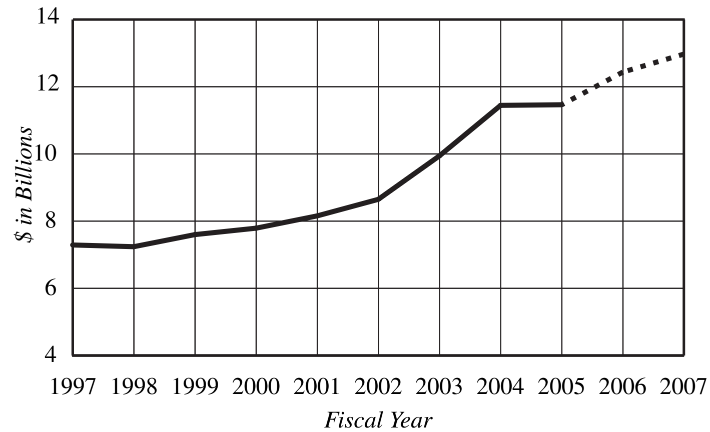
Residential collections from the real property transfer and mortgage recording taxes are forecast to decline 12.2 percent and 28.7 percent, respectively, in 2007. This slowdown, relative to the overheated level of activity seen in the last four years, reflects the forecast rise in mortgage interest rates. Commercial collections from the real property transfer and mortgage recording taxes are forecast to decline 47.9 percent and 44.4 percent, respectively, in 2007, also reflecting a forecast rise in interest rates in addition to a decline in the inventory available for sale. After excluding the real property transaction and the mortgage recording taxes, non-property taxes are forecast to grow at 1.2 percent in 2007.

In 2007, property tax collections are forecast to grow 4.5 percent. The levy is forecast to increase 4.4 percent over 2006, driven by growth in billable assessed value. The commercial rent tax is forecast to grow by 4.2 percent in 2007 with moderate improvement in vacancy rates and asking rents for commercial office space.

REAL PROPERTY TAX

The real property tax is projected to account for 40.6 percent of tax revenue in 2007, or $12,972 million.

REAL PROPERTY TAX 1997-2007



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

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

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

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

The law also established restrictions on annual assessment increases. Assessments of Class 1 properties may not increase by more than six percent annually or 20 percent over five years. Class 2 assessment increases for rental buildings of less than 11 units, and since 1994 cooperatives and condominiums of less than 11 units as well, are limited to eight percent a year and 30 percent over five years.

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

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

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

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

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

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

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

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

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

The State enacted the School Tax Relief (STAR) program beginning in the 1998-99 school year (fiscal year 1999). It is designed to provide property tax relief to owners of one-, two- and three-family homes, cooperatives and condominiums where the property serves as the primary residence of the owner. An enhanced exemption is available for senior citizens who are 65 years or older with a household income of less than $66,050. The exemption is based on a fixed market value adjusted for differences between local and statewide median home prices, levels of assessment and the portion of the real estate tax that represents the school tax (for New York City this portion is fixed at 50 percent). Beginning in 2003, a modified STAR benefit was made available for Mitchell-Lama co-op apartments, with one-third of the original exemption amount for both basic and enhanced STAR.

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

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

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

The lien sale program was originally set to expire in 1997, but was repeatedly extended in 1997, 1999, 2001 and 2004. Currently the program is set to expire on August 31, 2006. The lien law was amended in 2001 to close a loophole. Certain taxpayers, after being notified of inclusion in the lien sale, paid only the property tax lien which removed them from the sale but left other tax liens unpaid. The amendments allow the sale of Class 2 (excluding residential co-ops and condos), Class 3 and Class 4 liens, which remain unpaid after the publication of the first notice of sale whether or not they include a real property tax component. In addition, the law was amended to allow the sale of water and sewer liens on Class 4 properties regardless of whether there is a real property lien on the property. Similar amendments were made for the sale of subsequent tax liens.

The sale of real property tax liens netted (before refunds for defective liens) $169.1 million in 1996, $51.5 million in 1997, $22.5 million in 1998, $127.0 million in 1999, $73.0 million in 2000, $210.9 million in 2001, $44.5 million in 2002, $22.6 million in 2003, $89.8 million in 2004, and $37.7 million in 2005. Revenues in 2006 from real property tax liens are expected to be $82.3 million.

Beginning with FY2006, limitations apply to increases in assessments attributable to additions or improvements to small Class 2 properties (Class 2A, 2B and 2C) with less than 11 residential units. Under the new law the increases are limited to 15 percent rather than the 45 percent of the increase that would otherwise apply. The new law does not apply to the construction of new buildings or where the additions or improvements result in buildings with more than 11 residential units.

Discretionary Adjustments [1] and Class Shares

Fiscal Year	Class 1 Discretionary Shift (%)	Class 1 Class Share	Class 2 Discretionary Shift (%)	Class 2 Class Share	Class 3 Discretionary Shift (%)	Class 3 Class Share	Class 4 Discretionary Shift (%)	Class 4 Class Share
1983	(3.88)	0.141	(2.85)	0.263	4.80	0.180	1.25	0.416
1984	(1.58)	0.139	0.00	0.260	0.00	0.180	0.53	0.421
1985	(3.22)	0.134	(0.37)	0.259	(1.28)	0.178	1.83	0.429
1986	(2.15)	0.129	(0.68)	0.255	(2.02)	0.182	1.96	0.434
1987	(4.95)	0.125	2.69	0.254	(4.60)	0.166	1.76	0.455
1988	(2.81)	0.122	0.60	0.255	(4.51)	0.157	2.07	0.466
1989	(4.36)	0.116	0.58	0.256	(4.95)	0.150	2.49	0.478
1990	(5.00)	0.111	0.23	0.257	(4.49)	0.139	2.44	0.493
1991	(5.00)	0.109	(2.18)	0.258	(4.50)	0.103	3.19	0.530
City Council's discretion to adjust class shares no longer applicable beginning in 1992.								
1992	—	0.115	—	0.280	—	0.078	—	0.527
1993[2]	—	0.113	—	0.290	—	0.066	—	0.532
1994	—	0.116	—	0.308	—	0.058	—	0.518
1995[2]	—	0.119	—	0.316	—	0.059	—	0.505
1996[2]	—	0.122	—	0.326	—	0.062	—	0.490
1997[2]	—	0.125	—	0.336	—	0.064	—	0.475
1998[2]	—	0.127	—	0.339	—	0.069	—	0.465
1999[2]	—	0.130	—	0.332	—	0.071	—	0.467
2000[2]	—	0.133	—	0.341	—	0.074	—	0.452
2001[2]	—	0.135	—	0.345	—	0.076	—	0.444
2002[2]	—	0.137	—	0.349	—	0.074	—	0.440
2003[2]	—	0.139	—	0.349	—	0.074	—	0.438
2004[2]	—	0.141	—	0.356	—	0.071	—	0.432
2005	—	0.147	—	0.349	—	0.074	—	0.431
2006	—	0.149	—	0.354	—	0.077	—	0.420

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

(2) The maximum increase in the current base proportion over the prior year's share is capped at five percent by the State Constitution. The State can authorize the City to set cap rates lower than five percent and the City Council has the discretion to reapportion the excess to other classes. The State law capped the maximum increase at 2.0 percent in 1993; 2.75 percent in 1995 and 1996; 2.5 percent in 1997 through 2000; and 2.0 percent in 2001 through 2004 and in 2006.

Totals may not add due to rounding

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

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

Since 1992, class shares have been adjusted annually for relative changes in market value (subject to a "cap" of five percent over the prior year's share) in addition to physical change. The resulting shares are called adjusted base proportions. From 1993 through 2006, State legislation lowered the five percent cap, except for 1994 and 2005 when the cap remained at five percent.

Components of the Tax Levy: The real property tax is the primary source of revenue for the General Debt Service Fund. Under the State Constitution, the City's ability to levy a real property tax for the payment of principal and interest on the City's long-term debt is unlimited. There is a limit, however, on the amount of real

Real Property Tax Operating Limit [1]

Fiscal Year	Operating Limit ($ in Millions)	Unused Margin ($ in Millions)	Unused Margin (Percent)
1983	$2,718.1	$15.1	0.56%
1984	3,181.6	209.7	6.59
1985	3,589.1	407.6	11.36
1986	4,010.5	361.7	9.02
1987	4,432.0	476.0	10.74
1988	4,969.5	537.2	10.81
1989	6,808.5	1,812.2	26.62
1990	7,789.1	2,387.8	30.66
1991	9,109.3	2,892.9	31.76
1992	10,631.8	4,369.0	41.09
1993	11,945.0	5,475.1	45.84
1994	13,853.8	7,932.9	57.26
1995	13,380.2	7,832.6	58.54
1996	8,633.4	3,451.2	39.97
1997	7,857.3	2,924.0	37.21
1998	7,599.7	1,665.5	21.92
1999	7,170.3	862.6	12.03
2000	7,268.7	45.5	0.63
2001	7,573.1	140.4	1.85
2002	8,128.0	42.1	0.50
2003[2]	8,881.0	1,158.0	13.00
2003[3]	8,925.2	230.6	2.60
2004	9,893.5	506.1	5.10
2005	10,675.8	1,060.5	9.94
2006	11,666.2	32.7	0.30

(1) Source: Adopted Budget Tax Fixing Resolution. Figures for 1999, 2000, 2001, 2002, 2004, and 2006 reflect the November 1998, September 1999, September 2000, October 2001, November 2003, and November 2005 amended resolutions, respectively.

(2) Reflects levy fixed in June, 2002.

(3) Reflects levy fixed in November, 2002.

property tax that can be raised for operating purposes. This operating limit is equal to 2.5 percent of the average full value of taxable real estate for the current and prior four years, less payments for City short-term debt and business improvement district levies. In addition, total debt outstanding, including business improvement district debt, may not exceed 10 percent of the five-year average full value. SBRPS estimates full value as of January 1st for each of the five years of the average. The market value survey results from calendar year 2004 were incorporated into the calculation to determine the operating limit for Fiscal Year 2006.

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

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

As discussed earlier, beginning in 1992 the City Council no longer had discretion to adjust class shares. With the introduction of the market value adjustment mechanism in 1992, Class 1, Class 2 and Class 4's tax rates

Class Tax Rates [1]

Fiscal Year	Class 1	Class 2	Class 3	Class 4	Average Tax Rate
1983	$8.950	$8.950	$9.109	$9.294	$9.120
1984	9.100	9.057	9.237	9.323	9.206
1985	9.100	9.150	9.051	9.460	9.255
1986	9.100	9.150	9.051	9.460	9.256
1987	9.330	9.150	9.172	9.460	9.315
1988	9.330	9.150	9.942	9.460	9.434
1989	9.452	9.272	11.289	9.582	9.703
1990	9.452	9.229	12.903	9.539	9.797
1991[2]	9.840	9.154	15.079	9.924	10.135
1992	10.888	9.885	13.083	10.631	10.591
1993	10.888	9.910	12.794	10.698	10.591
1994	10.900	10.369	7.404	10.724	10.366
1995	10.694	10.552	7.702	10.608	10.366
1996	10.725	10.807	7.922	10.402	10.366
1997	10.785	11.056	7.840	10.252	10.366
1998	10.849	11.046	8.282	10.164	10.366
1999	10.961	10.739	8.800	10.236	10.366
2000	11.167	10.851	9.398	9.989	10.366
2001	11.255	10.847	10.540	9.768	10.366
2002	11.609	10.792	10.541	9.712	10.366
2003[3]	11.936	10.564	10.607	9.776	10.366
2003[4]	14.160	12.517	12.565	11.580	12.283
2004	14.550	12.620	12.418	11.431	12.283
2005	15.094	12.216	12.553	11.558	12.283
2006	15.746	12.396	12.309	11.306	12.283

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

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

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

(4) Effective January 1, 2003.

increased significantly, and a commitment was made to freeze the average tax rate at $10.591 per $100 of assessed value. Class 3's rate declined considerably in 1994, mainly as a result of a change in the assessment percentage, which caused the class's billable assessed value to increase dramatically while the Class 3 share decreased proportionally. The increase in billable assessed value was considered a technical change which did not yield additional tax levy. However as a result, the "freeze" tax rate of $10.591 fell to $10.366 where the average tax rate remained through 2002. Effective January 1, 2003, the average tax rate was increased from $10.366 to $12.283 affecting the second half of the year.

Reserve for Uncollectible Taxes: The property tax levy, approved by the City Council each year, includes a reserve for uncollectible taxes. Uncollectible taxes fall into three general categories: delinquency, cancellation of

Real Property Tax Collections and Delinquency
($ in Millions)

Fiscal Year	Tax Levy [1]	Tax Collection on Current Year Levy [2]	Tax Collection as a Percentage of Tax Levy	Prior Year (Delinquent Tax) Collections	Refunds [3]	Cancellations, Net Credits, Abatements, Exempt Property Restored and Shelter Rent	Delinquent as of end of Fiscal Year [4]	Delinquency as a Percentage of Tax Levy	Lien Sale [5]
1989	$6,233.0	$5,913.4	94.9%	$108.4	($78.9)	($166.7)	($152.7)	2.45%	$—
1990	6,872.4	6,507.1	94.7	109.6	(74.1)	(135.0)	(230.2)	3.35	—
1991[6]	7,681.3	7,199.2	93.7	149.7	(62.7)	(166.4)	(315.7)	4.11	—
1992	8,318.8	7,748.4	93.1	193.7	(124.3)	(200.2)	(370.2)	4.45	—
1993	8,392.5	7,766.1	92.5	227.7	(107.2)	(215.2)	(411.2)	4.90	—
1994	8,113.2	7,520.3	92.7	223.1	(199.1)	(189.5)	(403.4)	4.97	—
1995	7,889.8	7,377.4	93.5	210.8	(164.2)	(130.8)	(381.6)	4.84	—
1996	7,871.4	7,306.9	92.8	240.6	(399.7)	(275.5)	(289.1)	3.67	169.1
1997	7,835.1	7,371.3	94.1	146.8	(279.0)	(179.4)	(284.4)	3.63	51.5
1998	7,890.4	7,414.4	94.0	148.2	(345.6)	(199.1)	(277.1)	3.51	22.5
1999	8,099.3	7,519.7	92.8	127.7	(175.5)	(303.4)	(276.2)	3.40	127.3
2000	8,374.3	7,768.1	92.8	149.2	(200.2)	(345.7)	(260.5)	3.11	73.0
2001	8,730.3	8,069.1	92.4	132.3	(256.2)	(410.5)	(250.7)	2.87	210.9
2002	9,271.2	8,590.4	92.6	151.2	(138.1)	(374.2)	(306.2)	3.30[7]	44.5
2003	10,688.8	9,943.5	93.0	126.3	(149.1)	(457.2)	(288.1)	2.70	22.6
2004	12,250.7	11,370.3	92.8	180.1	(195.1)	(591.1)	(289.3)	2.36	89.8
2005	12,720.0	11,521.7	90.6	136.2	(231.4)	(898.0)	(300.3)	2.36	37.7
2006[8]	13,668.1	12,445.2	91.1	136.0	(227.0)	(902.9)	(320.0)	2.34	82.3

(1) As approved by the City Council.
(2) Quarterly collections on current year levy. Amounts for fiscal years 1994, 1995 and 1996 are adjusted to eliminate the effects of the 1994 and 1995 sales of delinquent tax receivables.
(3) Includes repurchases of defective tax liens amounting to $19.7 million, $10.8 million, $12.9 million, $10.8 million, $15.1 million, $3.9 million, $11.1 million, $5.6 million, and $2.9 million in 1997 through 2005 respectively.
(4) These figures include taxes due on certain publicly owned property and exclude delinquency on shelter rent and exempt property restored.
(5) Net of reserves for defective liens.
(6) Does not include supplemental levy of $61.7 million raised in mid-year for the Criminal Justice Fund.
(7) Includes $68.1 million delinquency for the World Trade Center. Delinquency rate adjusting for this is 2.57%.
(8) Forecast.

Property Tax Revenue
($ in Millions)

	2000	2001	2002	2003	2004	2005	2006*f*	*2007f*
Levy	$8,374	$8,730	$9,271	$10,689	$12,251	$12,720	$13,668	14,276
Current Year Reserve[1]	(600)	(661)	(681)	(745)	(880)	(936)	(966)	(1,049)
Prior Year Collections	144	132	152	126	180	136	136	138
Refunds	(189)	(241)	(134)	(138)	(189)	(228)	(227)	(215)
Sub-Total	$7,728	$7,960	$8,607	$9,932	$11,361	$11,692	$12,612	$13,150
Property Tax Rebate	—	—	—	—	—	(263)	(257)	(256)
Lien Sale Proceeds[2]	62	196	41	12	84	35	82	78
Total[3]	**$7,790**	**$8,156**	**$8,648**	**$9,943**	**$11,445**	**$11,464**	**$12,437**	**$12,972**

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

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

(3) Totals may not add due to rounding.

f=forecast

tax liability due to reductions in assessed value, and tax expenditures for a number of housing and economic development programs. In addition, there are significant cash inflows and outflows affecting the reserve, including refunds of current and past year payments due to overpayments and reductions in assessed value, collections against prior year levies[2], and payments from exempt property restored to taxable status.

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

In 2002, however, the trend of declining delinquency rates ended and the delinquency rate rose to 3.3 percent, in part due to the destruction of the World Trade Center (WTC) in the September 11, 2001 terrorist attack. The overall delinquency rate adjusted for WTC was 2.6 percent. However, delinquency returned to the declining trend at 2.4 percent in 2004 and remained at the same level in 2005, reflecting a rebound in the economy.

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

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

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

Estimated Value of Real Property Tax Exemptions and Abatements 1996-2005
($ in Millions)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Economic Development Exemptions										
I.C.I.B/I.C.I.P	$105.7	$99.3	$111.9	$132.5	$144.6	$177.7	$193.4	$249.2	$315.4	$371.8
Battery Park City Authority [1]	94.2	87.2	81.6	79.5	71.2	79.8	72.8	89.3	31.9	78.6
Industrial Development Agency [1]	48.5	47.2	47.8	61.5	84.5	66.0	66.6	62.8	82.2	101.5
Urban Development Corp. (U.D.C.) [1]	77.0	76.9	80.0	84.5	101.0	107.6	113.1	141.1	165.2	169.9
Economic Development Corp. [1]	3.7	3.4	4.1	7.4	3.8	3.9	7.1	11.5	12.8	10.9
World Trade Center [1]	79.8	64.0	54.7	61.5	60.5	59.0	5.4	n.a.	n.a	n.a.
Teleport, Port Authority [1]	2.2	1.1	1.3	1.5	6.7	6.7	6.9	6.9	7.2	7.4
Madison Square Garden	8.8	8.7	8.6	8.7	8.5	8.3	8.8	10.6	11.1	12.0
Commercial Revitalization and Expansion Programs	n.a.	1.3	3.6	7.0	14.1	18.1	19.3	15.4	12.6	13.4
Subtotal	$419.9	$389.1	$393.6	$444.1	$494.9	$527.1	$493.4	$586.8	$638.4	$765.5
Residential Exemptions										
Public Housing										
Housing Authority [1]	$281.7	$264.0	$255.3	$241.2	$239.5	$244.0	$254.1	$297.5	$328.9	$334.6
Private Housing										
J-51 (exemption)	67.9	59.5	54.6	54.9	55.9	60.8	65.9	78.0	91.5	97.5
J-51 (abatement)	108.7	105.4	104.6	105.7	106.9	99.5	96.5	97.8	97.6	101.6
421-a - New Multiple Dwellings	103.4	96.5	87.9	78.9	104.8	111.3	130.0	181.6	251.8	302.5
421-b - New Private Housing	10.3	9.9	9.5	9.8	10.5	11.7	14.6	13.9	23.8	28.1
Senior Citizen Homeowner Exemption	17.2	18.2	19.8	21.1	25.6	26.7	28.4	27.8	34.2	39.4
Senior Citizen Rent Increase Exemption (abatement)	91.9	54.1	61.0	62.5	63.5	63.5	80.2	66.5	80.2	73.6
HPD Division of Alternative Management	3.7	4.0	4.3	4.6	5.4	5.8	6.7	8.5	9.8	11.1
Veteran's Exemption	9.1	10.0	11.0	16.1	18.0	18.5	19.0	16.1	19.8	17.3
Co-op/Condo Abatement	n.a.	9.0	91.8	152.7	157.8	170.2	181.3	215.0	250.6	257.8
Homeowner Rebate	—	—	—	—	—	—	—	—	—	256.6
Lower Manhattan Conversion	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	19.9	22.7	31.1	31.2
Other [2]	270.3	257.7	252.1	234.2	235.8	236.7	248.2	298.1	324.9	350.0
Subtotal	$964.2	$888.3	$951.9	$981.7	$1,023.7	$1,048.7	$1,144.8	$1,323.5	$1,544.2	$1,921.7
Other Exemptions										
Utility										
NY Power Authority	$34.5	$35.5	$38.5	$41.3	$44.7	$49.4	$50.3	$80.1	$86.3	$98.1
Jamaica Water Supply	7.2	7.4	7.8	8.2	8.6	9.5	9.5	10.4	11.2	—
Trust for Cultural Resources	4.8	4.8	5.7	5.7	5.7	5.8	5.7	6.1	6.8	6.8
Subtotal	$46.5	$47.7	$52.0	$55.2	$59.0	$64.7	$65.5	$96.6	$104.3	$104.9
TOTAL	**$1,430.6**	**$1,325.1**	**$1,397.5**	**$1,481.0**	**$1,577.6**	**$1,640.5**	**$1,703.7**	**$2,006.9**	**$2,286.9**	**$2,791.7**

Source: Department of Finance

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

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

Notes:

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

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

Real property tax exemptions and abatements, which totaled $2,791.7 million in 2005, can be grouped in three general categories: economic development, housing development and individual assistance. Economic development exemptions are granted under the City's Industrial and Commercial Incentive Program (ICIP), the Commercial Revitalization Program, the Commercial Expansion Program and by City and State development corporations. The New York City Housing Authority is the single largest source of residential 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 to promote cultural institutions.

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

Forecast: The real property tax revenue is forecast at $12,437 million in 2006, growth of 8.5 percent over the prior year, including lien sale proceeds. The forecast is increased by $2 million from the January Plan. The property tax revenue is forecast at $12,972 million in 2007 including lien sale proceeds, growth of 4.3 percent over 2006 and an increase of $192 million from the January Plan.

The strong growth projected for 2006 is based on strong billable assessed value growth of 7.5 percent on the final roll for 2006, the highest growth rate since 1991 and one and one-half times the average seen in the past five years. The forecast increase of $2 million from the January Plan results from an increase in cash collections of $29 million, as the current year reserve for uncollectables has declined; this is partially offset by an increase in the estimate of the pre-payment discount of $9 million and a projected decline in net lien sale revenue of $18 million. The spring lien sale has been delayed until July, shifting sale proceeds of $31 million into FY 2007. This 2006 shortfall has been offset by $13 million additional collections from the prior year trusts.

The 2007 property tax revenue forecast is based on the tentative roll, released by the Department of Finance on January 17, 2006, but also incorporates a change-by-notice issued to certain Class 2 property owners since the tentative roll release. The tentative roll's billable assessed value (after veterans and STAR exemptions and before any changes by notice) increased by $4.4 billion to $114.4 billion, growth of 4.0 percent over last year.

Class 1 properties (one-, two- and three-family homes) saw market value growth of 13.0 percent on the tentative roll, slightly down from the prior year growth of 14.6 percent. This year's tentative roll suggests 2007 will be the seventh year in a row where Class 1 properties register double-digit market value growth. Class 1 properties have averaged annual market value growth of 14.4 percent since 2000. Class 1 properties saw billable assessed value growth of 5.4 percent on the tentative roll, virtually the same as the prior year's 5.2 percent. Class 2 properties (apartments, condominiums and cooperatives) saw market value growth of 2.8 percent on the tentative roll and billable assessed value growth of 1.8 percent. After the release of the tentative roll, the Department of Finance implemented a larger than usual change-by-notice for certain Class 2 properties which added $7.2 billion in market value and $1.7 billion in billable assessed value. This change impacted about 60,000 Class 2A, 2B and 2C properties (rentals, condos and co-ops in buildings with less than eleven units). The Department of Finance change-by-notice raised the 2007 Class 2 market value growth to 8.3 percent, which is still lower than the 13.4 percent market value growth seen on the 2006 final roll. Rising energy costs have slowed net income growth and consequently the market value growth for Class 2 properties. The billable assessed value growth of Class 2 properties, adjusted for the change-by-notice, is 5.2 percent compared to 7.5 percent seen in 2006. Class 3 (utility) properties saw market value growth on the tentative roll of 2.0 percent, down from last year's 13.5 percent. Last year's robust growth resulted from the expiration of special agreements with major utility companies that allowed certain value reductions in the original settlement. The billable assessed value growth on the tentative roll is 0.9 percent compared to 13.5 percent in 2006. Class 4 properties (office and commercial space) saw strong market value growth of 7.5 percent on the tentative roll, down from last year's 11.6 percent and billable assessed value growth of 5.8 percent, down from the 7.1 percent growth seen in 2006.

The total billable assessed value on the final roll, to be released in May, is currently estimated to be about $598 million higher than the tentative roll released in January (or about $1,100 million lower than the tentative roll adjusted for the change-by-notice for Class 2A, 2B and 2C properties). This adjusted tentative roll to final roll reduction is a result of Tax Commission actions, completion of exemption processing and additional changes by notice by the Department of Finance. Market value growth for large Class 2 properties (those with more than 10 units) slowed to 4.4 percent in 2007, from the 14.5 percent seen last year. However, the billable assessed value on the final roll is estimated to grow 5.2 percent in 2007 driven by the "pipeline"[3] from the previous years' market value growth (averaging 8.7 percent). Similarly, Class 4's market value growth of 7.5 percent in 2007 is lower than the prior year's 11.6 percent, but the billable assessed value on the final roll is estimated to grow at 4.5 percent in 2007 driven by the pipeline from the previous years' market value growth (averaging 6.1 percent). For the forecast period the overall billable assessed value is forecast to grow 4.7 percent on average from 2008 through 2010, based on moderating market value growth assumptions.

In 2007, the levy is expected to increase by $608 million to $14,276 million, growth of 4.4 percent over 2006 due to steady growth in billable assessed value. Revenue from the property tax is forecast at $12,972 million including lien sale proceeds, an increase of $536 million and growth of 4.3 percent over 2006. The forecast increase of $192 million over the January Plan results from the levy increase of $140 million, an increase in the lien sale proceeds of $31 million due to the delayed spring 2006 sale, and a reduction in the delinquency forecast by $25 million; these are partially offset by small increases in other reserve components. Sustained by the steady growth in billable assessed value projected in the out-years, the real property tax revenue is forecast to grow at 5.3 percent on average from 2008 through 2010.

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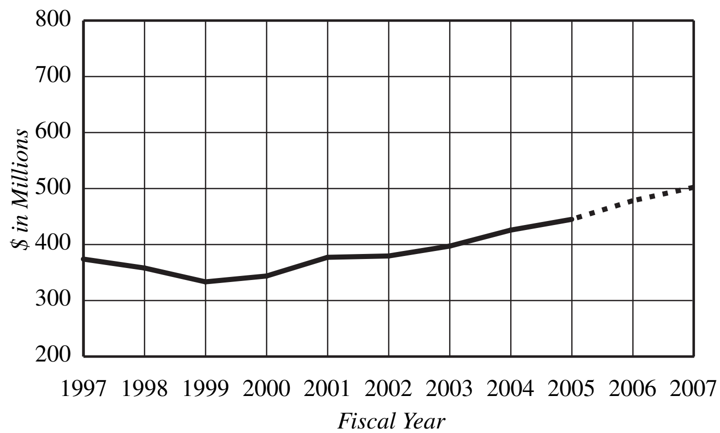
(3) Increases and decreases in value are phased into billable assessments over five years for Classes 2 and 4. Increases in value not yet phased into billable assessed value are referred to as the "pipeline".

COMMERCIAL RENT TAX

The commercial rent tax is projected to account for 1.6 percent of tax revenue in 2007, or $502 million.

COMMERCIAL RENT TAX 1997-2007



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

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

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

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

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

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

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

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

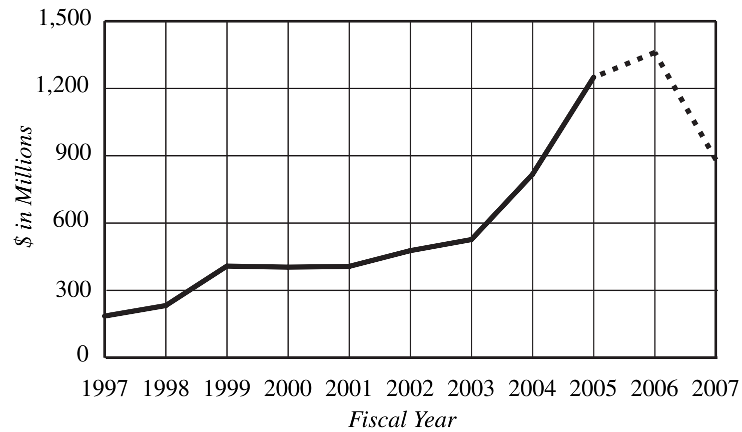
Under the Commercial Revitalization Program, qualifying tenants in the lower Manhattan abatement zone are eligible for a three- or five-year special reduction to their commercial rent tax liability. The tax reduction period is determined by the number of employees the tenant employs, the length of the initial lease term and the lease execution date. Effective July 1, 2005, the existing commercial rent tax special reduction program has been expanded and liberalized. Beginning August 31, 2005, new or renewal leases (except sub-leases) for businesses located in the World Trade Center area (including the former Deutsche Bank building and 7 World Trade Center) are exempt from the commercial rent tax. Similarly, the retail space area located generally south of Murray street is also exempt effective December 1, 2005.

Forecast: Commercial rent tax revenue for 2006 is forecast at $478 million, 7.5 percent growth over the prior year and an increase of $5 million from the January Plan level. The growth primarily comes from strong leasing activity in the Midtown primary office market. Citywide, primary market vacancy rates are forecast to decline from 9.4 percent in 2005 to 8.1 percent in 2006, while asking rents are forecast to increase from $48 to $50 per square foot. Revenue for 2007 is forecast at $502 million, growth of 5.0 percent over the prior year, as growth in occupied inventory and asking rents continue at a brisk pace, driven by gains in office employment. With a significant portion of the increase in occupied inventory expected over the forecast period due to the ongoing leasing at 7 Word Trade Center, which is exempt from the commercial rent tax as a result of the recently enacted expansion of the commercial revitalization program, growth in commercial rent tax revenues are expected to average 3.3 percent from 2008 through 2010.

MORTGAGE RECORDING TAX

The mortgage recording tax is projected to account for 2.8 percent of tax revenue in 2007, or $882 million.

MORTGAGE RECORDING TAX 1997-2007



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 Rates

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

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

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

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

The New York City mortgage recording tax dates from 1971, when the rate was set at 0.5 percent on the amount of the mortgage. In 1982, the tax was increased for mortgages securing a debt of $500,000 or more. For these large mortgages, the rate on one-, two- and three-family homes was increased to 0.625 percent; on other large mortgages, the rate was increased to 1.25 percent. There is no tax liability when financing the purchase of a Coop apartment since this financing is technically not a mortgage. However, the tax liability does apply to refinanced mortgages even though there is no corresponding deed transfer. 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. Re advances under other mortgages remain taxable.

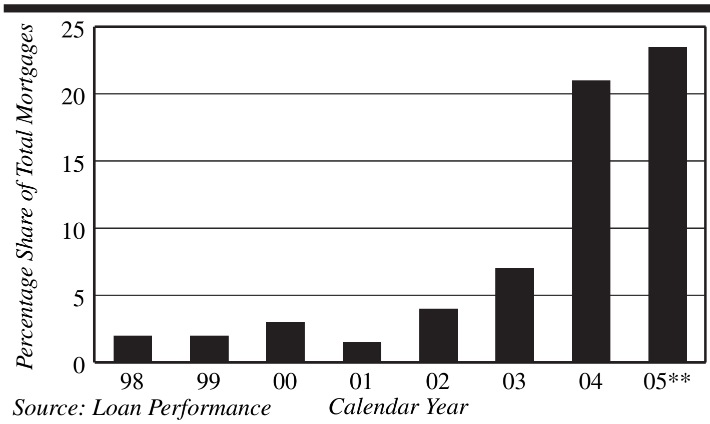
Forecast: The mortgage recording tax for 2006 is forecast at $1,361 million, 8.9 percent growth over the prior year and an increase of $164 million from the January Plan level. The upward revision to the forecast in 2006 is based on an analysis of year-to-date collections through March, as well as the increase in mortgage refinancings spurred by non-conforming mortgage resets. The mortgage recording tax has reached record levels in recent years with annual average growth of 32 percent for 2002 through 2005, reflecting the continued strength in real estate sales and mortgage refinancings attributable to historically low mortgage interest rates.

Revenue from residential transactions in 2006 is forecast at $798 million, flat over the prior year and an increase of $105 million from the January Plan level. This follows an unprecedented revenue growth of 12 percent, 66 percent and 37 percent seen in 2003, 2004 and 2005, respectively. The Mortgage Bankers

Association (MBA) national forecast of mortgage originations for purchases calls for a moderate decline in 2006 and 2007, from the level seen in 2005, before rebounding again in 2008. The MBA national forecast of mortgage originations for refinancing follows a similar pattern, but with steeper declines in 2006 and 2007. The recent increase in mortgage interest rates is expected to slow the pace of mortgage originations for home purchases as well as refinancings. However, many recently initiated non-conforming mortgages (a rapidly growing share of mortgages issued in the recent years) are nearing their rate reset, fuelling another refinancing boomlet, as homeowners convert their non-conforming loans to lower fixed rate loans. This has had the effect in the City of postponing the decline in mortgage refinancings expected in 2006 to some time in 2007. Then, paralleling the decline in home sales, residential collections from mortgage recording tax are expected to decline 29 percent, 18 percent and 1 percent in 2007, 2008 and 2009, respectively, before collections start to grow again in 2010.

Revenue from commercial transactions in 2006 is forecast at $563 million, growth of 21 percent over the prior year and an increase of $59 million from the January Plan level. This follows unprecedented collections growth of 8 percent, 35 percent and 95 percent seen in 2003, 2004 and 2005, respectively, fuelled by low interest rates and increases in sales of high valued properties. The commercial market activity in 2007 is forecast to decline by 44 percent, as real property sales retreat from overheated levels seen in 2005 and 2006. After further declines in 2008 and 2009, collections return to sustainable growth in 2010.

NON-CONFORMING MORTGAGES*



Source: Loan Performance

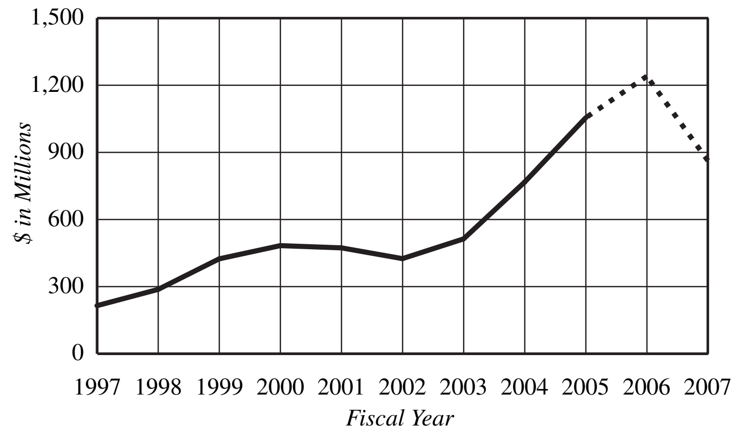
** Non-Conforming Mortgages include Option ARM's and Interest Only ARM's*

*** Year-to-date through September 2005*

Mortgage recording tax for 2007 is forecast at $882 million, a decline of 35.2 percent from 2006. During 2008 through 2010, the volume of mortgage refinancings is expected to return to sustainable levels while average mortgage values remain stable. Over this period, mortgage recording tax collections are projected to decline an average of 5.7 percent.

REAL PROPERTY TRANSFER TAX

REAL PROPERTY TRANSFER TAX 1997-2007



The real property transfer tax is projected to account for 2.7 percent of tax revenue in 2007, or $863 million.

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

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

Real Property Transfer Tax Rates

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

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

Legislation further expanded the base beginning in 1987 by including transfers of a majority interest in an entity which owns real property in New York City (the "Pan Am" tax). Only the value of the property is taxable, not the value of the entire interest. This change was enacted to prevent avoidance of the tax when a transfer takes place but formal ownership of the property remains unchanged. Initial transfers of cooperative apartment units as well as subsequent transfers (resales) were also made subject to the "Pan Am" tax. In August 1989, general fund revenue was increased by raising the transfer tax rate from 1.0 percent to 1.425 percent for commercial transactions of $500,000 or less and residential transactions of more than $500,000. For commercial sales with consideration greater than $500,000, the tax rate rose from 1.0 percent to 1.625 percent. The same legislation expanded the tax base to include resales of residential cooperative apartments, the remaining category of untaxed cooperative transactions.

In June of 1994, a State law was passed which provided a temporary 50.0 percent reduction in the rate of the real property transfer tax for certain transfers to newly organized Real Estate Investment Trusts (REITs). This provision is now permanent. In addition, a 50.0 percent reduction is applicable to transfers to pre-existing REITs occurring between July 13, 1996 and August 31, 2005, provided the transferor receives and retains for at least two years of ownership interest in the REITs. Starting July 1, 1997, a deduction on the real property transfer tax payable on the transfer of a one- to three-family home, or an individual residential co-op or condo unit, is allowed for the amount of any mortgage assumed by the transferee.

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

Forecast: The real property transfer tax in 2006 is forecast at $1,240 million, 17.6 percent growth over the prior year and an increase of $13 million from the January Plan level. The upward revision to the forecast for 2006 is based on continued strength in commercial transaction activity despite recent increases in mortgage rates and signs of slowing seen in the residential market. The real property transfer tax has reached record levels in recent years, with compounded annual average growth of 22 percent seen from 2002 through 2005, reflecting the booming real estate market.

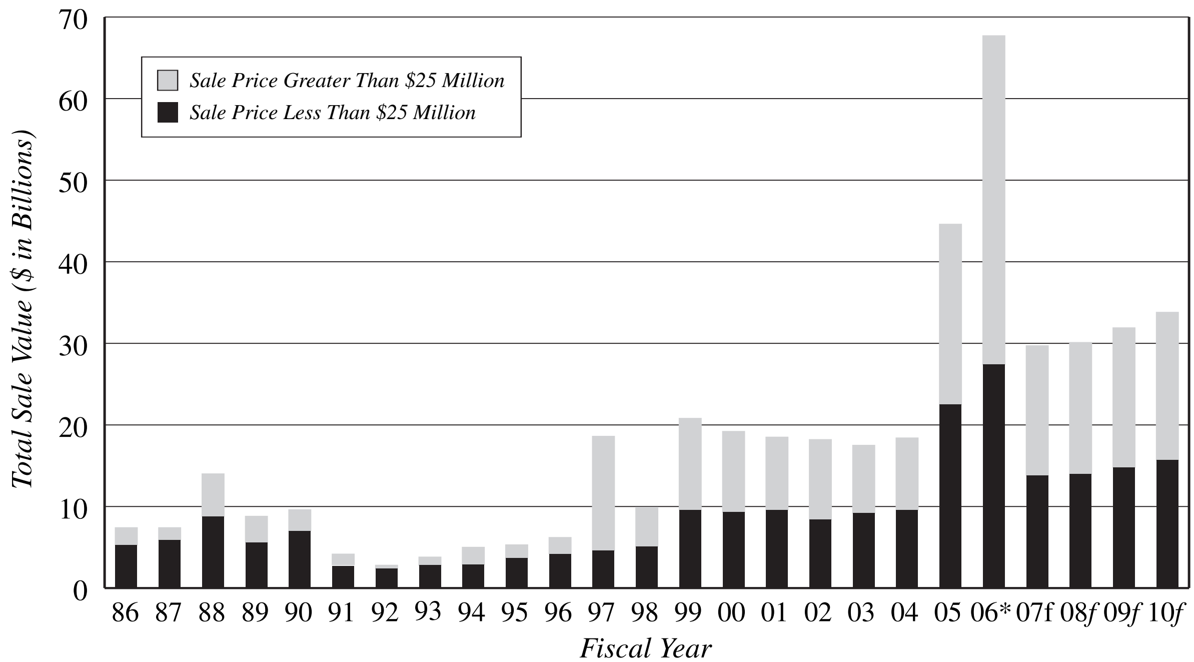
Revenue from residential transactions in 2006 is forecast at $607 million, growth of 6.6 percent over the prior year and virtually unchanged from the January Plan level. This follows unprecedented collections growth of 9 percent, 61 percent and 16 percent seen in 2003, 2004 and 2005, respectively, fueled by historically low mortgage interest rates. The recent increases in mortgage interest rates, consumer credit over-extension and the slowdown forecast for the broader economy are expected to depress home purchases and lead to declines in home prices. Class 1 residential (1-3 Family) transactions are forecast to decline by 10 percent from peak to trough beginning in early 2006 and ending in 2010, while average sales price is forecast to decline 8 percent starting about six months later. Class 2 residential co-op and condo transactions, which follow a similar trend but exhibit greater volatility, are forecast to decline by over 21 percent while the average sale price is forecast to decline by 12 percent over the same period. These declines in transaction volume and price translate into a forecast revenue decline of 12.2 percent in 2007, 7.9 percent in 2008 and 3.4 percent in 2009 before collections rebound in 2010.

Revenue from commercial transactions in 2006 is forecast at $633 million, growth of 31 percent over the prior year and an increase of $15 million from the January Plan level. This follows unprecedented collections growth of 42 percent, 32 percent and 76 percent seen in 2003, 2004 and 2005, respectively, fueled by low interest rates and the high demand for commercial investment properties. In recent years, with lackluster returns on equities, low yields in the bond market and other investments, the returns on commercial real estate appear attractive. Interest in City commercial properties, evident by strong transaction volumes since the late

1990's, sky-rocketed to unprecedented levels in 2005 and 2006. The total value of commercial property transactions above $25 million grew 152 percent over the prior year in 2005 and is expected to grow another 82 percent in 2006. In addition, in the first six months of 2006 alone there were about 30 sales of buildings valued at over $200 million each, compared to only 16 similar transactions in all of 2005. This interest in commercial real estate is further fueled by the shortage of office space in the City, especially in Midtown where the vacancy rates have fallen to 7.6 percent. With very little inventory coming online, the attractiveness of commercial office space in New York City for investment purposes continues. While the market fundamentals for commercial properties are expected to remain strong, the commercial transaction activity in 2007 is forecast to return to a more sustainable level and is projected to grow an average of 4.1 percent from 2008 through 2010.

COMMERCIAL REAL PROPERTY TRANSFER TAX COLLECTIONS

In 2005 and 2006 Real Property Transfer Tax Collections from commercial transactions experienced an unsustainable spike in activity. Commercial transactions are forecast to return to more sustainable levels.



f = Forecast
** Projection based on first six months of data.*

For 2007 the real property transfer tax is forecast at $863 million, a decline of 30.4 percent from the extraordinary levels seen in 2006. Collections from residential transactions are forecast to decline 12.2 percent, with composite mortgage interest rates forecast to reach 7.0 percent in calendar year 2007. Collections from commercial transactions are forecast to decline 47.9 percent, on the heels of forecast interest rate increases, and the return of activity to a sustainable level. From 2008 through 2010, the real property transfer tax collections are projected to decline an average of 0.3 percent.

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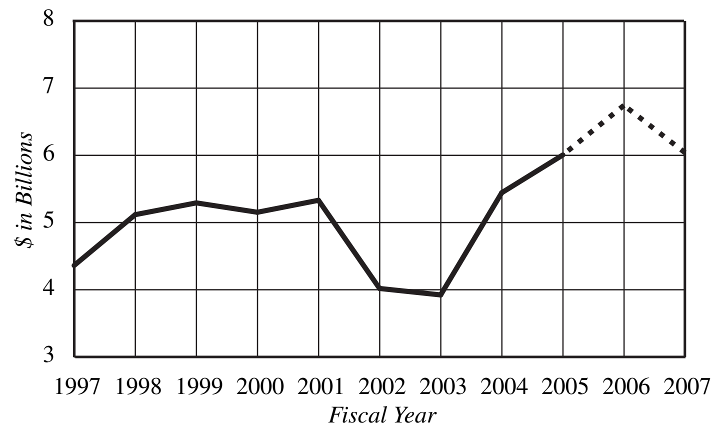
PERSONAL INCOME TAX

The personal income tax is projected to account for 18.9 percent of tax revenue in 2007, or $6,039 million.

Tax Base and Rate: The personal income tax is imposed on the taxable income of New York City residents, estates and trusts. The starting point for determining taxable income is Federal adjusted gross income (AGI). This amount is adjusted for statutory modifications to yield New York AGI. Taxable income results from subtracting the New York deduction and New York exemptions from New York AGI. Taxpayers may claim the New York standard deduction or the New York itemized deduction (the Federal itemized deduction amount subject to New York modifications). High income taxpayers are subject to percentage reductions in their New York itemized deductions. Finally, taxpayers are allowed a flat amount exemption for each dependent. There are different tax rate schedules for single (and married taxpayers filing separately), head of household, and married (filing jointly) taxpayers. These separate schedules were introduced in 1987. The rates and brackets have changed over the years. The current top rate is 3.648 percent. In addition to the base tax, taxpayers who make extensive use of tax preferences are liable for taxes of 2.5 percent on their New York minimum taxable income.

PERSONAL INCOME TAX 1997-2007



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

2006 Rate Schedule[1]

			Base Tax			14% Increase		Combined Tax		
	Over	But Not Over	Base Amount	Plus	of Amount Over	Base Amount	Increase Rate	Base Amount	Comb. Rate	of Amount Over
Single Filers	$0	$12,000	$0	2.55%	$0	$0	0.357%	$0	2.907%	$0
If net income is:	12,000	25,000	306	3.10%	12,000	43	0.434%	349	3.534%	12,000
	25,000	50,000	709	3.15%	25,000	99	0.441%	808	3.591%	25,000
	50,000		1,497	3.20%	50,000	209	0.448%	1,706	3.648%	50,000
Joint Filers	$0	$21,600	$0	2.55%	$0	$0	0.357%	$0	2.907%	$0
If net income is:	21,600	45,000	551	3.10%	21,600	77	0.434%	628	3.534%	21,600
	45,000	90,000	1,276	3.15%	45,000	179	0.441%	1,455	3.591%	45,000
	90,000		2,694	3.20%	90,000	377	0.448%	3,071	3.648%	90,000
Head of Household Filers	$0	$14,400	$0	2.55%	$0	$0	0.357%	$0	2.907%	$0
If net income is:	14,400	30,000	367	3.10%	14,400	52	0.434%	419	3.534%	14,400
	30,000	60,000	851	3.15%	30,000	119	0.441%	970	3.591%	30,000
	60,000		1,796	3.20%	60,000	251	0.448%	2,047	3.648%	60,000

(1) Base Tax and Surcharge rates are set by law.

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

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

New York Dependent or Personal Exemptions and Standard Deductions, 1966-2006

Tax Year	Exemption	Standard Deduction
2003 - 06	None for taxpayers, $1,000 for each dependent	$7,500 for individual, $10,500 for head of household, $14,600 for joint filers, and $3,000 for dependent taxpayers
2002	Same as above	$7,500 for individual, $10,500 for head of household, $14,200 for joint filers, and $3,000 for dependent taxpayers
2001	Same as above	$7,500 for individual, $10,500 for head of household, $13,400 for joint filers, and $3,000 for dependent taxpayers
1997 - 00	Same as above	$7,500 for individual, $10,500 for head of household, $13,000 for joint filers, and $3,000 for dependent taxpayers
1996	Same as above	$7,400 for individual, $10,000 for head of household, $12,350 for joint filers, and $2,900 for dependent taxpayers
1995	Same as above	$6,600 for individual, $8,150 for head of household, $10,800 for joint filers, and $2,800 for dependent taxpayers
1989 - 94	Same as above	$6,000 for individual, $7,000 for head of household, $9,500 for joint filers, and $2,800 for dependent taxpayers
1988	Same as above	$5,000 for individual, $6,000 for head of household, $8,500 for joint filers, and $2,800 for dependent taxpayers
1987	$900 *(Available for taxpayers and each dependent)*	$3,600 for individual, $4,600 for head of household, $5,300 for joint filers, and $2,800 for dependent taxpayers
1986	$850	$2,600 for individuals, $3,000 for married couples and heads of households
1985	Same as above	$2,500 for individuals, $2,750 for married couples and heads of households
1982 - 84	$800	17% of AGI subject to a minimum of $1,500 ($2,000 for married couples) and a maximum of $2,500
1981	$750	Same as above
1980	Same as above	16% of AGI subject to a minimum of $1,400 ($1,900 for married couples) and a maximum of $2,400
1979	$700	Same as above
1978	$650	Same as above
1976 - 77	Same as above	15% of AGI subject to a minimum of $1,000 ($1,500 for married couples) and a maximum of $2,000
1966 - 75	$600	For all taxpayers 10% of AGI or $1,000, whichever is less

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

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

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

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

The most significant changes to the law were large increases in the standard deduction and the introduction of a household credit to replace the low-income exclusion. For a joint filer with two dependents, these changes raised the threshold below which no tax is due from $11,000 in calendar year 1986 to $14,025 in 1987, $15,550 in 1988, and $16,046 in 1989 and 1990. Imposition of the 14 percent additional tax in 1991 lowered the threshold to $15,484 from 1991 to 1994. The taxable threshold increased again in 1995 to $16,691 and in 1996 to $17,499, as a result of increases in the standard deduction. An increase in the base rates in 1997 lowered the threshold to $15,001 from 1997 to 1998. The taxable threshold grew to $16,164 in 1999 as a result of the STAR program, and increased to $17,831 in 2000, with an increase in STAR credits and rate cuts. In 2001, the taxable threshold grew to $20,079, with the full phase-in of the STAR program, the reduction in the 14 percent additional tax and the increase in the joint filer standard deduction. In 2002, the taxable threshold grew to $20,518, the result of further increases in the joint filer standard deduction. In 2003 the taxable threshold grew to $20,918 due to another increase in the joint filer standard deduction and remains unchanged through 2006.

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

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

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

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

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

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

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

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

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

State Sponsored Personal Income Tax Reductions
($ in Millions)

	2003	2004	2005	2006	2007	2008	2009	2010
STAR Program:								
Credit	($252)	($252)	($252)	($252)	($252)	($252)	($252)	($252)
Rate Cut	(288)	(288)	(380)	(440)	(416)	(457)	(479)	(507)
STAR Program Total	($540)	($540)	($632)	($692)	($668)	($709)	($731)	($759)

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

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

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

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

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

The Federal Job Creation and Worker Assistance Act of 2002 includes an extension of two nationwide business relief tax provisions, a 30 percent depreciation allowance and net operating loss extensions. Additionally, this act established the New York Liberty Zone (NYLZ) in New York City and provides a number of special tax incentives for businesses within the NYLZ. Since the New York City tax laws couple to Federal definitions, the Federal tax reduction flows directly through to the New York City tax base and reduced personal income tax collections in 2003 by approximately $12 million with the largest components of the cost relating to a 30 percent depreciation deduction. The Job and Growth Tax Relief Reconciliation Act of 2003 provides a 50 percent depreciation allowance for property acquired after May 5, 2003 and before January 1, 2005. New York State laws and New York City local laws adopted during 2003 will not allow the aforementioned bonus depreciation provisions to apply to the New York State and New York City personal income tax, except with property located in Manhattan below Houston Street, effective 2003 and thereafter.

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

As part of New York State's budget for fiscal year 2003-2004, the State authorized the City to raise revenue through State legislation. Effective January 1, 2003, State and local laws were amended imposing a temporary personal income tax increase through a new rate schedule which superseded the existing base rate schedule and the 14 percent additional tax. The temporary rate schedule combined the base rates with the 14 percent additional tax at the existing brackets and added two new upper income brackets and rates. A tax table benefit recapture provision was also imposed. The temporary rate schedule along with the recapture provision expired on December 31, 2005, and was replaced with the base rate and the 14 percent additional tax, which were in effect in calendar year 2002.

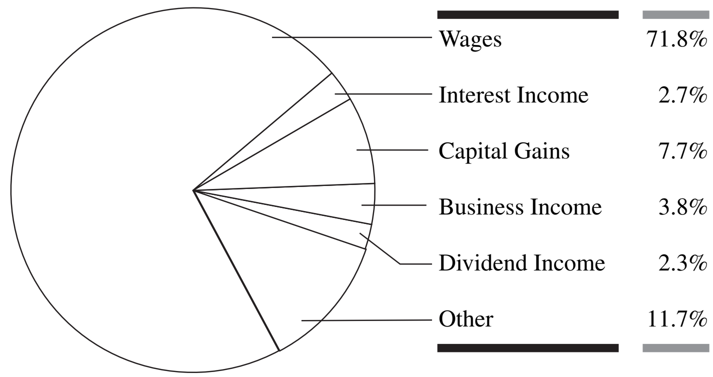
The temporary rate schedule set the new brackets at $100,000 in taxable income for single, $150,000 for joint and $125,000 for head of household filers and at $500,000 for all filers. The two new higher rates were 4.25 percent and 4.45 percent in tax year 2003. The temporary personal income tax increase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

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

For tax years beginning on or after January 1, 2004, New York City residents are allowed a credit against the City's personal income tax equaling five percent of the Federal earned income tax credit allowed under section 32 of the internal revenue code for the same taxable year (New York City Local Law 39). If the City credit is greater than the taxpayer's liability (net of other allowable credits) the excess will be treated as an overpayment and refunded to the taxpayer.

COMPONENTS OF INCOME

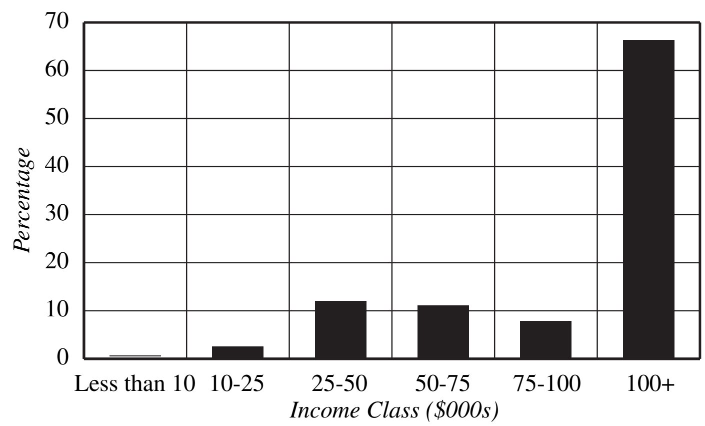
New York City Resident Returns—Tax Year 2003



Source: NYS Dept. of Taxation and Finance, Office of Tax Policy Analysis

SHARE OF LIABILITY

New York City Resident Returns—Tax Year 2003



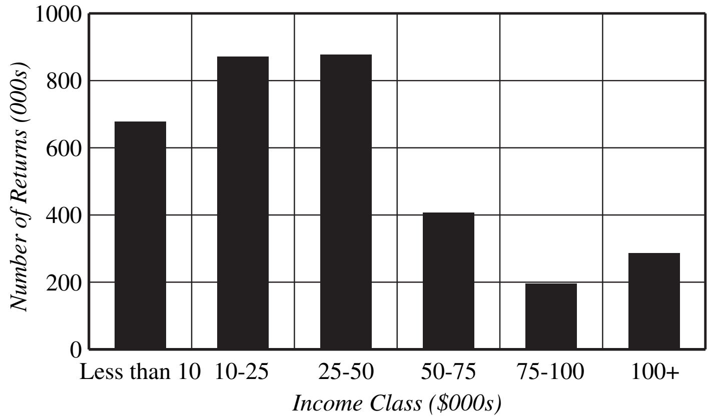
Income Class ($ 000s)	Liability Paid ($ in Millions)	Percentage of Total
Less than 10	8	0.2%
10-25	135	2.6%
25-50	633	12.0%
50-75	580	11.0%
75-100	412	7.9%
100+	3,482	66.3%
Total	5,249	100.0%

Source: NYS Dept. of Taxation and Finance, Office of Tax Policy Analysis

Distribution of Liability: A sample of 2003 tax returns reveals that the majority of resident returns were filed by taxpayers with adjusted gross income less than $50,000 (see charts on this and previous page). However, the 27 percent of taxpayers with income greater than $50,000 paid 85 percent of the tax. Wage income was 72 percent of total reported income on resident returns. Capital gains realizations accounted for eight percent of income. Interest income accounted for approximately three percent of total reported income. Generally, higher income taxpayers earned most of the nonwage income in the City.

NUMBER OF FILERS

New York City Resident Returns—Tax Year 2003



Income Class ($ 000s)	Number of Filers (000s)	Percentage of Total
Less than 10	678	20.5%
10-25	871	26.3%
25-50	877	26.5%
50-75	407	12.3%
75-100	196	5.9%
100+	286	8.6%
Total	3,315	100.0%

Source: NYS Dept. of Taxation and Finance, Office of Tax Policy Analysis

Administration: The New York City personal income tax has been administered by New York State since 1976. All collection information is received from the New York State Department of Taxation and Finance. Daily collection and refund reports are produced by the Accounting Bureau and sent to the City. At the end of the month the City receives a letter from the State Comptroller verifying the final amount of personal income tax revenue by component due to the City for that month. Each month the State charges the City for the administration of the tax. The charge is based on State expenditures for data entry, processing of tax returns and taxpayer services which can be attributed to the City. For 2005, the administrative charge paid by the City was $38 million.

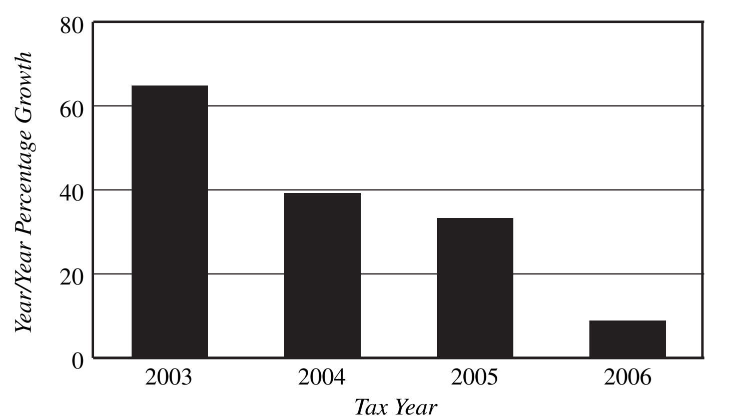
Withholding Tables: Withholding tables are adjusted to reflect changes made to tax rates, standard deductions and the dependent exemption. To implement the New York City Tax Reduction Act of 1987, withholding tables were adjusted in October 1987, October 1988 and October 1989. To implement the temporary surcharge, withholding tables were changed in October 1990 and again in October 1991 to reflect the implementation of the 14 percent additional tax. Withholding tables were changed in January 1999 to reflect the expiration of the 12.5 percent surcharge and again in July 1999 to reflect a reduction in rates due to implementation of the STAR program. Effective January 1, 2000, the City nonresident withholding tables were changed to reflect a reduction in nonresident rates from 0.45 to 0.25 percent on wages, and from 0.65 to 0.375 percent on net earnings from self-employment. The lower rates applied to out-of-state nonresidents only, as in-state nonresidents were exempt from the nonresident earnings tax from July 1, 1999, and thereafter. The nonresident earnings tax repeal did not apply to out-of-state nonresidents until April 4, 2000. Effective January 1, 2001, the withholding tables were changed to reflect the first reduction of the 14 percent additional tax and the last installment of the STAR program rate cut. In response to the second reduction of the 14 percent additional tax effective for tax year 2001, the withholding tables were changed again, effective October 1, 2001. On June 1, 2002, the withholding tables were changed to reflect the full re-imposition of the 14 percent additional tax. Effective July 1, 2003, the withholding tables were changed to reflect the enactment of the temporary tax increase with two new higher income brackets and rates for tax years 2003 through 2005. In order to capture the full year liability change in six months of withholding, the increase in withholding table rates doubled for half of tax year 2003. Effective January 1, 2004, withholding tables were changed to reflect the full-year impact of the new income brackets and rates for tax year 2004. Effective January 1, 2005, withholding tables were changed again to reflect the reduction in the personal income tax rate for the second highest income bracket for tax year 2005. Effective January 1, 2006, withholding tables were changed to reflect the expiration of the temporary personal income tax increase.

Forecast: The personal income tax is forecast at $6,744 million in 2006, after TFA retention, growth of 12.3 percent over the prior year and a decrease of $239 million from the January Plan forecast. In 2007, the personal income tax is forecast at $6,039 million, after TFA retention, a decline of 10.5 percent from the prior year and a decrease of $149 million from the January Plan forecast. The decline in collections from the prior year is largely due to an increase in TFA retention in 2007 and the expiration of the temporary personal income tax increase at the beginning of tax year 2006. After adjusting for the tax law changes and the TFA retention, the personal income tax is forecast to grow 12.6 percent in 2006 and to exhibit flat growth in 2007.

Personal income tax receipts continue their strong growth into 2006. The healthy national and local economies and strength in capital gains realizations in calendar year 2005 have increased the income subject to the personal income tax, despite the decline of Wall Street profits in calendar year 2005. As a result, personal income tax collections, on a common rate and base, are forecast to grow 12.6 percent in 2006 after growing 20.8 percent in 2005.

In 2006, withholding is forecast to grow 7.7 percent, on a common rate and base, following growth of 10.9 percent in 2005. This strength stems partially from a 6.7 percent increase in wage earnings in 2006, following the 6.9 percent increase the previous year. The 2006 wage earnings growth is the result of strong employment gains as well as a Wall Street bonus payout of 10.1 percent on robust revenue growth at top securities firms (weaker than the 15.7 percent bonus payout forecast at the January Plan). Bonus withholding growth during the December through March bonus period was only nine percent, a significant slowdown from the growth of 30 percent and higher seen the past three years, and resulted in a bonus withholding collections decrease of over $100 million from the January Plan. The lower than expected bonus withholding reflects NYSE member-firm profits for the 2005 calendar year of $9.4 billion, $2.4 billion lower than the January Plan estimate of $11.8 billion, and a decline of $4.3 billion from the 2004 level. While aggregate results for NYSE member firms in calendar year 2005 were weak, operating earnings at the top investment banks were strong, with double-digit growth in pre-tax net profits. Although all securities firms were squeezed by interest rate compression and higher interest expenses, these costs at the larger firms were offset by dramatic revenue gains in investment banking and principal transactions, market segments in which smaller firms participate less. The result appears to be hefty bonuses at larger firms, while the bonuses paid out by the smaller firms remained subdued. In the July through November period, withholding collections, on a common rate and base, increased by 9.9 percent compared to the same prior year period. The strength in non-bonus period withholding is the result of an increase in non-finance wage earnings supported by private employment gains of 49,000 jobs

BONUS PERIOD WITHHOLDING GROWTH IS DECELERATING

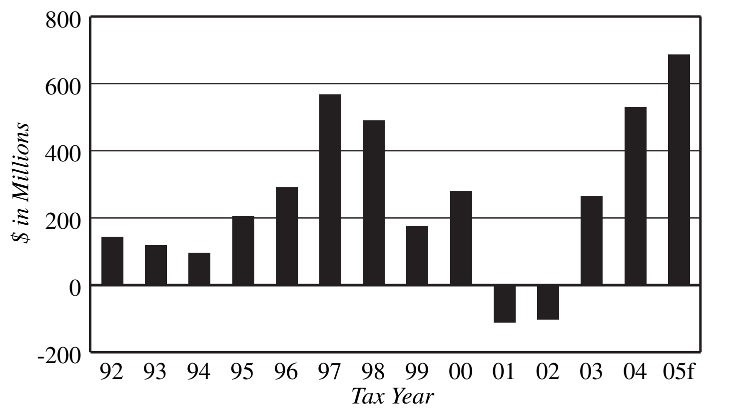


in calendar year 2005. During the remaining quarter of the fiscal year, withholding is forecast to increase 6.4 percent on a common rate and base, in pace with the wage earnings forecast of 5.9 percent for the same period. After tax law changes, withholding is forecast to grow 4.8 percent in 2006 following growth of 7.4 percent in 2005, a decline of $134 million from the January Plan forecast, primarily due to the bonus withholding shortfall in the December through March bonus period.

Installment payments on liability year 2005 increased 23.3 percent, on top of the 41.3 percent growth seen for 2004. Installment payments have risen as the result of expected 22 percent growth in capital gains realizations for calendar year 2005, after an estimated 55 percent increase in calendar year 2004. The high level of nonwage income supporting the installment payments forecast stems from a third consecutive year of exceptional real estate transaction activity and property value growth. Also contributing to nonwage income growth are modest gains in stock valuations.

Remittances for settlement payments (final returns, extensions, and State/City offsets) are forecast to exceed refunds payouts by $687 million for tax year 2005, an increase of $156 million from the prior year and an increase of $283 million from the January Plan forecast. This high level of settlement payments is due to strong liability growth for the tax year, which is derived from robust increases in wage and nonwage income. Total liability on tax year 2005 is forecast to grow 12.1 percent, on a common rate and base, and 11.9 percent after including the impact of the temporary tax increase and other tax law changes.

SETTLEMENT PAYMENTS



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

Personal income tax revenue in 2007, before TFA retention, is forecast at $6,727 million, a decline of 5.2 percent from the prior year. This is a decline of $165 million from the January Plan forecast, and reflects the baselined bonus shortfall from the prior year. On a common rate and base, flat growth is forecast for 2007.

Withholding growth in 2007 slows to 1.7 percent reflecting the phase-out of the temporary tax increase, effective January 1, 2006. On a common rate and base, withholding collections are forecast to grow 3.9 percent, paralleling the forecast wage earnings growth. Wage earnings are forecast to grow 3.5 percent in 2007, held down by a forecast decline in the Wall Street bonus payout in calendar year 2006, despite employment gains of 34,000 jobs.

Installment payments in 2007 are forecast to decline 21.5 percent, mostly reflecting the expiration of the temporary tax increase, which was levied on high income taxpayers who pay a significant portion of their liability in installments. Also, contributing to the decline in installment payments are forecast declines in capital gains realizations of five percent and 12 percent in tax years 2006 and 2007, respectively, due to an anticipated decline in real estate transaction activity.

Personal income tax revenue growth, before TFA retention, is forecast to be flat in 2008, reflecting a large forecast decline in Wall Street bonuses in calendar year 2007 and continued softness in real estate transaction activity. Personal income tax revenue, before TFA retention, is forecast to average growth of 6.5 percent in 2009 and 2010 as local income rebounds and trend growth is forecast for the national and local economies.

Personal Income Tax Collections By Component
($ in Millions)

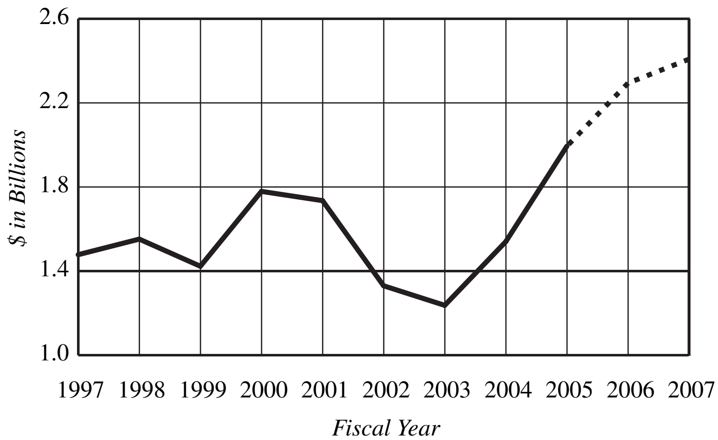
	2004	2005	2006 f	2007 f
Withholding	$4,510	$4,845	$5,076	$5,162
Estimated Payments [1]	1,108	1,563	1,877	1,359
Final Returns	325	500	573	480
Other [2]	425	515	581	625
Gross Collections	$6,368	$7,423	$8,107	$7,626
Refunds	(816)	(920)	(1,013)	(899)
Net Collections	$5,552	$6,503	$7,094	$6,727
Less TFA Retention	(109)	(497)	(350)	(688)
Total	$5,444	$6,006	$6,744	$6,039

(1) Includes extension payments.
(2) Offsets, charges, assessments less City audits.
f= Forecast. Totals may not add due to rounding.

GENERAL CORPORATION TAX

The general corporation tax is projected to account for 7.5 percent of tax revenue in 2007, or $2,408 million.

GENERAL CORPORATION TAX 1997-2007



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) 8.85 percent of the firm's entire net income allocated to the City; (2) 2.655 percent of the sum of allocated net income plus the compensation paid to individual shareholders owning at least five percent of the firm; and (3) 0.15 percent of the firm's business and investment capital allocated to the City. There is an additional tax on subsidiary capital allocated to the City, at the rate of 0.075 percent. The sum of the liability paid on the highest of the four alternative bases and the tax on subsidiary capital is the firm's total tax liability.

The starting point for determining the net income base, 77.7 percent of corporate liability in tax year 2002, is Federal taxable income, which must be modified to account for differences between New York City and Federal treatment of various items, including depreciation, tax-exempt interest and net operating loss deductions. This modified income must be divided between business income and investment income, and then allocated between income derived from New York City activities and income derived from activities outside of the City.

Business income is defined as the firm's entire net income less its investment income (dividends and interest from nonsubsidiary operations). The allocation formula used by most firms for business income is the average of the following ratios: (1) New York City tangible property to total property; (2) New York City receipts to total receipts; and (3) New York City payroll to total payroll. Manufacturing firms are allowed to "double weight" the receipts factor for tax years beginning on or after July 1, 1996. Of firms that pay the general corporation tax on the net income basis, only 11 percent have operations both inside and outside New York City and therefore allocate their business income according to this formula. Investment income is allocated according to the amount of capital employed in New York City by the issuing corporation.

The income–plus–compensation base accounted for approximately 12.6 percent of corporate tax liability in tax year 2002. The purpose of this alternative base is to tax firms which may lower their taxable income by classifying dividends (which are not deductible) as salaries and other forms of compensation (which are deductible).

The starting point for determining this base is New York City allocated net income, to which the compensation paid to shareholders owning more than five percent of the corporation's outstanding stock must be added back. After a statutory deduction of $40,000, the firm applies the 8.85 percent rate to 30 percent of this base (hence the 2.655 percent effective tax rate).

The alternative tax on allocated capital accounted for approximately 5.5 percent of all corporate tax liability in tax year 2002. This base is designed to tax firms which have low net income, either because of temporary financial difficulties or because of extensive use of tax preferences, such as deductions and net operating loss carryforwards.

To determine the tax obligation under this base, a firm must compute the value of its business and investment assets, deduct liabilities against those assets and, if eligible, allocate a portion of the business capital and investment capital to the City using the same allocation formula described previously. The 0.15 percent rate is then applied. In 1998, a cap was placed on the business and investment capital tax base, limiting a corporation's tax on New York City allocated business and investment capital to a maximum of $350,000.

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

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

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

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

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

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

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

In 1994, New York State enacted legislation which allowed for the formation of a new type of business entity in New York State, a limited liability partnership or company (LLC). LLCs have some of the limited liability aspects of corporations and the tax treatment of partnerships for Federal, State and local tax purposes. LLCs pay a fee to the State, and those conducting business in the City are subject to the City unincorporated business tax. Over time, the number of corporations is expected to decline as new businesses increasingly opt for the LLC business form. The shift of filers from the general corporation tax base to the unincorporated business tax base is forecast to decrease the corporation tax collections by an estimated $155 million in 2006 and $165 million by 2010.

The income–plus–compensation 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 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 outside of New York City, but only had a City business location. These firms were required to pay tax on all taxable income. All taxpayers conducting business outside the City are now allowed to allocate income with the elimination of the "place of business" requirement.

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

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

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

The Federal Job Creation and Worker Assistance Act of 2002 allows taxpayers an additional 30 percent depreciation deduction in the first year "qualified property" is placed in service. A similar depreciation deduction for "qualified property" in the New York Liberty Zone (NYLZ) and the Resurgence Zone is allowed. The NYLZ generally encompasses the area in the borough of Manhattan below Canal Street and the Resurgence Zone encompasses the area between Canal Street and Houston Street. Additionally, the Act also allows NYLZ leasehold improvements to be depreciated over a five-year period using a straight line method as well as an additional first-year expense deduction of up to $35,000 for "qualified NYLZ property". To avoid a significant loss of revenue, New York City general corporation tax law was amended to limit the depreciation deductions to "qualified property" within the NYLZ and the Resurgence Zone only and to limit the additional first-year expense deduction to "qualified NYLZ property". The Federal Jobs and Growth Tax Relief Reconciliation Act of 2003 increased the first-year depreciation deduction to 50 percent for property acquired after May 5, 2003 and before January 1, 2005. All of the original eligibility rules that applied to the 2002 deduction apply to the 2003 deduction. Additionally, a taxpayer cannot claim the 30 percent deduction for property for which the 50 percent deduction has been claimed.

For tax years beginning on or after January 1, 2004, film and television companies may claim a credit against the general corporation (or unincorporated business) tax equal to five percent of specified production costs incurred in producing a qualified film or television program in the City, in addition to the 10 percent credit they can claim against the State's Article 9-A franchise tax or personal income tax. The total amount of credits issued per calendar year is capped at $12.5 million; claimed credits which exceed this amount can be carried over to the following calendar year. The credit expires on August 20, 2008.

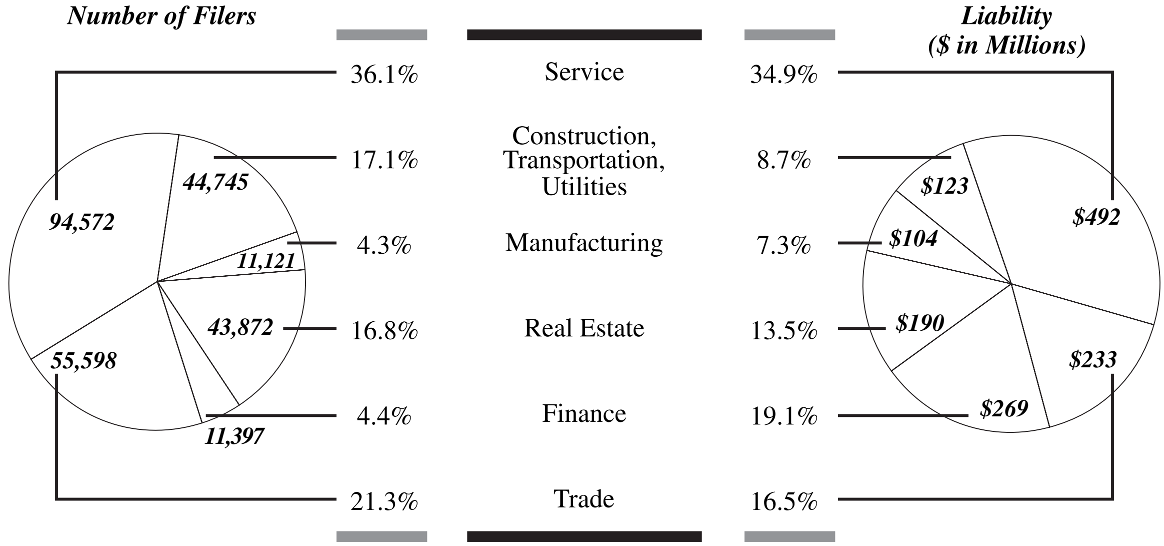
Industrial Mix of General Corporation Tax Revenue: The following chart is based on data from a statistical report of corporate returns for tax year 2002 (the latest year for which data is available from the Department of Finance (DOF)) and reflects the distribution of City tax liability and number of filers by industrial sector. In 2002, the service sector (information, professional/technical/managerial and other services) and finance sector accounted for over half of general corporation tax liability. The service and trade sectors accounted for the largest number of taxpayers, 36 percent and 21 percent, respectively. The finance sector fluctuates with Wall Street profits and is therefore volatile. The non-finance sector has seen stable growth since 1990 but is sensitive to recessions.

Since 1990 the total general corporation tax liability has increased 45 percent from $972 million to $1,410 million in 2002. A large portion of the growth in liability is a result of growth in the finance sector, more specifically in securities and commodities firms. Securities and commodities liability has grown 229 percent from $65 million in 1990 to $214 million in 2002. This sector now accounts for over 15 percent of general corporation tax liability up from seven percent in 1990.

During the 1990s the securities industry grew rapidly in New York City. Strength in the stock market and robust earnings for investment banking firms increased tax liability. In addition to the finance sector, the real

GENERAL CORPORATION TAX *(Tax Year 2002)*

By Industrial Sector



Source: NYC Department of Finance, Office of Tax Policy

estate sector grew significantly during the 1990s. Real estate liability has more than doubled and the number of firms has steadily increased as well.

The total number of firms paying the general corporation tax increased from 203,223 in 1990, to 261,305 in 2002. However, not all sectors have been growing.

Manufacturing firms have been steadily moving out of the City. In 1990, 18,115 manufacturing companies accounted for almost nine percent of general corporation tax liability. In 2002 there were 11,121 manufacturing companies in the City which accounted for only seven percent of general corporation tax liability.

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

Forecast: The 2006 general corporation tax is forecast at $2,294 million, an increase of 15.0 percent from the prior year and an increase of $151 million from the January Plan forecast. In 2007, the general corporation tax is forecast at $2,408 million, growth of 5.0 percent from the prior year, and a $144 million increase from the January Plan forecast. On a common rate and base, general corporation tax revenue is forecast to grow 13.5 percent in 2006 and 4.5 percent in 2007.

Through March, general corporation tax revenues are up 19.4 percent over the prior year. Collections are $153 million over the January Plan forecast, reflecting strength in March payments, which are predominantly final payments made on extension for tax year 2005. With continued strength in the national and local economies, corporate tax payments are continuing the rebound first seen in 2004. National pre-tax corporate profits (economic profits) were strong in calendar year 2005, 16.0 percent growth over the prior year, posting the fourth consecutive year of double-digit growth. NYSE member-firm profits, on the other hand, reached only $9.4 billion in calendar year 2005, a decline of $4.3 billion from the 2004 level, reflecting robust Wall Street revenue growth from investment banking and principal transactions struggling against significantly higher interest expenses. While aggregate results for all NYSE member firms in calendar year 2005 were weak, operating earnings at the larger, full-line investment banks were strong with double-digit year-over-year growth in pre-tax net profits. In contrast, pre-tax net profits for all NYSE member firms declined 31.4 percent from the prior year. While the major firms were squeezed by interest rate compression, the higher expenses were offset by dramatic revenue gains in principal transactions and investment banking, market segments in which smaller firms participate less. Given that the major firms comprise a large share of the aggregate NYSE member-firm profit number, the disparity in earnings between the major firms and the total firms implies that smaller firms fared quite poorly without strong earnings to offset the interest rate squeeze.

Finance industry firms are expected to post higher profits in calendar year 2006. First quarter operating results from several large investment banks are bearing this out, with continued strength in investment banking and principal transactions, supporting a securities sector liability forecast of 10.2 percent growth in calendar year 2006. In calendar year 2007, a national cyclical slowdown is forecast, with GDP growth slowing from 3.3 percent in calendar year 2006 to 2.5 percent in calendar year 2007. NYSE member-firm profits are forecast to decline 30.3 percent, leading to a 5.1 percent decline in finance sector liability in calendar year 2007. Non-finance sector liability is forecast to grow 5.4 percent in calendar year 2006, as corporate profits (economic profits) are forecast to remain high, especially as a percentage of national income (13.4 percent, the highest in 15 years), and professional services employment remains at a high level. Non-finance sector liability growth is forecast to slow to 1.7 percent in calendar year 2007 as the local and national economies contract due to higher interest rates and a cooling real estate market. Gross city product growth slows to 1.2 percent (from 5.0 percent growth in calendar year 2006) and corporate profits (economic profits) decline 1.4 percent in calendar year 2007.

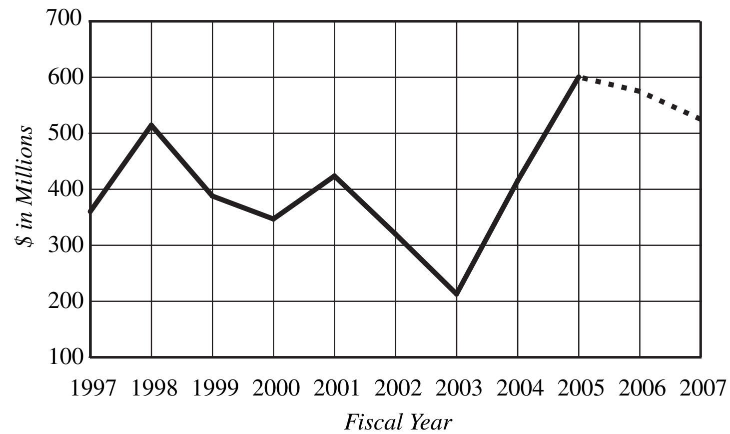
A forecast decline in NYSE member-firm profits in calendar year 2007 is followed by a rebound in calendar years 2008 and 2009. However, moribund national pre-tax corporate profits growth and increases in refund payouts, following the Wall Street profits correction in calendar year 2007, lead to revenue growth of 1.6 percent on average (common rate and base) from 2008 through 2010.

BANKING CORPORATION TAX

The banking corporation tax is projected to account for 1.6 percent of tax revenue in 2007, or $525 million.

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.

BANKING CORPORATION TAX 1997-2007



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 as these same allocation factors are commonly used in other states.

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

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

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

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

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

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

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

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

The Federal Job Creation and Worker Assistance Act of 2002 allows taxpayers an additional 30 percent depreciation deduction in the first year "qualified property" is placed in service. A similar depreciation deduction for "qualified property" in the New York Liberty Zone (NYLZ) and the Resurgence Zone is allowed. The NYLZ generally encompasses the area in the borough of Manhattan below Canal Street and the Resurgence Zone encompasses the area between Canal Street and Houston Street. Additionally, the Act also allows NYLZ leasehold improvements to be depreciated over a five-year period using a straight line method as well as an additional first-year expense deduction of up to $35,000 for "qualified NYLZ property". To avoid a significant loss of revenue, New York City banking corporation tax law was amended to limit the depreciation deductions to "qualified property" within the NYLZ and the Resurgence Zone only and to limit the additional first-year expense deduction to "qualified NYLZ property". The Federal Jobs and Growth Tax Relief Reconciliation Act of 2003 increased the first-year depreciation deduction to 50 percent for property acquired after May 5, 2003 and before January 1, 2005. All of the original eligibility rules that applied to the 2002 deduction apply to the 2003 deduction. Additionally, a taxpayer cannot claim the 30 percent depreciation deduction for property for which the 50 percent depreciation deduction has been claimed.

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

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

The merger of Citicorp and Salomon Smith Barney under Travelers Group was completed, creating one of the largest financial conglomerates in the world. As a result, banks began providing 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 sought to expand their international presence while foreign banks increased their presence in the U.S. Deutsche Bank increased its U.S. presence with the purchase of Bankers Trust in 1999. The following year, Credit Suisse, which already owned First Boston, a U.S. investment banking firm, bought Donaldson, Lufkin & Jenrette, to gain market share in high yield bond underwriting. With an increase in investment banking and mergers and acquisitions in European and Asian markets, American banks and brokerage firms expanded their presence in these regions by acquiring local financial institutions.

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

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

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

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

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

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

In calendar year 2004, New York City area commercial banks posted healthy gains in asset management revenues and investment banking fees, but expenses outpaced revenue growth, partly due to significant legal settlements and increasing regulatory compliance costs. Section 404 of the Sarbanes-Oxley Act of 2002 took effect on December 31, 2004, making it mandatory for banks and their auditors to certify the effectiveness of their internal controls, which will likely keep compliance costs high. Calendar year 2004 was a solid year for mergers and acquisitions with 282 deals valued at $131 billion within the banking industry. In the first half of the year, the industry saw two huge deals, as Bank of America merged with FleetBoston and JPMorgan Chase merged with Bank One, and in the second half of the year, there were a greater number of deals but for a lesser value than in the first half.

Banking profitability remained strong in calendar year 2005, but signs of weakness that started showing in calendar year 2004 persisted. Earnings results at the major banks showed that their net interest margins were being negatively impacted by the flattening yield curve, the result of the Federal Reserve raising the fed funds rate without a comparable rise in the 10-year Treasury yield. Many banks had substantial growth in commercial loan volume, which helped stem the effects of the flattening yield curve on their interest margins. In March 2006, the Federal Reserve Board raised the fed funds rate for the 15th time since June 2004 to 4.75 percent and additional increases were expected in calendar year 2006.

In October 2005, changes were made to the Bankruptcy Code making it harder for individuals to file for Chapter 7 bankruptcy protection, which allows a quick resolution of debts, and causing more individuals to have to file for Chapter 13 protection instead, which requires debtors to pay off a portion of their loans. The volume of individuals seeking bankruptcy protection in October, right before the new law took effect, was much higher than anticipated and negatively impacted many banks' third or fourth quarter earnings as credit card chargeoffs (the portion of loans written off) increased. In the 10 days before the new bankruptcy law took effect, 500,000 Americans reportedly filed for bankruptcy, which is approximately one-third of all those who filed for protection in calendar year 2004. Aggregate losses were estimated at over one billion dollars for calendar year 2005, however, losses were believed to have normalized by the end of the first quarter of calendar year 2006.

Banking profitability was also negatively impacted by hurricanes hitting the Gulf Coast in calendar year 2005. Several banks, including JPMorgan Chase and Citigroup, reported losses in the third and fourth quarters related to uninsured property losses, incidental employee expenses, and lost revenue from waived fees.

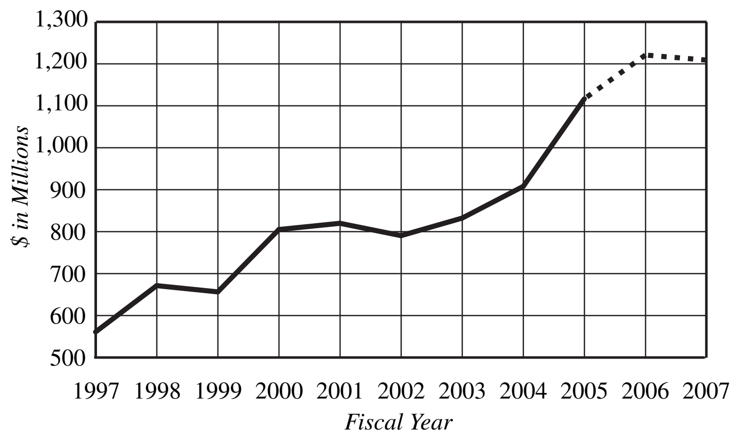
Forecast: The 2006 banking corporation tax is forecast at $575 million, a 4.3 percent decline from the prior year and a decrease of $23 million from the January Plan forecast. The banking corporation tax is forecast at $525 million in 2007, a decline of 8.7 percent from the prior year and no change from the January Plan forecast.

Banking corporation tax revenues saw unprecedented growth in 2004 and 2005 (182 percent cumulative growth) due to low interest rates, a booming real estate market, and strong profits in capital markets at large money center banks. Through March 2006, net collections are $24 million below the January Plan forecast but still 3.5 percent above the prior year level. Despite recent interest rate increases at the long end of the yield curve, much of this year can be characterized by short-term interest rate hikes without comparable increases in the 10-year Treasury yield. The resulting “flattened” yield curve has hurt banks’ margins and consequently the bottom line. While commercial loan growth is still expected to carry some momentum into calendar year 2006, consumer lending is expected to cool, following the slowdown in the housing market. Going forward, banks also face the risk that their capital markets profit centers will not fare as well as they have in the past couple of years.

In 2007, banking corporation tax collections are forecast to decline 8.7 percent but essentially maintain the historically high level of payments achieved in recent years. The moderate collections decline is based upon the expected housing market slowdown dampening consumer lending and higher interest rates continuing to compress margins. After a cyclical downturn in 2007, the pace of the local and national economies will rebound, leading to an average growth of 2.6 percent (common rate and base) in banking corporation tax collections from 2008 through 2010.

UNINCORPORATED BUSINESS TAX

UNINCORPORATED BUSINESS TAX 1997-2007



The unincorporated business tax is projected to account for 3.8 percent of tax revenue in 2007, or $1,209 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 4.0 percent since its imposition in 1966.

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

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

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

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

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

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

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

Also in July 1994, New York State passed legislation allowing the formation of limited liability companies (LLCs). These business entities have the limited liability of corporations, but the organizational flexibility and tax treatment of partnerships. At the Federal level, LLCs are not taxed as separate entities, but partners are taxed on their share of the income. For New York State tax purposes, LLCs pay a $50 per partner fee, with a minimum fee of $350 and a maximum of $10,000. In New York City, LLCs pay the unincorporated business tax. It is expected that businesses will increasingly opt to form LLCs rather than corporations. As a result, a shift of taxpayers is expected from the general corporation tax base to the unincorporated business tax base and unincorporated business tax revenues are expected to increase by $77 million per year in 2006 through 2010.

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

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

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

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

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

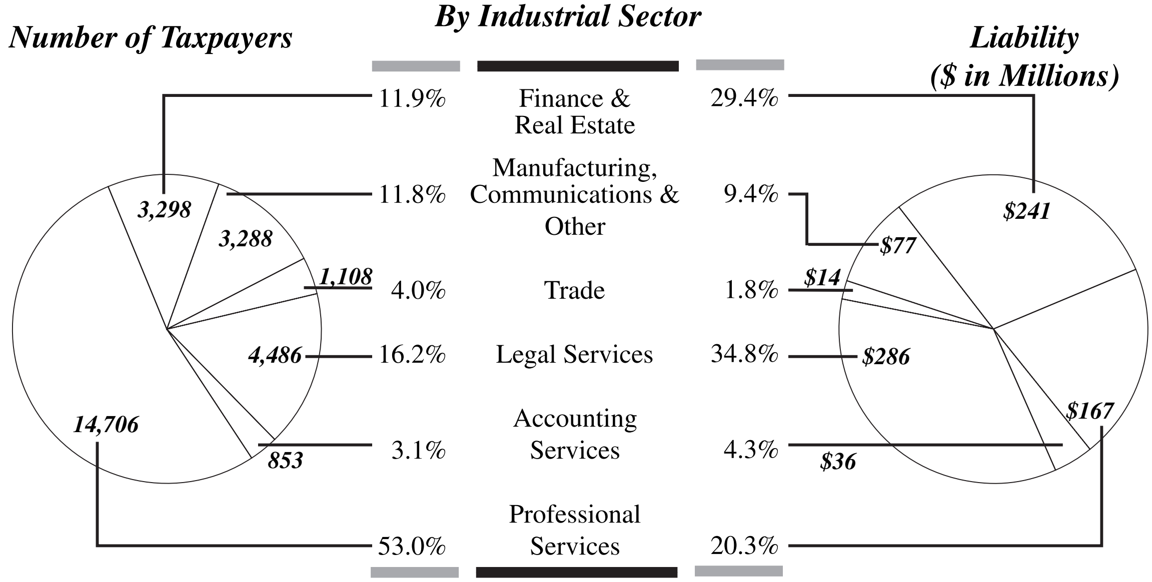
Effective for tax years on or after January 1, 2000, the receipts factor of the income allocation formula of the City's unincorporated business tax was amended to permit receipts from management, administration or distribution services for regulated investment companies (mutual funds) to be allocated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

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

The Federal Job Creation and Worker Assistance Act of 2002 allows taxpayers to take an additional 30 percent depreciation deduction in the first year "qualified property" is placed in service. A similar depreciation deduction for "qualified property" in the New York Liberty Zone (NYLZ) and the Resurgence Zone is allowed. The NYLZ generally encompasses the area in the borough of Manhattan below Canal Street and the Resurgence Zone encompasses the area between Canal Street and Houston Street. Additionally, the Act also allows NYLZ leasehold improvements to be depreciated over a five-year period using a straight line method as well as an additional first-year expense deduction of up to $35,000 for "qualified NYLZ property". To avoid a significant loss of revenue, New York City unincorporated business tax law was amended to limit the depreciation deductions to "qualified property" within the NYLZ and the Resurgence Zone only and to limit the additional first-year expense deduction to "qualified NYLZ property". The Federal Jobs and Growth Tax Relief Reconciliation Act of 2003 increased the first-year depreciation deduction to 50 percent for property acquired after May 5, 2003 and before January 1, 2005. All of the original eligibility rules that applied to the 2002 deduction apply to the 2003 deduction. Additionally, a taxpayer cannot claim the 30 percent depreciation deduction for property for which the 50 percent depreciation deduction has been claimed.

For tax years beginning on or after January 1, 2004, an unincorporated business engaged in film and television production may claim a credit against the unincorporated business tax equal to five percent of specified production costs incurred in producing a qualified film or television program in the City, in addition to the 10 percent credit it can claim against the State's Article 9-A franchise tax or personal income tax. The total amount of credits issued per calendar year is capped at $12.5 million ($50 million had been allotted for four years). Claimed credits which exceed this amount can be carried over to the following calendar year. The credit expires on August 20, 2008.

UNINCORPORATED BUSINESS TAX *(Tax Year 2002)*

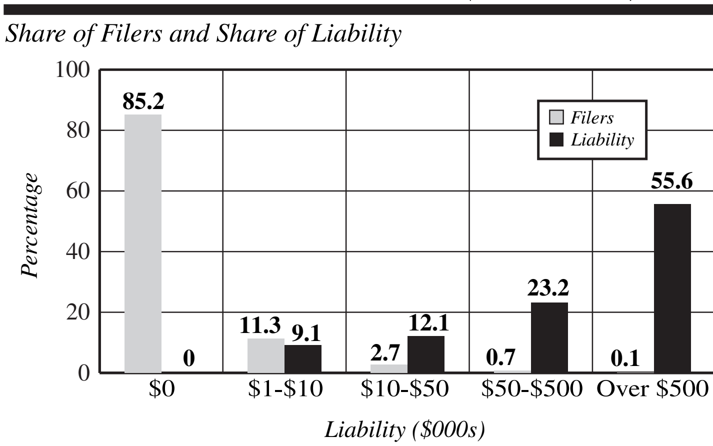


Source: NYC Department of Finance, Office of Tax Policy

Legislation enacted in 2005 amended both State and local tax law to remove several disincentives for establishing unincorporated business entities in the City. First, phased-in in over four years effective January 1, 2006, the method was changed for determining the location of service receipts from the office where the employee performing the service works to the location where the service is performed (applicable to all taxpayers starting in tax year 2009). Second, effective January 1, 2006, the three-factor (payroll, property and the gross income) formula allocation became the preferred method of apportioning taxable income, conforming to the GCT and national business income taxation methods. Tangible personal property rented to a taxpayer is included for taxpayers using the formula allocation method. Certain exisiting partnerships are allowed to continue to use the books and the records allocation method for a seven-year period. Third, the provisions of the UBT relating to leveraged buy-out transactions were repealed, retroactive to tax year 2000.

UNINCORPORATED BUSINESS TAX ***(Tax Year 2002)***

Share of Filers and Share of Liability



Source: NYC Department of Finance, Office of Tax Policy

Distribution and Industrial Mix of Filers: In 2002, there were 187,735 partnership and sole proprietorship filers of which 27,739 paid tax. Sole proprietorships comprised 73.0 percent of all taxpayers but paid only 16.1 percent of total liability. Partnerships accounted for 27.0 percent of all taxpayers and paid 83.9 percent of total liability. Because of the tax credits and exemptions, 85.2 percent of filers in 2002 were exempted from the tax. Proprietorships with net income less than $25,000 (59.0 percent of all filers) paid no unincorporated business tax. The additional exemption for each partner creates higher thresholds for partnerships (26.3 percent of all filers in 2002 were partnerships with no liability). The service sector, made up of the legal, accounting and professional services, accounted for 72.3 percent of taxpayers and 59.4 percent of total unincorporated business tax liability. Legal services, finance and real estate comprised only 28.1 percent of taxpayers but incurred 64.2 percent of total liability.

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

Forecast: The unincorporated business tax is forecast at $1,221 million in 2006, growth of 9.4 percent from the prior year, and a decrease of $23 million from the January Plan forecast. Unincorporated business tax revenue is forecast at $1,209 million in 2007, a decline of 1.0 percent from the prior year, and a decline of $90 million from the January Plan forecast.

Unincorporated business tax collections in 2002 declined 3.6 percent. The decline was the result of the September 11, 2001 terrorist attack and a national recession, which led to a 50.5 percent decline in NYSE member-firm profits in calendar year 2001, and consequently, a 5.0 percent decline in total unincorporated business tax liability in tax year 2001. In 2003, unincorporated business tax revenues rebounded and grew 5.3 percent over the prior year. Buoyed by the continued rebound in the national and local economies in 2004, the unincorporated business tax revenues picked up momentum, posting growth of 9.1 percent. In 2005, revenues grew 23.0 percent over the prior year, reflecting robust NYSE member-firm profits of $16.8 billion and $13.7 billion in calendar years 2003 and 2004, respectively, as well as strong private finance wage growth rate of 17.4 percent in calendar year 2004.

Unincorporated business tax collections through March 2006 have grown 11.1 percent over the prior year. Over the previous four liability quarters growth averaged 26.2 percent, the result of the local economic recovery, particularly in the legal, business services and the real estate sectors, as well as Wall Street strength. However, collections from the liability quarter ending February 2006 grew only 1.8 percent, indicating a significant slowdown from the high levels of growth seen recently. Wall Street weakness in calendar year 2005 caused the decline of finance sector liability in 2005. Growth in non-finance sector liability continues, reflecting strength in business profits. Additionally, the rise in interest rates has cooled transaction activity in the residential real estate sector. Consequently, the 2006 forecast is lowered by $23 million from the January Plan forecast, reflecting a slowdown to 9.4 percent from the robust growth of 23.0 percent seen in 2005.

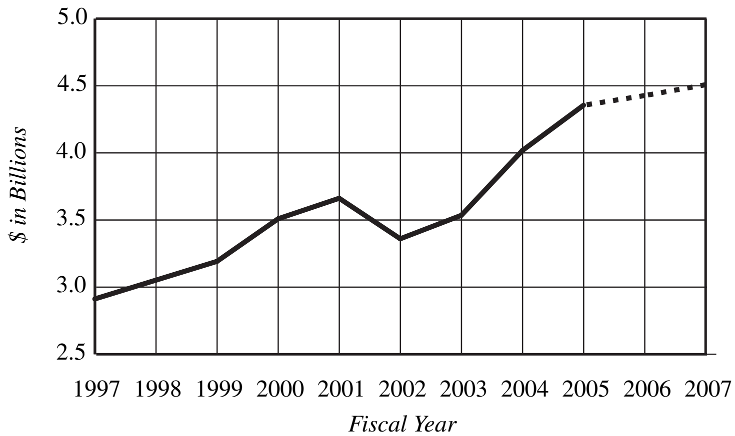
In 2007, unincorporated business tax growth is forecast to be flat over 2006, maintaining the extraordinary level of payments achieved in the prior three years. In 2008 through 2010, unincorporated business tax revenue is forecast to average growth of 2.6 percent and parallel the forecast in the national and local economies.

SALES AND USE TAX

The sales and use tax is projected to account for 14.1 percent of total tax revenue in 2007, or $4,508 million.

Tax Base and Rate: The sales tax rate is 4.0 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) 25.0 percent of admission charges is taxed 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.

SALES TAX 1997-2007



These exemptions are designed to reduce the regressivity of the tax. Exemptions are also allowed for purchases of tangible goods and services intended for resale. The tax does not apply at the time of purchase for resale, but rather at the time the items are sold at retail. Other exemptions include fuel sold to airlines, energy used for research and development, transmission and distribution of energy, certain promotional materials, internet access services, interstate and international telecommunications services, and clothing and footwear purchases under $110. A repeal of the clothing and footwear exemption was in effect from June 1, 2003 through May 31, 2005, and has been re-instated effective September 1, 2005. As of April 1, 2006, the State repealed their sales tax for clothing and footwear costing under $110. During the periods of June 4, 2003 through May 31, 2005 the combined sales tax rate was 8.625 percent. Effective as of June 1, 2005 both NYC and NYS sales tax rate reverted back to 4.0 percent from 4.125 and 4.250 percent, respectively, while the MCTD increased their rate by 1/8 percent from 0.25 to 0.375 percent, therefore making the current combined City sales tax rate 8.375 percent. Sales tax is also applied to charges for parking, garaging or storing motor vehicles, including an additional 8.0 percent surcharge for the borough of Manhattan making the total parking tax 18.375 percent.

Sales Tax Rates

	Through May 31, 2003	After May 31, 2003	After May 31, 2005
New York City*	4.000%	4.125%	4.000%
New York State	4.000%	4.250%	4.000%
MCTD	0.250%	0.250%	0.375%
Total	**8.250%**	**8.625%**	**8.375%**

** The City's additional 0.125% tax did not take effect until June 4, 2003.*

History of Sales Tax Exemptions on Clothing and Footwear

	State Tax	City Tax	MTA
Prior to March 1, 2000	4.000%	4.000%	0.250%
March 1, 2000 – May 31, 2003	Exempt	Exempt	Exempt
June 1, 2003 – May 31, 2005	4.250%	4.125%	0.250%
June 1, 2005 – August 31, 2005	4.000%	4.000%	0.375%
September 1, 2005 – March 31, 2006	4.000%	Exempt	0.375%
April 1, 2006	Exempt	Exempt	Exempt

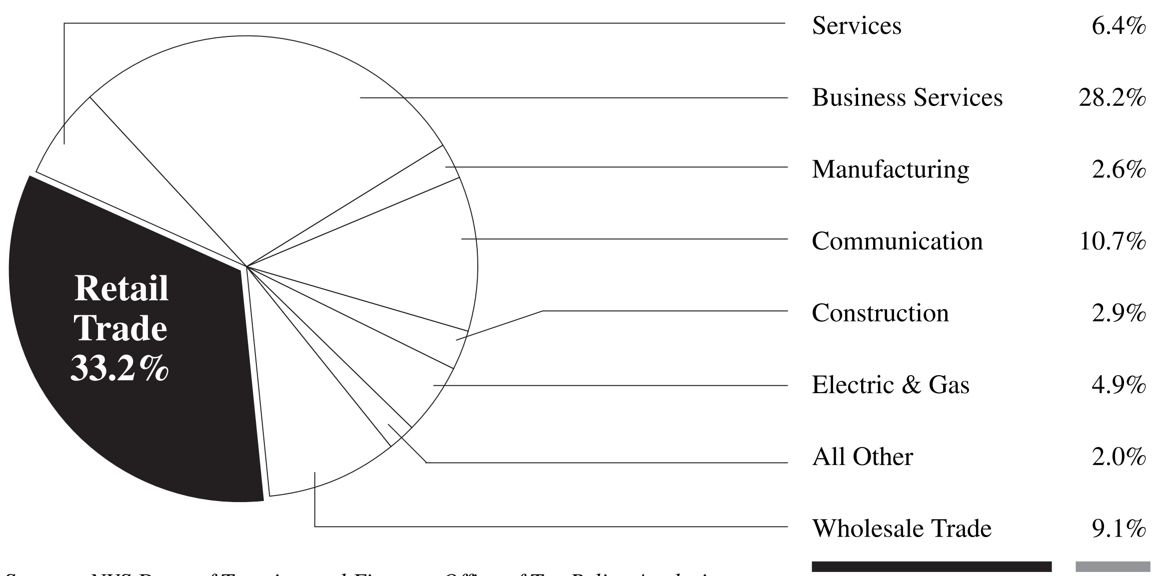
These Rates do not include various sales tax free weeks since 1996.

** The City's additional 0.125% tax did not take effect until June 4, 2003.*

Retail trade, which includes sales of building materials, general merchandise, restaurant meals and drinks, cars, apparel and furniture, health and personal care, gasoline and related merchandise, and motor vehicles and parts, comprises 33.2 percent of the sales tax base, making it the largest expenditure category. Business services which accounts for 28.2 percent of the sales tax base is the second largest sector. Various business and utility expenditures make up the remainder of the tax base.

COMPONENTS OF THE SALES TAX BASE

March 2001 – February 2002



Source: NYS Dept. of Taxation and Finance, Office of Tax Policy Analysis

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

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

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

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

1969 The State raises its tax rate to three percent.

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

1971 The State raises its tax rate to four percent.

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

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

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

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

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

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

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

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

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

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

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

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

Excise taxes on cigarettes (effective date: June 1, 1989) and tobacco products (effective date: July 1, 1989) are included in the calculation of the sales tax, and are added to the State's tax base and, consequently, the City's MAC tax base.

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

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

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

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

The implementation of the CBECP is delayed indefinitely.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sales tax rate of 6.125 percent, effective September 1, 2003 through May 31, 2005, is applied to receipts from parking, garaging or storing motor vehicles in the City.

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

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

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

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

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

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

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

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

2005 Legislation signed into law April 13, 2005 extended the clothing and footwear exemption for purchases under $110 through March 31, 2007 including two tax-free weeks each year. Additionally, the MCTD tax rate is increased 0.125 percent, from 0.25 percent to 0.375 percent effective June 1, 2005. The total general sales and use tax rate in the City, including the 0.375 percent MCTD tax rate, is 8.375 percent after May 31, 2005.

Total Manhattan Parking Tax

NYS	4.000%
NYC	6.000%
Manhattan Surcharge	8.000%
MCTD	0.375%
Total Parking	**18.375%**

The Manhattan parking tax rate is 18.375 percent as a result of the MCTD 0.125 percent increase, effective June 1, 2005.

2006 Legislation signed into law July 19, 2005, re-instated the City exemption for clothing and footwear purchases under $110 effective September 1, 2005 through March 31, 2007.

Permanently exempt an amusement park, whose admission charge entitles patrons to ride at least 75 percent of its rides at no extra cost from state and local sales taxes on 75 percent of the admission charge.

As of April 1, 2006 clothing & footwear purchases under $110 are exempt from the City, State and MCTD sales taxes.

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 587,926 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 2005, the administrative charge paid by the City was $21 million.

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

Forecast: The sales tax revenue is forecast at $4,427 million in 2006, 1.7 percent growth over the prior year and a $70 million increase over the January Plan forecast. The 2007 sales tax revenue is forecast at $4,508 million, 1.8 percent growth from 2006, and a $32 million increase over the January Plan forecast. Adjusted for tax law changes (the expiration of the 1/8 percent rate increase and the re-instatement of the local exemption for clothing and footwear purchases under $110), the sales tax is forecast to grow 10.0 percent in 2006 and 3.1 percent in 2007.

Sales tax revenue growth has been strong through 2001, averaging 8.2 percent from 1997 through 2001 (common rate and base). However, this era of robust City-wide consumption came to an end in 2002 due to the September 11, 2001 terrorist attack and the national recession. Hotel occupancy and room rates plummeted as visitor spending fell, reducing sales tax revenue. Sales activity in lower Manhattan was severely hampered in the months following the attack, as the area was nearly inaccessible. Sales tax revenue declined 7.4 percent (common rate and base) in 2002; this decline exceeded that seen in the severe local recession of the early 1990s. The recovery in consumption from the depressed levels of 2002, fueled by surging real estate markets, growth in hotel and tourism industries, and strong job growth, pushed sales tax revenue growth to 4.3 percent, 5.5 percent and 8.2 percent (common rate and base) in 2003 through 2005, respectively.

Adjusted for tax law changes, sales tax revenue in 2006 is forecast to grow 10.0 percent due to the confluence of several factors. First, another year of strong wage earnings growth, reflecting a moderate bonus payout and the addition of 49,000 jobs, pushed taxable sales upward. Second, hotel and tourism related consumption continues to post strong growth. During calendar year 2005, all segments of the tourism industry fared well. Strong growth in visitors (international and domestic, business and leisure travelers) has raised hotel occupancy to a frictional ceiling and prompted hoteliers to hike room rates. City room rates have posted double-digit growth year-over-year nearly every month in calendar year 2005. Third, a high level of real estate related consumption has buoyed sales tax collections year-to-date and is expected to continue to do so through the end of the year. Finally, the City recorded a strong holiday sales season despite the effects of high energy prices and the three-day transit strike in December. Collections in 2006 also reflect a tax rate reduction and the re-instatement of the local clothing and footwear exemption. On June 1, 2005, both the City and State sales tax rates reverted back to 4.0 percent and the MCTD increased their rate from 0.25 percent to 0.375 percent, making the combined sales tax rate in the City 8.375 percent. Effective September 1, 2005, the City's clothing and footwear exemption for purchases under $110 was re-instated. The State clothing exemption, identical to the City exemption, was re-instated April 1, 2006.

Sales tax collections through March have grown 3.1 percent over the prior year. Adjusting for tax law changes, collections have grown 9.5 percent through March. Third quarter collections growth (January through March) adjusted for tax law changes is still strong at 8.2 percent, but has slowed somewhat from the average growth of 13.2 percent seen the previous two quarters. Growth is expected to slow further in the fourth quarter as interest rate increases continue to dampen consumption and borrowing.

In 2007, sales tax revenue is forecast at $4,508 million, 1.8 percent growth from the prior year, growth of 3.1 percent on a common rate and base. The forecast drop in wage earnings growth from 6.7 percent in 2006 to 3.5 percent in 2007 accounts for most of the slowdown. Additionally, the expected decline in the Wall Street bonus payout in 2007 and increased gasoline and fuel oil prices will further slow consumption, suppressing collections growth.

Sales tax revenue, on a common rate and base, is forecast to average growth of 3.6 percent in 2008 through 2010, paralleling the growth forecast in wage income over the period.

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

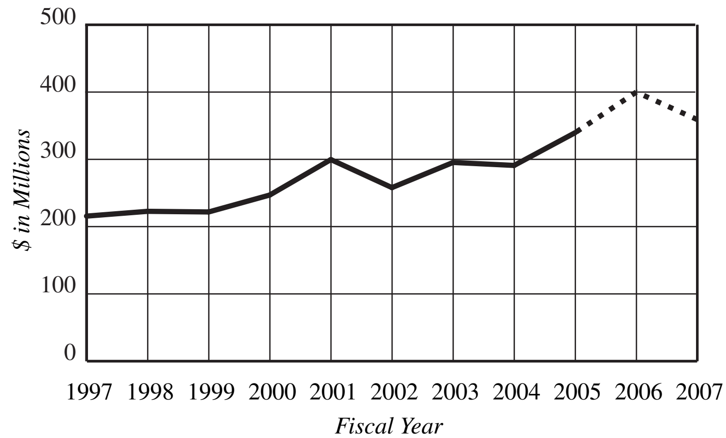
The impact of deregulation on the City sales tax revenue depends also upon the participation of businesses and individual consumers in competitive gas and electric retail access. Prior to November 1, 2000, the portion of the Con Ed electric load available for competitive retail access was set by PSC agreement. On November 1, 2000, 100 percent of the Con Ed electric load was made available to competition. Estimates of the participation in competitive retail access continue to be revised, and in recent modifications these estimates have been trending downward, thereby reducing estimated losses. Estimates of participation in competitive electric and gas retail access remain unchanged from the January Plan forecast. The impact of energy deregulation and State utility reform legislation is estimated to reduce sales tax revenue by approximately $41 million in 2006, and with increasing public participation in the deregulated market, will reduce revenues by almost $57 million in 2010.

UTILITY TAX

The utility tax is projected to account for 1.1 percent of tax revenue in 2007, or $359 million.

Tax Base and Rate: The City imposes a tax on all utilities and vendors of 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 service include wireless fiber optic and other types of transmission.

UTILITY TAX 1997-2007



Legislative History: In 1993 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 ESCP rebate on electricity and gas from a discount on all utility charges to a discount solely on utility delivery charges. The legislation raised the rebate percentage to 45 percent of eligible electricity charges and 35 percent of eligible natural gas charges in an effort to maintain roughly the same benefit levels, in dollar terms, as previously. Subsequent complaints arose from program participants that following the enactment of the new rebate percentages commodity prices had increased, while utility delivery charges remained relatively low. Thus, the benefit program participants received with the revised rebate percentages were less than if original percentages were applied. Effective June 1, 2001, the Department of Business Services promulgated rules that divided the ECSP participants into three categories with various schedules of rebate percentages in order to allow participants to receive the same program benefits as those received under the original rebate percentages off the bundled bill. Currently, there are 900 companies participating in the rebate program. A similar program, the Lower Manhattan Energy Program (LMEP), 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 landmark) 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 $20 million in 2005 and is expected to reduce revenue by $19 million per year in 2006 and in 2007. Effective June 2005, both the ECSP and the LMEP were extended through June 30, 2007.

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 an agreement 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 with respect to the PSC's Competitive proceeding, with PSC approval occurring on August 29, 1997. The settlement agreement featured a five-year rate plan to facilitate the transition to competitive retail access, 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 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 rate agreement was reversed. In calendar year 2000, Con Ed agreed to further reduce retail electric rates and extend the electric restructuring agreement by three years, to 2005. Effective October 1, 2000, the total reduction in retail distribution rates was 16.8 percent. Also an additional 200 megawatts of capacity became eligible for business rate incentives. The settlement agreement reduced utility tax revenue by $10 million in 2005, and is expected to reduce by $10 million per year in 2006 and in 2007.

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 the 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 all its generating capacity. The impact of energy deregulation and State utility reform legislation is estimated to reduce utility tax revenue by approximately $7 million in 2006, and with increasing public participation in the deregulated market, is expected to reduced revenue by approximately $9 million per year from 2007 to 2010.

The PSC in September 2004 approved Con Ed's three-year rate plan increase for natural gas rates, which took effect in October 2004 through September 2007. The higher rate generates additional revenue of $46.8 million for Con Ed and has increased the delivery rate portion of the average monthly customer bill by about 7.5 percent. Moreover, in March 2005, the PSC approved a three-year rate plan increase for electric rates, effective in April 2005 through March 2008. In the first and second years, the delivery portion of a typical monthly residential electric bill of 250 kilowatts would increase $1.10, and in the third year, the increase would be $1.90. As a result of the increases in the first and second years, Con Ed would earn extra revenue in the sum of $104.6 million, and in the third year $220.4 million. A portion of this additional revenue would be utilized to fund a $37.5 million program for assisting low-income customers. Another portion of this extra revenue will also be used to promote energy efficiency. The new rate plan is expected to increase utility tax revenue by less than one million per year in 2006 and 2007.

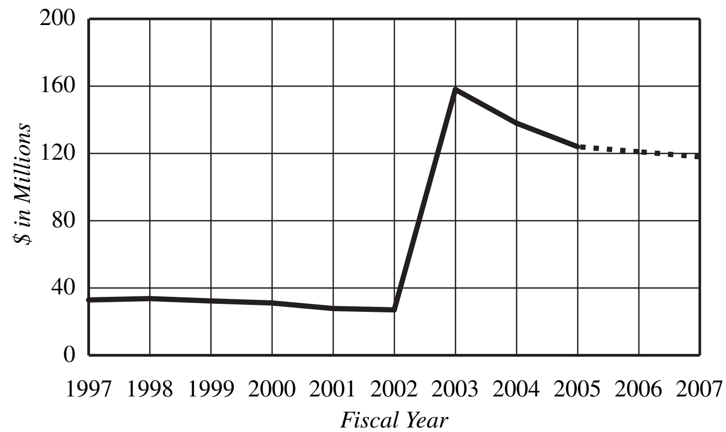
Forecast: The 2006 utility tax revenue is forecast at $400 million, an increase of 17.8 percent over the prior year, and an increase of $13 million from the January Plan forecast. In 2007, the utility tax revenue is forecast at $359 million, a decline of 10.3 percent from the prior year but an increase of $12 million from the January Plan forecast.

The 2006 forecast reflects year-to-date collections through March, which are up 18.8 percent over the same period last year. Both increased energy demand and higher energy prices have driven collections upward. The increased demand was evident last summer, which was the hottest summer since 1969, the first year that data on cooling degree days became available. Energy prices increased throughout the year and especially after hurricanes Katrina and Rita struck in August and September 2005, respectively, damaging the energy production, refinery and transportation infrastructure. In the weeks following the storms, oil and natural gas prices spiked and have remained high. A large share of the electricity consumed in the City is derived from natural gas and petroleum and the recent price increases have positively impacted utility tax collections. In addition, a power plant sale resulted in a one-time utility tax payment of $10 million, further lifting 2006 collections. The continuing strength in energy prices, combined with higher demand for utility services, results in the utility tax forecast in 2006 of $400 million.

The 2007 utility tax revenue is forecast at $359 million, a decline of $41 million from the previous year. The decrease stems from a forecast decline in natural gas prices of 21 percent, the expectation of an average temperature summer that will reduce the demand for electricity over the summer cooling season, and the absence of any plant sale. The Energy Cost Savings Program (ECSP) is expected to reduce collections by $50 million in 2006 and $51 million in 2007. In 2008 through 2010, as energy prices are expected to begin to slowly return to their historical levels, the utility tax is forecast to sustain nearly flat growth.

CIGARETTE TAX

CIGARETTE TAX 1997-2007



The cigarette tax is projected to account for 0.4 percent of tax revenue in 2007, or $118 million.

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

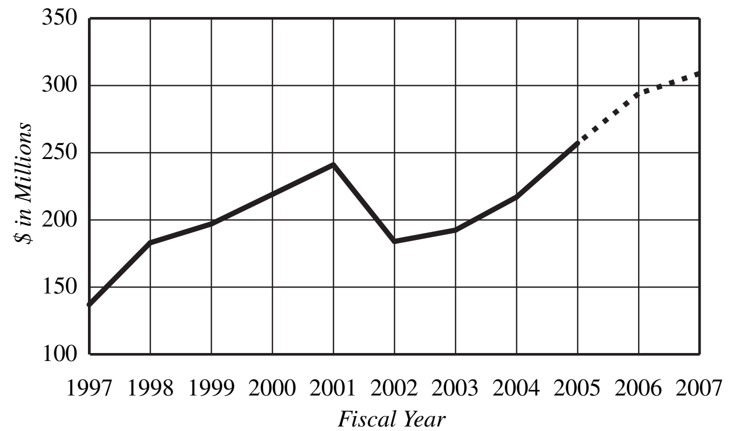
The City has been imposing a tax on the sale of cigarettes in the City since 1952. Effective July 2, 2002, the City raised the cigarette tax from $0.08 to $1.50 per pack of 20 cigarettes. This tax is imposed in addition to a State cigarette tax which is currently $1.50 per pack (after the increase of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

Forecast: Cigarette tax revenue for 2006 is forecast at $121 million, a 3.5 percent decline from the prior year and no change from the January Plan level. Revenue for 2007 is forecast at $118 million, a 2.5 percent decline over the prior year and no change from the January Plan level. The increase in cigarette tax to $1.50 per pack, effective July, 2002 led to a subsequent drop in packs sold within the City; many taxpayers either ceased smoking or diverted purchases to vendors outside the City's jurisdiction. In 2002, 342 million packs of cigarettes were sold in New York City, while only 153 million packs were sold in 2005. At the same time, revenue grew from $27 million in 2002 to $125 million in 2005, net of the New York State retention of 46 percent of the City revenue. From 2008 through 2010 cigarette tax collections are projected to continue falling, 2.3 percent on average, based upon the long-term forecast decline in the number of packs sold.

HOTEL TAX

The hotel tax is projected to account for 1.0 percent of tax revenue in 2007, or $309 million.

HOTEL TAX 1997-2007



Tax Base and Rate: 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 5.0 percent (effective June 1, 1990) on rooms costing $100 or more per day. The City rate was increased to 6.0 percent on September 1, 1990. The total tax rate payable on rooms priced over $100 in the City was 19.25 percent, including State and local sales taxes, in addition to the $2.00 flat fee. One-quarter of the revenue collected from the additional City 1.0 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 percent was not dedicated to a specific organization but had to be expended on tourism-related activities. In 1994, the tourism portion totaled $4 million.

In 1994, both the State and City acted to reduce the hotel occupancy tax burden. Effective September 1, the State eliminated its 5.0 percent tax. Effective December 1, the City repealed its 1.0 percent tax increase, including the dedication of the one-quarter percent to tourism, returning the rate to 5.0 percent. This lowered the total tax rate payable on hotel rooms priced at $100 to 13.25 percent, including State and local taxes, in addition to the $2.00 flat fee. Effective April 1, 2005, the State imposed a hotel unit fee in the amount of $1.50 per unit per day on hotel occupancy within New York City.

Hotel Tax Rates

Effective: June 1, 2005	
New York City Hotel Tax	5.000%
New York City Sales Tax	4.000%
New York State Sales Tax	4.000%
MCTD Sales Tax	0.375%
Total	**13.375%**
Flat fee for rooms over $40	$2.00
Hotel Unit Fee	1.50
Total Fees	**$3.50**

Forecast: The hotel tax revenue is forecast at $294 million in 2006 and $309 million in 2007, growth over the prior year of 14.4 percent and 5.1 percent, respectively.

Strong hotel daily room rate growth in New York City has continued into 2006, with double-digit growth from prior year levels averaging 16 percent from September through January. Hotel occupancy has risen slightly, averaging 1.5 percent from prior year levels from September through January, as hotel occupancy rates peaked. Calendar year 2005 was another boom year for the travel and tourism sector as international and domestic visitors continued to visit New York City. Airport arrivals grew over six percent, a result of a seven percent increase in international visitors, while the number of domestic visitors grew three percent over the prior year. The total number of visitors is forecast to have surpassed the prior year's number by nearly 1.5 million. Broadway shows have posted record high attendance leading to an increase in the number of performances, while day and overnight trips related to holiday events and activities boosted economic activity within the tourism sector. In calendar year 2005, the tourist sector finished strong despite the consequences of the transit strike and consumer worries over winter fuel costs.

In 2006, hotel occupancy rates are forecast to increase 1.3 percent to an annual rate of 85.7 percent, while the average daily room rate is forecast to increase 12.6 percent to $251, both surpassing pre-9/11 levels. Going forward, the number of hotel rooms in New York City continues to grow moderately and constrains growth in the average daily room rate. The City is expected to add 5,000 more rooms to its inventory in the next two years. In 2007, average occupancy rates are forecast to remain essentially flat, while the average daily room rates are forecast to grow 5.4 percent from the prior year, a result of the continued growth in international visitors as the City becomes the primary port of entry for both international air arrivals and overseas visitors. In 2007, moderate growth (5.1 percent) in hotel revenue is forecast, as the national economy weathers a cyclical slowdown. In 2008 through 2010, hotel tax collections are forecast to grow an average of 3.4 percent, as the national and local economic recovery matures.

OTHER TAXES

All other taxes are projected to account for 1.2 percent of total City tax revenue in 2007, or $385.1 million.

2006-2007 Other Taxes Forecast
Excluding Tax Audit Revenue
($000s)

Tax	2006 Forecast	2007 Executive Budget	Increase/(Decrease) From 2006 to 2007 Amount	Percent Growth
Auto Related Taxes				
Auto Use	$29,000	$29,000	$—	—%
Commercial Motor Vehicle	43,300	43,300	—	—
Taxi Medallion Transfer	5,500	4,500	(1,000)	(18.2)
Excise Taxes				
Beer and Liquor	22,500	22,500	—	—
Liquor License Surcharge	4,400	4,400	—	—
Horse Race Admissions	56	35	(21)	(37.5)
Off-Track Betting (OTB)	—	—	—	—
Off-Track Betting Surtax	20,470	19,600	(870)	(4.3)
Miscellaneous				
Other Refunds	(20,200)	(20,200)	—	—
Payments in Lieu of Taxes (PILOTs)	204,204	149,494	(54,710)	(26.8)
Section 1127 (Waiver)	94,000	82,500	(11,500)	(12.2)
Penalty & Interest Real Estate (Current Year)	17,000	17,000	—	—
Penalty & Interest Real Estate (Prior Year)	36,000	36,000	—	—
Penalty & Interest - Other Refunds	(3,000)	(3,000)	—	—
Total	**$453,230**	**$385,129**	**($68,101)**	**(15.0%)**

AUTO RELATED TAXES

Auto Use Tax: This tax is imposed by the City on privately-owned vehicles at the annual rate of $15 per vehicle. The tax was first imposed on October 1, 1974, and the amount has since remained unchanged. The tax is administered by the State Department of Motor Vehicles, with an administrative charge levied on the City for this service. In 1990, taxpayers were required to change from annual to biennial payments to conform to a change in the State registration procedures. This new procedure resulted in roughly half of all registrants in 1990 paying for two years, while the other half continued to pay only the annual fee. Revenue from the tax is projected to be $29 million in 2006 and 2007.

Commercial Motor Vehicle Tax: This tax was first levied in 1960 on vehicles used for the transportation of passengers (medallion taxicabs, omnibuses and other for-hire passenger vehicles) and on all other commercial trucks and vehicles. The tax is charged at different rates, based on the purpose for which vehicles are used. Significant legislative changes in 1990 resulted in a revision of the rate schedules for many commercial motor vehicles. The rate for medallion taxicabs was raised to $1,000 per year, from $100 the previous year. Other for-hire passenger vehicles (livery cabs and omnibuses) pay $400 per year, a $300 increase over the 1989 rate. The rate schedule for other commercial vehicles weighing less than 10,000 pounds was left unchanged at $40 per year, while the rate for heavier vehicles was increased, with trucks weighing over 15,000 pounds paying the highest rate of $300 per year. Medallion taxicabs pay twice a year, in December and June, while owners of other types of commercial vehicles pay annually in June. In 2001, following a Department of Finance initiative, the City transferred the collection and administration of the commercial motor vehicle tax for livery taxicabs and light trucks to the State, thereby improving the rate of compliance. Until 2001, all registrants for taxi and livery vehicles ran from March 1 through the end of February. Beginning in 2002, the State Department of Motor Vehicles staggered the registration period for these vehicles so that the renewals were spread throughout the year resulting in a one-time cash flow loss of $3.5 million in fiscal year 2002. Revenue from the tax is projected to be $43.3 million in 2006 and 2007.

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 $5.5 million in 2006 and $4.5 million in 2007.

EXCISE TAXES

Beer and Liquor Excise Tax: Since 1980, the City has imposed a tax on licensed distributors and non-commercial importers on the sale of beer and liquor within New York City. The current tax rate is 12 cents per gallon of beer and 26.4 cents per liter of liquor with alcohol content greater than 24 percent. The City does not impose a tax on wine. The tax is administered by New York State. The tax is expected to generate $22.5 million in 2006 and 2007.

Liquor License Surcharge: This tax is imposed on distributors and non-commercial importers of beer and liquor at a rate of 25 percent of the license fees payable under the New York State Alcoholic Beverage Control Law. This tax is projected to generate $4.4 million in 2006 and 2007.

Horse Race Admissions Tax: A three percent tax was imposed in 1952 on the price of all paid admissions to horse races held either partly or wholly within the City of New York. Revenue from this tax is forecasted to be $0.06 million in 2006 and $0.04 million in 2007.

Off-Track Betting Surtax: A surcharge is exacted on most bets placed at New York City Off-Track Betting offices, and on most bets placed statewide on races held within New York City. Revenue is forecast at $20.5 million from the Off-Track Betting surtax in 2006, and $19.6 million in 2007.

MISCELLANEOUS

Other Refunds: These refunds are primarily paid out on the commercial rent tax and waiver and are projected to be $20.2 million in 2006 and 2007.

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 fixed sums based either on real property taxes paid on the underlying property in the year preceding the agreement, formulas calculated on the income derived from business operations at the PILOT facility, or a combination of both. Payments are remitted quarterly, semi-annually or annually. There are three primary sponsor agencies which serve as intermediaries between the City and the PILOT facility owner: New York City Housing Authority, Industrial Development Agency and Battery Park City Authority. These agencies administer projects that comprise approximately 95 percent of PILOT payments received. Two smaller sponsors are the Economic Development Corporation and the Port Authority of New York and New Jersey. PILOT revenue is expected to be $204.2 million in 2006 and $149.5 million in 2007.

Stock Transfer Tax: The State repealed the City's stock transfer tax in 1980 and provided for annual appropriations of no 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.

***Section 1127* (Waiver):** 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 $94.0 million in 2006 and $82.5 million in 2007.

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 $17 million in 2006 and 2007, while penalty and interest collections from prior year delinquencies are expected to be $36 million in 2006 and 2007.

Penalty and Interest - Other Refunds: The City currently pays out interest on refunds claimed on overpayments against the business income taxes, on audits of the general corporation and unincorporated business taxes already collected by the Department of Finance but overturned by Federal or State rulings, and on payments made under protest by taxpayers who subsequently substantiate their claims. As a result of legislation, interest on overpayments claimed on amended returns is currently no longer paid for tax years beginning with 1989 as long as the refund is paid within a 90-day period. The cost of all these payments is projected at $3 million in 2006 and 2007.

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 $711.7 million in 2006 an increase of $200 million from the January Plan. The audit target increase stems from Federal and State tax return changes, resulting from a recent Federal crackdown on tax shelters, flowing through to the City tax liability. This action has been enhanced by a joint NYS and NYC voluntary compliance program that ended in March 2006 to encourage taxpayers facing the Federal action to make conforming payments on amended State and City tax returns. The audit target was raised for the general corporation tax by $72 million, the banking corporation tax by $120 million and the real property transfer tax by $8 million. The audit target for 2007 remains at $508.6 million.

MISCELLANEOUS RECEIPTS

Forecast of Miscellaneous Receipts

The non-tax revenue portion of City Funds is referred to as miscellaneous revenues. The 2007 Executive Budget includes eleven classes of miscellaneous revenues which are discussed below.

Miscellaneous Revenues
($ in Millions)

	2006 Forecast	2007 Executive Budget	Forecast to Executive Budget Increase (Decrease)
Licenses	$48	$42	(6)
Permits	134	122	(12)
Franchises and Privileges	226	239	13
Interest Income	335	245	(90)
Tuition and Charges for Services	592	551	(41)
Water and Sewer Revenues	992	1,080	88
Rental Income	193	181	(12)
Fines and Forfeitures	721	723	2
Miscellaneous	488	317	(171)
Total Miscellaneous Revenues	$3,729	$3,500	$(229)

Miscellaneous revenues are estimated at $3,500 million in 2007, a decrease of $229 million from 2006, 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 437,000 licenses. About 67,000 are non-recurring, 121,000 are renewed annually, 210,000 biennially, and 39,000 triennially. The major sources of license revenue are taxi and limousine licenses, pistol licenses, marriage licenses, and various business licenses under the jurisdiction of the Department of Consumer Affairs.

The 2007 forecast for license revenue is $42 million, $6 million less than 2006. The decrease is due to the biennial and triennial renewal period for certain licenses.

Permits

Permits are issued to 904,000 individuals or entities for the use of facilities, premises or equipment. Approximately 321,000 permits are renewable on an annual, biennial or triennial basis. Seasonal or single occurrence permits, such as tennis and building permits, account for 583,000 additional permits, all of which are issued and regulated by twelve City agencies.

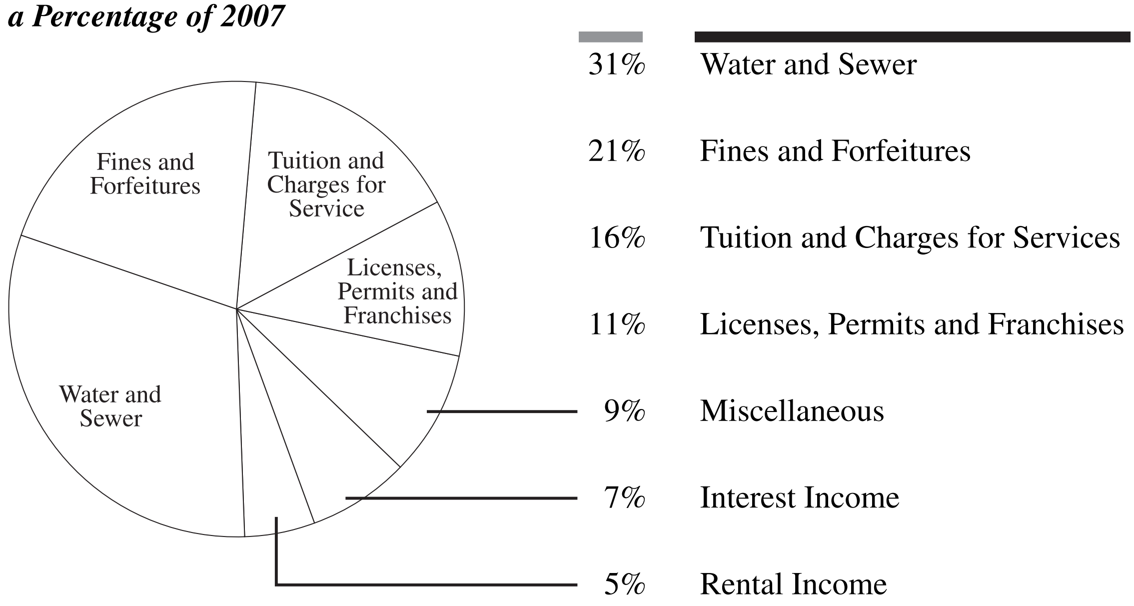
The major sources of revenue are permits for building construction and alterations, street openings, restaurants, hazardous materials, and air pollution control. The 2007 forecast for permit revenue is $122 million, $12 million less than 2006. The decrease is due to a decline in receipts for construction-related permits issued by the Department of Buildings and the Department of Transportation.

Tuition and Charges for Services

The City collects tuition from students enrolled at community colleges. In addition, the City collects money from charges to the public and other governmental agencies for services rendered. There are over 100 different service fees in this category, including fees for parking, towing, Sheriff poundage, provision of school lunches, copies of reports, processing applications, searches, and performing fire and building inspections. The 2007 forecast for tuition and charges for services is $551 million, $41 million less than 2006. A large portion of this decrease is the result of non-recurring revenue collected by the City Register's Office at the Department of Finance, the processing of 421-a tax exemption applications, and the delay in the Department of Corrections' plan to issue a concession for commissary operations. This decrease is partially offset by additional revenue which will be generated by charging currently exempt institutions for fire inspections and the establishment of a uniform fee schedule at recreation centers.

COMPONENTS OF MISCELLANEOUS REVENUES

As a Percentage of 2007



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 9.4 percent rate increase for 2007. The forecast for Water Board revenue is $2.07 billion, including a City payment of $24 million for municipal water and sewer charges and $68 million for interest on funds held by the New York City Municipal Water Finance Authority. The Water Board will pay $812 million for Water Board and Authority expenses and debt service. The City will receive $942 million for services rendered in the delivery of water and the collection, treatment, and disposal of waste water, and $138 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 2007 forecast for interest earnings is $245 million, a decrease of $90 million from 2006. While interest rates are forecast to rise, cash balances for 2007 will be significantly lower than in 2006.

Franchises and Privileges

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

The 2007 forecast for franchise revenue is $239 million, an increase of $13 million from 2006. The increase is due to additional revenue in the Department of Transportation from the new Street Furniture Franchise, which will coordinate the placement and maintenance of structures (bus stop shelters, newsstands, and public toilets) on the City's sidewalks.

Rental Income

Rental income is derived from both long and short-term agreements for the occupancy of City-owned property, including condemnation sites and *in rem* buildings. Approximately 2,600 properties are rented from the City.

Approximately 1,000 are *in rem* or condemnation sites, 200 are covered by long term agreements, and over 1,400 are schools that are rented on a per event basis after school hours.

The 2007 forecast for rental income is $181 million, $12 million less than in 2006. The decrease is due to a decline in the percentage-based agreements collected by the Department of Citywide Administrative Services, offset by other minor increases in rental income.

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 2007 forecast for forfeitures is $4.1 million, $1.4 million less than 2006. One-time bail bond forfeitures account for this change. The revenue expected from fines in 2006 and 2007 is listed below:

Fine Revenue

SOURCE ($ in 000's)	2006 FORECAST	2007 EXECUTIVE BUDGET
Parking Violations	$558,078	$579,455
Environmental Control Board	68,000	63,696
Department of Health	18,000	21,902
Traffic Violations	22,000	20,567
State Court Fines	9,000	7,085
Taxi and Limousine Commission	6,500	6,500
Department of Buildings	11,200	6,250
Department of Consumer Affairs	9,800	5,830
Other sources	12,588	7,851
Total	$715,166	$719,136

The Parking Violation division of the Department of Finance is forecasted to collect $579 million in parking fines in 2007, $21 million more than 2006. Parking revenue will be positively affected in 2007 as a result of the Police Department's efforts to increase the enforcement of parking regulations and enhance traffic mobility throughout the City by hiring an additional 100 Traffic Enforcement Agents. In order to provide a more efficient and comprehensive traffic management strategy, the Department of Transportation's Parking Control Unit will be merged with the NYPD's Parking Enforcement District beginning in 2007. The Parking Enforcement District will equip all its agents with handheld parking ticketing devices. A successful implementation of the handheld ticket devices will significantly increase the accuracy of issued summonses and allow for greater efficiency in their processing.

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

The Environmental Control Board (ECB) adjudicates approximately 680,000 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 $63.7 million in 2007.

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

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

Miscellaneous

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

The 2007 forecast for miscellaneous revenue is $317 million, $171 million less than in 2006. The difference is attributable to non-recurring revenue from escrow restructuring, the collection of unapplied landfill remediation settlements, the State takeover of MAC debt and other non-recurring receipts from asset sales in 2006 and is partially offset by the delay of the sale of taxi medallions to 2007.

Private Grants

The Executive Budget includes $1,111 million in private grants in 2007, $27 million less than 2006. Additional private grant funding will be modified into the budget during the course of the year, as additional funding sources are identified and grants are defined.

Interfund Revenues

Interfund Revenues (IFA's) are reimbursements from the Capital Fund to the General Fund for authorized first-line architectural, engineering, and design costs incurred by the City's own engineering and support staff. These costs also include employee costs for expenses incurred in connection with eligible capital projects for the development of computer software, networks and systems. All IFA costs are assigned to particular capital projects and are valid capital charges under generally accepted accounting principles. In 2007, expected reimbursements will be $395 million.

CAPITAL BUDGET

The Executive Capital Budget and Four-Year Plan, 2007-2010

The 2007 Executive Capital Budget includes new appropriations of $10.8 billion, of which $8.8 billion are to be funded from City sources. These appropriations, together with available balances from prior years, authorize total commitments for 2007 of $14.2 billion, of which $11.3 billion will be City-funded. City funds include proceeds from City general obligation bonds as well as bonds issued by the City Municipal Water Finance Authority. As indicated in the following table, the targeted level for City-funded commitments is $9.5 billion in 2007. The aggregate agency-by-agency authorized commitments of $11.3 billion exceed the 2007 financial plan by $1.7 billion. Excess authorizations in this proportion have proven necessary to achieve commitment spending targets by accommodating such factors as project scope changes and delays.

Four-Year Plan Highlights

The 2007-2010 Capital Plan totals $36.5 billion for the construction and rehabilitation of the City's infrastructure. This will provide funding targeted to building and improving schools, maintaining the drinking water system, improving transportation, modernizing emergency response communications, improving major hospitals, and developing economic growth initiatives.

Over $10.3 billion is provided in the Capital Plan for new school construction and expansion, as well as the modernization, rehabilitation and improvements to existing school buildings. The City will invest $2.6 billion for the continued reconstruction and rehabilitation of the four East River Bridges and the complete reconstruction and rehabilitation of 68 other bridge structures. In order to enhance the City's drinking water system, $1.3 billion is provided for the construction of the Croton Water Filtration Plant and related projects. An investment of $1.3 billion will be provided for the development of a 911 Emergency Response Communication System, including upgrades to telecommunications infrastructure.

To improve the delivery of health care services to New Yorkers, the City will invest $569.8 million to modernize and renovate the facilities of the Health and Hospitals Corporation. Projects in design and construction include the Harlem and Gouverneur Hospitals in Manhattan, Kings County Hospital in Brooklyn and Jacobi Hospital in the Bronx. The City will provide over $77.0 million for waterfront and infrastructure work in support of industrial development within Brooklyn.

FY 2006 - 2010 Commitment Plan
($ in millions)

	2006		2007		2008		2009		2010	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Environmental Protection										
• Equipment	$122	$167	$245	$348	$65	$68	$67	$70	$90	$90
• Sewers	246	247	178	178	180	180	78	78	194	194
• Water Mains	741	744	1,570	1,570	784	784	719	719	127	127
• Water Pollution Control	1,125	1,190	612	637	616	641	500	525	567	592
• Water Supply	33	33	22	22	157	157	161	161	0	0
Subtotal	**$2,268**	**$2,381**	**$2,627**	**$2,755**	**$1,803**	**$1,831**	**$1,525**	**$1,553**	**$978**	**$1,003**
Transportation										
• Mass Transit	$88	$88	$97	$283	$82	$90	$85	$85	$90	$90
• Bridges	254	273	813	958	613	1,004	347	532	135	138
• Highways	404	442	414	508	361	372	394	460	326	340
Subtotal	**$746**	**$803**	**$1,325**	**$1,749**	**$1,056**	**$1,466**	**$826**	**$1,077**	**$551**	**$568**
Education										
• Education	$1, 371	$1,951	$928	$3,000	$1,010	$3,014	$1,210	$3,214	$1,097	$1,097
• Higher Education	256	259	41	45	62	65	44	47	5	8
Subtotal	**$1,627**	**$2,211**	**$968**	**$3,045**	**$1,071**	**$3,079**	**$1,253**	**$3,261**	**$1,102**	**$1,105**
Housing & Economic Development										
• Economic Development	$540	$724	$911	$913	$324	$324	$105	$105	$26	$26
• Housing	404	559	373	515	358	472	343	444	329	430
Subtotal	**$943**	**$1,283**	**$1,283**	**$1,428**	**$682**	**$796**	**$449**	**$550**	**$355**	**$456**
Administration of Justice										
• Correction	$128	$128	$227	$227	$170	$170	$225	$229	$109	$109
• Courts	748	748	193	193	138	138	66	66	17	17
• Police	133	133	192	192	117	117	55	55	92	92
Subtotal	**$1,009**	**$1,009**	**$612**	**$612**	**$425**	**$425**	**$347**	**$351**	**$218**	**$218**
City Operations & Facilities										
• Cultural Institutions	$509	$524	$210	$212	$78	$78	$8	$8	$14	$14
• Fire	146	187	322	322	58	58	52	52	44	44
• Health & Hospitals	612	612	399	399	248	248	137	137	36	36
• Parks	453	515	636	707	329	338	248	248	117	117
• Public Buildings	200	202	386	387	135	135	79	79	50	50
• Sanitation	96	96	722	726	391	391	135	135	315	315
• Technology & Equipment	701	776	1,299	1,299	709	709	573	573	162	162
• Other	517	632	461	549	243	305	151	178	113	140
Subtotal	**$3,234**	**$3,545**	**$4,436**	**$4,601**	**$2,192**	**$2,264**	**$1,382**	**$1,410**	**$851**	**$878**
Total Commitments	**$9,826**	**$11,230**	**$11,252**	**$14,191**	**$7,230**	**$9,862**	**$5,783**	**$8,202**	**$4,055**	**$4,228**
Reserve For Unattained Commitments	**($3,439)**	**($3,439)**	**($1,703)**	**($1,703)**	**$812**	**$812**	**$790**	**$790**	**$881**	**$881**
Commitment Plan	**$6,387**	**$7,791**	**$9,549**	**$12,488**	**$8,042**	**$10,674**	**$6,573**	**$8,992**	**$4,936**	**$5,109**
Total Expenditures	**$6,005**	**$6,739**	**$5,416**	**$8,174**	**$6,804**	**$9,340**	**$7,270**	**$9,436**	**$7,001**	**$8,053**

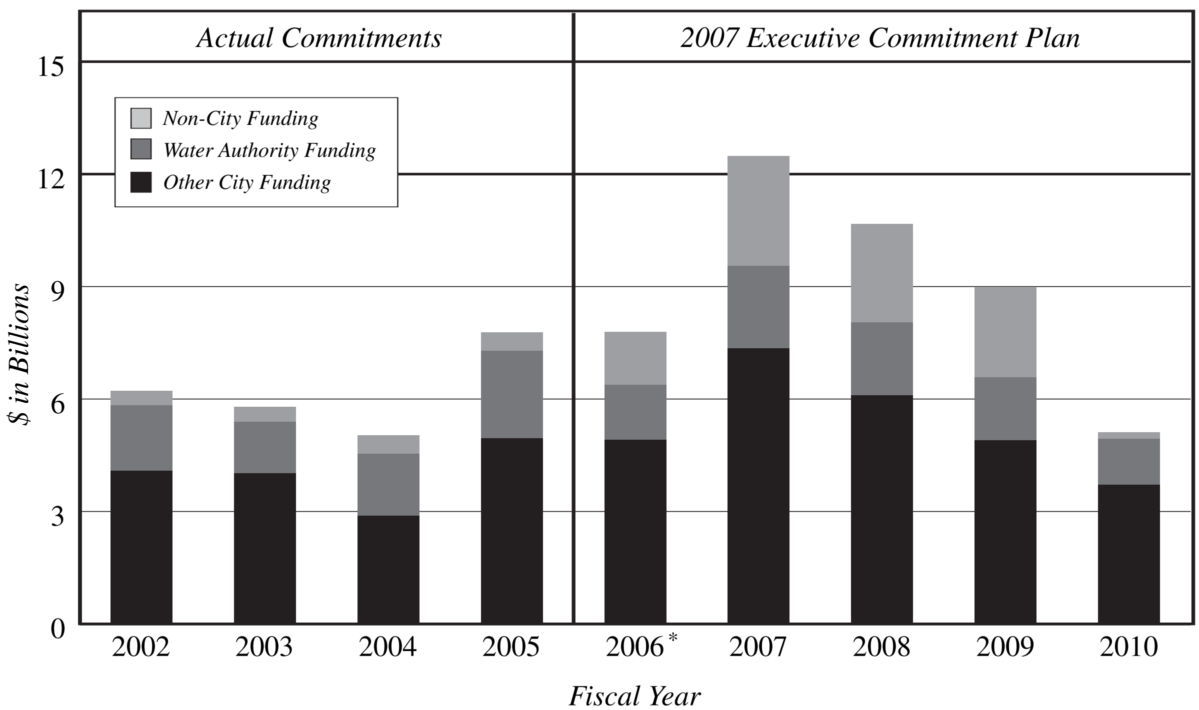
**Note: Individual items may not add to totals due to rounding*

Non-City Funding Sources

Non-City capital funding sources include $2.9 billion in the 2007 plan and $8.2 billion over the 2007-2010 four-year plan period. The majority of non-City funding supports Education, Transportation, Housing, Environmental Protection and Transit programs.

Education programs anticipate receiving $6.1 billion in non-City funding over the 2007-2010 period, consisting of $6.0 billion in State funding and $68.0 million in Federal funding. Transportation programs are projected to receive non-City funding of $1.1 billion over the 2007-2010 period, with $885.8 million from the Federal government and $153.4 million from the State, and private funds of $38.9 million. Housing programs anticipate Federal funding of $485.9 million over the 2007-2010 period. Environmental Protection programs anticipate receiving $209.7 million in non-City funding over the 2007-2010 period, consisting of $195.7 million in State funding and $14.0 million in Federal funds. Transit programs anticipate non-City funding of $193.9 million in the 2007-2010 period, consisting of $168.5 million in Federal funding and $25.4 million in State funds.

FY 2002-2010 CAPITAL COMMITMENTS BY FUNDING SOURCE



* Projected

The Capital Program since 2002

The table below illustrates the changes in the size of the City's capital program over the 2002-2005 period.

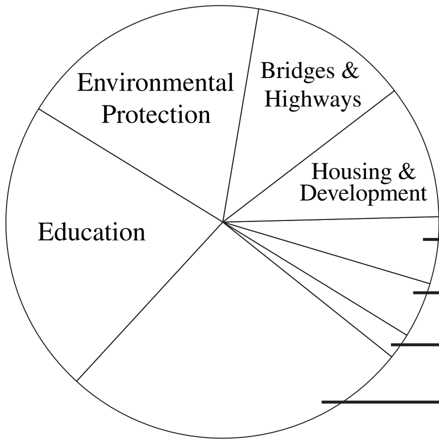
FY 2002 - 2005 Commitments
($ in millions)

	2002		2003		2004		2005	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Environmental Protection								
• Equipment	$115	$239	$91	$91	$43	$43	$68	$69
• Sewers	199	199	201	202	216	216	186	187
• Water Mains	492	492	337	337	480	481	499	498
• Water Pollution Control	806	806	681	687	877	935	838	839
• Water Supply	135	135	63	63	39	39	746	746
Subtotal	**$1,747**	**$1,871**	**$1,373**	**$1,380**	**$1,654**	**$1,713**	**$2,337**	**$2,338**
Transportation								
• Mass Transit	$6	$6	$521	$521	$80	$80	$180	$180
• Bridges	110	136	372	468	364	570	94	266
• Highways	211	217	171	166	202	227	224	246
Subtotal	**$327**	**$359**	**$1,064**	**$1,155**	**$646**	**$878**	**$498**	**$692**
Education								
• Education	$1,337	$1,340	$890	$963	$571	$593	$2,188	$2,188
• Higher Education	9	10	17	21	18	19	20	20
Subtotal	**$1,345**	**$1,350**	**$907**	**$983**	**$589**	**$612**	**$2,208**	**$2,208**
Housing & Economic Development								
• Economic Development	$190	$193	$237	$255	$206	$221	$207	$215
• Housing	321	438	203	313	216	283	275	423
Subtotal	**$510**	**$632**	**$440**	**$568**	**$422**	**$504**	**$481**	**$638**
Administration of Justice								
• Correction	$31	$32	$110	$110	$30	$30	$50	$50
• Courts	191	192	86	96	103	105	129	132
• Police	119	119	81	81	65	65	43	43
Subtotal	**$341**	**$343**	**$277**	**$287**	**$198**	**$200**	**$222**	**$225**
City Operations & Facilities								
• Cultural Institutions	$208	$208	$203	$207	$98	$101	$140	$140
• Fire	149	149	81	99	66	69	93	93
• Health & Hospitals	121	121	102	104	90	90	451	451
• Parks	166	169	222	226	116	143	211	225
• Public Buildings	167	167	98	102	175	176	78	78
• Sanitation	216	216	159	159	140	140	137	137
• Technology & Equipment	225	225	205	213	174	180	297	297
• Other	308	404	258	315	169	228	135	247
Subtotal	**$1,560**	**$1,659**	**$1,328**	**$1,425**	**$1,029**	**$1,127**	**$1,542**	**$1,668**
Total Commitments	**$5,832**	**$6,214**	**$5,389**	**$5,799**	**$4,539**	**$5,034**	**$7,288**	**$7,769**
Total Expenditures	**$5,436**	**$6,320**	**$5,376**	**$5,734**	**$5,133**	**$5,755**	**$5,274**	**$6,655**

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

2007 AUTHORIZED CAPITAL COMMITMENTS, BY PROGRAM

($ in Millions - All Funds)



% of Plan	Program	2007 Plan
22%	Education	$3,045
19%	Environmental Protection	2,756
12%	Bridges & Highways	1,704
10%	Housing & Development	1,443
5%	Sanitation	726
4%	Administration of Justice	620
2%	Mass Transit	283
26%	Other City Services	3,614
	Total	**$14,191**

2007 Agency Highlights

Technology

- Emergency Communications: 911/Emergency Communications Transformation Project for facility, software, and equipment update and integration of the City's computer aided dispatch capabilities ($505.0 million); continued rollout of the Citywide Wireless Mobile Network and other radio communications projects ($236.3 million); Citywide Timekeeping and Workforce Management System ($95.0 million); Citywide Integrated Human Resources System, including implementation at the Department of Education ($81.8 million); upgrade of the City's Financial Management System, including integration with the Department of Education ($60.8 million); upgrades and enhancements to the Coordinated Payment and Adjudication System (NYCServ) ($43.0 million); 311/Citizens Service Management System, including additional capacity and new functionality to help agencies utilize 311 and agency data to better anticipate citizen demands ($39.4 million); and e311 to provide human service referrals and assistance at the City's 311 Call Center ($15.0 million).

Environmental Protection and Sanitation

- Sewers: reconstruction and extension of the City's sewer system ($177.7 million).

- Water Mains: construction of the Croton Water Filtration Facility ($972.1 million); upstate dam, bridge, and road reconstruction projects ($347.9 million); watershed land acquisition ($30.0 million); and in-City water main reconstruction ($112.9 million).

- Wastewater Treatment: continued reconstruction of the Newtown Creek Wastewater Treatment Plant (WWTP) ($307.2 million); reconstruction and stabilization of the four WWTPs located in the Upper East River to reduce nitrogen discharges ($67.7 million); and combined sewer overflow projects ($66.3 million).

- Equipment: water conservation programs including the installation of water meters ($35.8 million); remediation of the Brookfield Landfill in Staten Island ($111.6 million); and reconstruction of DEP facilities ($106.4 million).

- Sanitation: purchase of vehicles and other equipment ($156.5 million); construction and reconstruction of sanitation garages and other facilities, citywide ($96.1 million); construction of solid waste management facilities ($464.1 million); and reconstruction of waste disposal facilities ($9.0 million).

Transportation

- Bridges: the continued reconstruction/rehabilitation of the four East River Bridges ($82.3 million); the reconstruction of two bridge structures rated “poor” ($120.8 million) and 22 bridge structures rated “fair” ($551.0 million). The total Bridge Program for 2007 is $957.6 million.

- Highways: reconstruction and/or resurfacing of 294.4 linear miles (973.1 lane miles) of streets ($373.5 million); the reconstruction of retaining walls ($33.0 million); and the reconstruction of sidewalks and the installation of pedestrian ramps ($56.0 million). The total Highway Program is $507.8 million.

- Traffic: the modernization and expanded computerization of the City’s traffic signal network to improve traffic flow ($51.9 million); and the upgrade of the street lighting system ($46.3 million). The total Traffic Program for 2007 is $136.9 million.

- Ferries: the reconstruction and improvement of various ferry vessels ($22.6 million) and facilities ($28.9 million). The Total Ferries Program for 2007 is $55.1 million.

- Other Transit: contribution to the MTA’s capital program, including subway and bus fleet enhancements, infrastructure improvements, in-house track rehabilitation and reconstruction of bus and subway lines and facilities ($77.0 million); and bus purchases for the MTA Bus Company ($206.2 million). The total Transit program for 2007 is $283.2 million.

Education, Health and Social Services

- Education: a total program of $3.0 billion provides funding for capital improvements that enhance educational programs ($881.8 million); rehabilitate, replace and upgrade building components ($673.5 million); construct new schools ($848.2 million); modernize school buildings ($23.0 million); cover emergency projects, research and development, and prior plan completion costs ($205.0 million); expand facilities through leases, building additions, modular classrooms and new athletic fields and playgrounds ($275.8 million); and address the need for security systems, emergency lighting and code compliance ($92.8 million).

- Higher Education: a total program of $44.8 million of which $40.7 million matches State funding and includes renovations and rehabilitation of Center III at LaGuardia Community College ($10.7 million); facilities preservation projects ($8.3 million); health and safety projects ($6.8 million); and the auditorium expansion at Medgar Evers College ($4.0 million).

- Health: Gouverneur Healthcare Services modernization ($17.0 million); Harlem Hospital Center consolidation and modernization ($71.0 million); Kings County Hospital Center behavioral health services consolidation ($50.0 million); Jacobi Medical Center’s new ambulatory care facility ($15.0 million); HHC’s ongoing maintenance, code compliance, and facility and equipment expansion and upgrades ($47.2 million); Primary Care Information Project ($6.6 million); Central Office Information Technology upgrades and new needs ($6.3 million); Design and renovation of Clinics ($18.4 million); and renovation of Vital Records services and upgrades to DOHMH Central Office ($4.4 million).

- Aging: rehabilitation of senior centers ($17.7 million); computer upgrades ($1.5 million); and vehicle purchases ($0.2 million).

- Administration for Children's Services: general reconstruction of administrative offices ($24.4 million) including reallocation and upgrades for child protective field offices ($7.7 million); information systems projects and hardware upgrades ($20.8 million) including a new child care information and eligibility system ($2.3 million); CHILD STAT, a new child welfare performance data monitoring system ($3.7 million); enhancements to the Legal Tracking System for family courts ($2.3 million); and a network consolidation project ($7.6 million).

- Homeless Services: construction of a new Family Intake Center ($36.2 million); renovation and division of Ward's Island Men's Shelter into three individual program shelters ($2.0 million); and design and renovation of the Auburn shelter to house the new Adult Family Intake Center ($2.0 million).

- Human Resources: construction of facilities ($34.6 million) including construction of model offices to provide a more client-friendly environment ($17.2 million); information technology and telecommunications projects ($22.3 million) including food stamps and Long Term Care projects to streamline the Department's operations ($5.5 million); and miscellaneous vehicle projects ($0.3 million).

Housing and Development

- Housing: New Initiatives — new middle income housing program, two HPD-HUD partnership preservation initiatives and one HPD partnership with the New York City Housing Authority (NYCHA) to rehabilitate and develop vacant NYCHA-owned buildings and land ($15.0 million); Supportive Housing — new initiatives to end chronic homelessness such as a new New York City/New York State partnership, an expansion of community-based homelessness prevention programs, expanding permanent and transitional housing models for chronically homeless individuals and families, increasing cross-agency case conferencing to prevent system-to-shelter discharges, and strategies to redirect funds, traditionally used in shelters, to prevention and other housing solutions; also the continuation of programs that benefit low income households with special needs ($60.0 million); Disposition/*In Rem* — the Tenant Interim Lease Program, Neighborhood Redevelopment Program, Neighborhood Entrepreneur Program, Storeworks and Neighborhood Homes ($103.0 million); New Construction — projects to promote homeownership to families at various income levels such as Neighborhood Based Initiatives and the Nehemiah program for the construction of one- to three-family homes, plus large scale neighborhood redevelopment programs in Brooklyn, the Bronx, Manhattan and Queens ($141.0 million); Anti-Abandonment/ Assistance to Private Owners — the Participation Loan Program (PLP), Article 7A Financial Assistance Program (7AFA), Article 8A Loan Program (8A), Small Homes Private Loan Program (SHP), Home Improvement (HIP), and Senior Citizen Home Assistance (SCHAP), as well as financing for the rehabilitation of buildings transferred through the Third Party Transfer (TPT) Program ($123.0 million). The total Housing program for 2007 is $515.0 million.

- Housing Authority: interior work including the replacement of doors, interior lighting and compactors ($2.9 million); system work including the upgrade of steam lines, electrical wiring, basement waste lines, and boiler replacements ($5.8 million); exterior work including lighting and roof reconstruction ($1.6 million); upgrades and modernizations to Prospect Plaza in an effort to revitalize the surrounding neighborhood of Ocean Hill-Brownsville in Brooklyn ($4.0 million); and general renovation work at Chelsea Addition and Fulton Houses ($725,000).

- Economic Development: expansion of the Javits Center ($350.0 million); redevelopment of the Farley Post Office as a commuter hub ($86.0 million); redevelopment of Downtown Brooklyn ($68.0 million); rehabilitation and expansion of the City's cruise ship terminals ($54.5 million); redevelopment of the Atlantic Yards ($50.0 million); infrastructure improvements at the Staten Island Homeport ($23.1 million); development of infrastructure at Governor's Island ($22.5 million); redevelopment of Coney Island waterfront and neighborhood ($20.0 million); improvement of intermodal transportation and neighborhood connections at Jamaica Center ($17.9 million); development of the Brooklyn Academy of Music Cultural District ($14.8 million); and implementation of the Hunts Point Vision Plan in the Bronx ($9.3 million).

Administration of Justice and Public Safety

- Correction: replacement of deteriorating housing facilities with new facilities ($158.9 million); improvements to building systems, infrastructure and support space ($55.9 million); and life-cycle replacement of vehicles, telecommunications, and other equipment ($12.4 million).

- Courts: Interior renovation work at the Criminal Court and Supreme Court buildings in Brooklyn ($21.3 million), Family Court building in Manhattan ($27.4 million), Criminal/Family Court building in the Bronx ($22.1 million), and the Supreme Court building in Staten Island ($5.0 million); renovation and expansion of the Midtown Community Court building in Manhattan ($14.4 million); elevator upgrade work at the Criminal Court building in Manhattan and Criminal Court/Family Court building in the Bronx ($16.8 million); and electrical upgrade work at the Supreme Court building in the Bronx ($15.9 million).

- Police: maintenance and rehabilitation of facilities citywide ($81.8 million); enhancement and life-cycle replacements of communications equipment ($46.2 million); replacement and upgrade of computer equipment ($36.2 million); replacement of operational and support vehicles ($19.2 million); and miscellaneous equipment replacements ($8.7 million).

- Fire: replacement of front-line fire-fighting apparatus, support vehicles and equipment ($48.5 million); renovation of firehouse components such as boilers, electrical upgrades, kitchens, roofs, bathrooms, waterproofing, apparatus doors, floors and windows ($36.5 million); construction of a new firehouse for Rescue Squad Three in the Bronx ($16.6 million); renovation of Engine Companies 259 and 293 in Queens ($6.9 million); construction of a new EMS Station in Greenpoint, Brooklyn ($5.4 million); construction of a new EMS Station at Queens Hospital ($11.1 million); acquisition, design, and construction of a new Ambulance Maintenance Facility ($135.0 million); purchase and upgrade of computer equipment to support agency operations ($7.8 million); and professional services for the integration and upgrade of the emergency response and dispatch system ($11.1 million).

Recreation and Culturals

- Parks: park replacement surrounding Yankee Stadium in the Bronx ($42.5 million); infrastructure for the new Mets Stadium in Queens ($88.8 million); construction of Hudson River Park in Manhattan ($25.5 million); construction of High Line Park in Manhattan ($49.5 million); construction of the sports fields and underground infrastructure at Randall's Island ($80.8 million); reconstruction of the Prospect Park Ice Rink in Brooklyn ($10.0 million); reconstruction of Robert Venable Park in Brooklyn ($5.0 million); reconstruction of the Eastern Parkway Malls in Brooklyn ($3.0 million); restoration of the Bronx River West Farms Link ($2.4 million); construction of the Bronx International Tennis Center ($4.6 million); reconstruction of Union Square Park in Manhattan ($8.3 million); construction of the new Elmhurst Keyspan Park in Queens ($7.5 million); construction of a new lifeguard station at Beach 67th Street in the Rockaways, Queens ($1.4 million); commencement of various sites at Fresh Kills Park in Staten Island ($14.8 million); street tree planting citywide ($7.9 million); and the reconstruction of park retaining walls throughout the city ($4.9 million).

- Public Libraries: construction of the new Queens Library Children's Library and Discovery Center at the Central Library in Jamaica, which encompasses a two-story, 14,000 square foot library for children, and includes planned interactive science exhibits and programs to develop information literacy skills ($19.4 million); restoration and renovation of the New York Public Library Humanities and Social Sciences Library including HVAC work and façade restoration ($15.2 million); design and construction of the new Kensington Branch Library in Brooklyn ($11.1 million); extensive renovations at the Brooklyn Central Library, which includes the expansion of the library mezzanine, a new front plaza, ADA-compliance work, and a new heating and cooling system ($5.1 million); expansion of the Jackson Heights Branch Library in Queens ($5.0 million); replacement of the Glen Oaks Branch Library in Queens ($3.0 million); renovation of the Roosevelt Island Branch Library ($1.4 million); renovation of the Schomburg Center for Research in Black Culture in Manhattan ($1.3 million); expansion of the Woodlawn Branch Library in the Bronx ($775,000 added to $1.3 million in 2006); completion of the rehabilitation and expansion of the Kings Highway Branch Library in Brooklyn ($648,000); completion of the renovation and site acquisition of the Stapleton Branch Library in Staten Island ($0.5 million); and construction of a new branch library at Mariners Harbor in Staten Island ($443,000 added to $3.4 million in 2006).

- Department of Cultural Affairs: funding for redevelopment projects at Lincoln Center for the Performing Arts ($36.1 million); expansion of the Queens Museum of Art ($19.9 million); construction of a new shark exhibit at the New York Aquarium ($12.6 million); various improvements at the Snug Harbor Cultural Center ($8.8 million); funding for various cultural arts organizations in Clinton Green ($6.4 million); improvements to the Intrepid Sea, Air & Space Museum ($6.3 million); improvements to buildings A and B at the Staten Island Institute of Arts and Sciences ($6.2 million); reconstruction and expansion of the Museum of the Moving Image ($6.0 million); construction of a new inter-modal transportation facility for the Bronx Zoo ($5.1 million); improvements to the museum building, parking lots and roads at the New York Botanical Garden ($5.0 million); and funding for the Master Plan and climate control project at the Brooklyn Museum of Art ($4.0 million).

Department of Citywide Administrative Services

- Public Buildings: reconstruction of public buildings and City-owned facilities ($138.0 million), including the rehabilitation and renovation of the Manhattan Municipal Building and St. Andrew's Plaza ($14.2 million), City Hall ($10.3 million), exterior renovations at the Clock Tower Building ($5.2 million) and the upgrade of electrical systems at 125 Worth Street in Manhattan ($9.0 million); legal mandates ($40.4 million), including the reconstruction and replacement of petroleum underground storage tanks ($22.0 million); renovation of leased space ($50.0 million), including the Comptroller's Office move from One Centre Street to leased space and the relocation of the Department of Finance Bronx Business Center; equipment and interagency services ($9.5 million), including the purchase of equipment for the Computerized Testing Center ($3.0 million); modernization of the Board of Elections ($59.4 million), including the consolidation and renovation of warehouse and office facilities for the Board of Elections ($9.4 million) as well as the purchase of electronic voting machines as required by the Help America Vote Act (HAVA) ($50.0 million); miscellaneous construction and the acquisition of real property ($86.1 million), including construction at Seaview Senior Housing in Staten Island ($12.5 million), Cooper Union in Manhattan ($4.5 million), the Queens Independent Living Center ($1.5 million), as well as the buildout of a new facility for WNYC ($9.8 million); and reconstruction of waterfront properties ($5.7 million); and reconstruction of non-waterfront properties ($0.9 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 2007-2010 Borough Presidents' Allocations*
(City Funded Appropriations $ in thousands)

	2007	2008	2009	2010
Bronx Program				
Aging	$2,525	—	—	—
Children's Services	4,375	—	—	—
Cultural Affairs	2,842	491	—	—
EDP Equipment	80	—	—	—
Education	860	—	—	—
Health	1,351	—	—	—
Higher Education	1,194	945	—	—
Highways	350	—	—	—
Housing	5,709	—	—	—
Housing Authority	150	—	—	—
Human Resources	163	—	—	—
New York Public Library	250	—	—	—
Parks	—	1,765	—	—
Public Buildings	1	900	—	
Real Property	—	259	—	—
GRAND TOTAL: BRONX	$19,850	$4,360	$0	$0
Brooklyn Program				
Children's Services	$487	—	—	—
Cultural Affairs	1	—	—	—
Economic Development	9,440	—	—	—
Housing	225	—	—	—
Parks	2,500	3,761	3,290	—
Public Buildings	2,606	—	—	—
Real Property	3	—	—	—
Traffic	70	—	—	—
GRAND TOTAL: BROOKLYN	$15,332	$3,761	$3,290	$0

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

FY 2007-2010 Borough Presidents' Allocations*
(City Funded Appropriations $ in thousands)

	2007	2008	2009	2010
Manhattan Program				
Cultural Affairs	$4,792	—	—	—
DEP Equipment	500	—	—	—
Economic Development	1,572	—	—	—
Education	92	—	—	—
Fire	53	—	—	—
Housing	1,582	—	—	—
Human Resources	110	—	—	—
Parks	3,760	—	—	—
GRAND TOTAL: MANHATTAN	$12,461	$0	$0	$0
Queens Program				
Cultural Affairs	$12,858	$5,489	—	—
Education	1,000	—	—	—
Higher Education	22	—	—	—
Parks	—	2,111	—	—
Public Buildings	13,500	—	—	—
Queens Borough Public Library	8,299	—	—	—
GRAND TOTAL: QUEENS	$35,679	$7,600	$0	$0
Staten Island Program				
Courts	$22	—	—	—
Cultural Affairs	1,066	513	—	—
Education	2,105	—	—	—
Fire	75	—	—	—
Health	50	—	—	—
Higher Education	136	—	—	—
Highways	223	—	—	—
Hospitals	500	—	—	—
New York Public Library	223	—	—	—
Parks	3,985	—	—	—
Police	5	—	—	—
Public Buildings	1,311	—	—	—
Staten Island Rapid Transit	1,000	—	—	—
GRAND TOTAL: STATEN ISLAND	$10,701	$513	$0	$0

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

Management Initiatives

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

- continued improvements to capital program management.

- updating the charter-mandated capital asset condition assessment.

- application of value engineering to reduce capital and operating costs.

Capital Program Management

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

The consolidation of design and construction into a single agency allows for the elimination of duplicative program units within agencies; the standardization of construction procedures and practices; the implementation of reforms of current practices relating to procurement for construction projects; and the expansion of the use of construction-related technology, such as Computer-Aided Drafting and Design (CADD); and a project management information system. The Department also enables the city to coordinate a wide variety of construction projects with utilities, community representatives, and private industry, thus minimizing the disruption to individual neighborhoods caused by water-main projects, sewer construction, and road work, as well as reducing the costs associated with such projects. The Department of Design and Construction serves more than 22 client agencies.

Capital Asset Inventory and Maintenance Program

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

Value Engineering

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

Value Engineering is a collaborative effort between all concerned city agencies with budgetary and operational jurisdiction over a project, and outside consultants with expertise on critical project components. The City has utilized VE effectively in the last twenty-four years on mainly large-scale capital projects with a view to controlling costs. However, the VE process does not only result in cost reductions, but also frequently generates project improvements, and anticipates and solves functional problems by raising relevant issues early in the design process, which could adversely compromise the project's development, cost and schedule. The VE program continues to grow with over 120 projects undergoing value methodology reviews in the last five years, as agencies seek to maximize their return on investment and increase efficiency in their operations. Projects scheduled for upcoming VE reviews include water treatment plants, reconstruction of major hospitals, facilities maintenance, reconstruction of several bridges, sanitation garages, and Value Analysis reviews to enhance revenue at city-owned hospitals.

FINANCING PROGRAM

The City's financing program projects $31.1 billion of long-term borrowing for the period 2006 through 2010 to support the City's current capital program. Under authorization recently enacted by the State, the New York City Transitional Finance Authority (TFA) will begin to finance capital costs for the Department of Education (DOE).

Financing Program
($ in Millions)

	2006	2007	2008	2009	2010	Total
City General Obligation Bonds	$4,105	$3,530	$4,972	$5,360	$5,300	$23,267
TFA Bonds - Education (1)	0	1,299	1,490	1,561	518	4,867
Water Authority Bonds (2)	1,925	1,376	1,533	1,612	1,406	7,852
Conduit Debt	0	0	0	0	0	0
Total	$6,030	$6,205	$7,995	$8,533	$7,224	$35,986

(1) TFA, in addition to the Dormitory Authority of the State of New York (DASNY), will finance the state funded portion of the DOE's capital program. These amounts are not included in the three tables below because they are state funded.

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

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

Debt Outstanding
($ in Millions at Year End)

	2006	2007	2008	2009	2010
City General Obligation Bonds	$36,407	$38,302	$41,461	$44,906	$48,390
TFA Bonds	12,323	11,988	11,573	11,134	11,134
TSASC Bonds	1,348	1,327	1,302	1,275	1,275
Conduit Debt	2,719	2,599	2,484	2,371	2,295
Total	$52,797	$54,216	$56,820	$59,686	$63,094
Water Authority Bonds	$15,890	$17,184	$18,636	$20,147	$21,394

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

	2006	2007	2008	2009	2010
City General Obligation Bonds*	$2,928	$3,590	$3,943	$4,312	$4,706
TFA Bonds	946	704	981	986	985
TSASC Bonds	86	88	91	92	93
Conduit Debt	282	388	385	382	360
Total Debt Service	$4,193	$4,766	$5,400	$5,771	$6,144
Water Authority Bonds	$817	$940	$1,043	$1,188	$1,315

* Includes interest on short-term obligations (RANs).

Debt Burden

	2006	2007	2008	2009	2010
Total Debt Service (NYC GO, Lease & TFA) as % of:					
a. Total Revenue*	7.4%	8.6%	9.7%	10.2%	10.5%
b. Total Taxes**	12.3%	14.2%	15.9%	16.9%	16.7%
c. Total NYC Personal Income	1.2%	1.3%	1.4%	1.4%	1.4%
Total Debt Outstanding (NYC GO, Lease & TFA) as % of:					
a. Total NYC Personal Income	14.7%	14.4%	14.7%	14.6%	14.7%

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

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

Note: Figures in the three tables above do not include education debt supported by State funding.

While the TFA's issuance capacity has been increased by $9.4 billion for education financing, the City is also seeking legislative approval to increase TFA's borrowing cap for broader capital financing purposes. TFA has been a cost-effective source of financing for the City over the past six years. It has been an important source of diversification as a financing vehicle in the marketplace as well. NYW's annual bonding amount, excluding refundings, will average approximately $1.6 billion. The aggregate NYW financing during the plan period will account for approximately 28 percent of the total financing program.

New York City General Obligation Bonds

Since July l, 2005, the City has issued $1.4 billion in refunding bonds and $2.5 billion in bonds for capital purposes, totaling $3.9 billion. The dates, principal amounts, and the true interest costs of these issues are as follows:

NYC GO Issuances
($ in Millions)

Series	New$/ Refunding	Issue Date	Tax Exempt Amount	Taxable Amount	TIC	Total Par Amount
2006A	N	8/3/2005	$275	$70	4.325%	$345
2006BCD	R	8/3/2005	572	0	4.130%	572
2006E	N	8/17/2005	550	0	4.423% *	550
2006F	N	9/22/2005	750	40	4.259%	790
2006G	R	12/22/2005	850	0	4.466%	850
2006H	N	1/5/2006	150	0	N/A **	150
2006I	N	4/11/2006	800	70	4.362% *	870
Total			$3,947	$180		$4,126

* TIC on the fixed rate portion. A portion of the Series 2006 E and I transactions consist of floating-rate bonds.

** Not Applicable: The Series 2006 H transaction consisted entirely of floating rate bonds.

The two refunding transactions the City has completed to date in fiscal year 2006, totaling $1.4 billion in aggregate principal amount, generated $93 million of debt service savings in 2006 and 2007. The present value savings from the refundings were in excess of $91 million. The Series 2006 G refunding transaction utilized federal legislation permitting an additional advance refunding for certain GO bonds. The Governor of the State allocated the State's unused capacity under this legislation (which was due to expire on January 1, 2006) to the Series 2006 G Bonds.

All of the $180 million of taxable financing during the current fiscal year has been issued through competitive bidding. The City's taxable bonds are generally amortized in 12 years or less so that the higher cost taxable debt is paid off sooner than the longer-term lower cost tax exempt debt. During the last seven months, the City's taxable bonds, with maturities ranging between 5 and 13 years, were priced approximately 51 basis points higher than those of the US Treasury bonds for comparable maturities.

In addition to the financings described above, the City plans to issue $1.4 billion of GO bonds for capital purposes in the remainder of 2006 and $3.53 billion, $4.97 billion, $5.36 billion and $5.3 billion in 2007, 2008, 2009 and 2010, respectively.

Currently the debt service for the City and its related financing entities (TFA, TSASC, MAC and conduit debt, excluding the effect of pre-payments, and excluding debt service supported by revenues from the water and sewer system) is 7.4 percent of the City's total budgeted revenues in 2006. That ratio is projected rise to 10.5 percent in 2010. As a percentage of tax revenues, the debt service ratio is 12.3 percent in 2006 and is projected to increase to 16.7 percent in 2010.

During 2006, short-term interest rates relating to the $5.9 billion of floating rate debt (including synthetic floating-rate debt, auction rate bonds and variable-rate demand bonds) issued by the City have been 2.52% percent on average for tax-exempt and 3.65% percent for taxable floating rate debt. This floating rate debt has traded on average at rates that are at least 250 basis points lower than those for the City's fixed-rate debt, and has resulted in an annual savings of almost $150 million.

In 2006, the City did not require a note issuance to satisfy cash flow needs. The City's financing program assumes the issuance of $1.2 billion of notes in 2007 and $2.4 billion in each year thereafter.

New York City Related Issuers - Variable Rate Debt

As discussed above, variable rate demand bonds have been a reliable source of cost savings in the City's capital program. In considering the proportion of the City's debt which is in variable rather than fixed rates, it is useful to consider all sources of financing with the exception of NYW, which is typically considered separately for such purposes. Included would be not only City GO bonds but also TFA and TSASC bonds and conduit debt. The City and its related entities have approximately $10 billion of variable rate demand bonds and auction rate bonds currently outstanding. The TFA floating rate bonds are supported by liquidity facilities while the City's floating rate general obligation and lease appropriation bonds are supported by credit enhancement facilities and in some cases liquidity facilities.

Swaps

The City has directly entered into various interest rate exchange agreements (swaps and swaptions) since 2002, taking on various risks similar to those of variable rate bonds. The City also bears the economic responsibility for swaps entered into through the Dormitory Authority of the State of New York ("DASNY"). The total notional amount of swaps outstanding as of March 31, 2006 was $3.25 billion, on which the termination value was negative $22 million. This is the theoretical amount which the City would pay if all of the swaps terminated under market conditions as of March 31, 2006. However, most of the swaps entered into by the City have sufficient liquidity such that there should be relatively little cost to enter into replacement swaps.

The following table shows the City's and its related issuers' floating rate exposure. Floating rate exposure is of note because certain events can cause unexpected increased costs. Those events include rising interest rates, a change in the tax code (in the case of tax-exempt debt), and the deterioration of the City's credit. By contrast, the cost of outstanding fixed rate debt does not increase if any of the previously mentioned events takes place. On the other hand, fixed rate borrowing locks in a higher borrowing cost if interest rates do not change materially or if they decline. Overall, floating rate exposure benefits the City because it reduces the cost of financing. In short, interest costs on short term debt are almost always lower than long term debt. The City has assumed floating rate exposure using a variety of instruments, including tax exempt floating rate debt, taxable floating rate debt, synthetic floating rate debt through total return swaps, basis swaps, and certain types of synthetic fixed rate debt. The basis swaps and certain synthetic fixed rate debt provide exposure to changes in the tax code but are largely insensitive to changes in interest rates and changes in the City's credit. Given that those instruments provide only limited floating rate exposure, they are counted as variable rate exposure at less than the full amount of par or notional amount. Instruments that provide exposure only to changes in the tax code are counted at 25 percent of par or notional amount in the table below. Since an agreement to enter into a swap in the future, at the counterparty's option (a "swaption"), is a contingent liability, the swaptions which the City has entered into are not counted as floating rate exposure.

NYC Floating-Rate Exposure*
($ in Millions)

	GO	TFA	Lease	TSASC	Total
VRDB & Auction Rate Bonds	$4,912	$2,680	$1,492	$0	$9,084
Synthetic Fixed	241	—	—	—	241
Taxable Basis Swap	163	—	—	—	163
Total Return Swap	500	—	76	—	576
Enhanced Basis Swap	125	—	—	—	125
Total Floating-Rate	$5,942	$2,680	$1,568	$0	$10,190
Total Debt Outstanding	$36,237	$12,323	$2,719	$1,348	$52,627

% of Floating-Rate / Total Debt Outstanding	19.4%
Total Floating-Rate Less $2 Billion Average Balance in General Fund (Floating-Rate Assets)	$8,190
% of Net Floating Rate / Total Debt Outstanding	15.6%

* Outstanding as of the 2007 Executive Budget.

The 19.4 percent floating rate exposure, including the risk from the synthetic fixed rate swaps, the basis swaps, and the "total return" swaps, is even more manageable after taking into account the average $2 billion of short-term assets in the City's General Fund which are an offset to these floating rate liabilities. Net of these floating rate assets, the floating rate exposure of the City, excluding NYW, is 15.6 percent of its outstanding debt. Moreover, the City uses conservative assumptions in budgeting expenses from floating rate instruments.

The New York City Municipal Water Finance Authority

The New York City Municipal Water Finance Authority (NYW) was created in 1985 to finance capital improvements to the City's water and sewer system. Since its first bond sale in November 1985, the Authority has sold $28.3 billion in General (First) and Second General Resolution bonds and Subordinated Special Resolution Crossover Refunding bonds. Refunding bond issuance amounted to $10.7 billion. Of this aggregate bond par amount, $15.5 billion is outstanding, $10.8 billion was refinanced with lower cost debt, $621 million was defeased with revenues prior to maturity, and $2.0 billion was retired with Authority revenues as it matured.

In addition to this long-term debt, NYW uses an $800 million tax-exempt commercial paper program as a source of flexible short-term financing, including $200 million of unenhanced extendable municipal commercial paper (EMCP) notes and $600 million of commercial paper notes backed by a line of credit.

NYW continues to enjoy strong and stable credit ratings from all three rating agencies. Standard and Poor's Rating Services rates NYW's first resolution debt 'AA+', just one notch below its highest 'AAA' rating. Fitch Ratings and Moody's carry 'AA' and 'Aa2'ratings, respectively. These high ratings reflect a true gross revenue pledge and strong legal protections provided to the NYW investors. Additionally, senior lien bonds issued by the New York State Environmental Facilities Corporation (EFC) for City capital projects eligible for State Revolving Fund (SRF) money are rated in the highest rating category by Moody's ('Aaa'), Standard & Poor's ('AAA') and Fitch ('AAA'). The bonds which NYW places with EFC are Second Resolution bonds of NYW, and are an element of security for the EFC bonds.

To date in Fiscal Year 2006, NYW has closed seven bond transactions; the First Resolution 2006 Series A, B, C and D bonds represented bond sales directly to the public. The Second General Resolution Fiscal 2006 Series 1 bonds were issued to EFC to secure bonds issued by EFC on behalf of NYW. NYW also issued Second General Resolution Fiscal 2006 Series AA and BB bonds. These were, respectively, the first variable rate and fixed rate Second General Resolution bonds sold directly to the public. Over $2.16 billion in bonds have been issued in Fiscal Year 2006 to date, including $672 million in First Resolution advance refunding bonds, which achieved between 5.3 percent and 6.5 percent present value savings. $51 million bonds were issued to refund Refundable Principal Installment bonds. The remaining long term bond issuance included $658 million in First Resolution bonds and $779 million in Second General Resolution bonds of which $229 million were issued through the EFC.

In October 2005, for the first time, NYW issued $400 million Second General Resolution variable rate bonds directly to the public. Two months later, in January 2006, it successfully issued $100 million Second General Resolution fixed rate bonds. The Second General Resolution bonds received high ratings from all three rating agencies: 'AA' from Standard & Poor's, 'AA' from Fitch Ratings and 'Aa3' from Moody's.

The seven transactions that have been closed to date in Fiscal Year 2006 are summarized in the following table. New money issuances were used to refinance commercial paper previously issued by NYW and to pay the costs of issuance. First Resolution bond proceeds were also used to fund a debt service reserve fund.

NYW Issuance

Series	(N)ew Money /(R)ef.	Issue Date	Par Amount	True Interest Cost (TIC)	Effective Interest Cost (EIC) (2)	Longest Maturity	Max Yield	Spread to "AAA" MMD (3)
2006 Series 1(1)	N	12-Oct-05	$229,018,261	4.38%	2.87%	2035	4.57%	11 bp
2006 Series A	N & R	18-Oct-05	$524,530,000	4.80%	NA	2039	4.50% (4)	-2 bp
2006 Series AA	N	27-Oct-05	$400,000,000	NA	NA	2032	NA	NA
2006 Series B	N	26-Jan-06	$150,000,000	4.75%	NA	2036	4.46% (4)	16 bp
2006 Series BB	N	26-Jan-06	$100,000,000	3.66%	NA	2016	3.82%	11 bp
2006 Series C	R	26-Jan-06	$350,345,000	4.69%	NA	2033	4.64%	30 bp
2006 Series D	N & R	03-Mar-06	$406,205,000	4.72%	NA	2038	4.74%	33 bp

(1) EFC Series 2005 C

(2) Effective cost after interest rate subsidy

(3) Spread to longest maturity

(4) Yield to call

NYW is a party to two interest rate exchange agreements (swaps) with a total notional amount of $220 million. These agreements include a $200 million synthetic variable rate swap (fixed-to-floating rate swap) entered into on December 23, 2003 with NYW receiving a fixed interest rate of 3.567 percent in exchange for a floating rate based on the BMA Municipal Swap Index. NYW also entered into a swap on July 9, 2002 in conjunction with its sale of $20 million of Muni-CPI bonds, which pay the holder a floating rate tied to the consumer price index. Under the swap, NYW receives a payment matching the rate paid on the bonds and pays a fixed interest rate of 4.15 percent, which is 11 basis points lower than conventional fixed rate debt at the time of issuance.

NYW expects to issue roughly $440 million new money bonds before the end of Fiscal Year 2006. These bonds are likely to be Second General Resolution bonds issued to EFC. NYW may be able to take advantage of other potential refunding opportunities during the remainder of the fiscal year should the interest rate environment be favorable. The Authority also expects to defease outstanding First Resolution Bonds with revenues before the end of Fiscal Year 2006.

During the period from 2006 to 2015, NYW expects to sell an average of approximately $1.6 billion of new debt per year. Of this amount, NYW plans to issue a minimum of $300 million per year through EFC, taking advantage of the 33 to 50 percent interest rate subsidy available for qualifying projects, and minimizing the overall costs of its financing program. Additionally, NYW may be able to take advantage of refunding opportunities should the interest rate environment be favorable.

The New York City Transitional Finance Authority

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

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

As part of the New York State budget passed in April 2006, the State granted TFA an additional $9.4 billion of financing capacity to be used to fund capital costs for the Department of Education. Building aid from the State will secure the new TFA issuance. The financial plan reflects $4.87 billion of TFA issuance pursuant to the new financing authority.

Since the creation of the TFA in March 1997, the TFA has sold $11.5 billion in senior new money bonds, $4.5 billion of BANs and $2.5 billion of subordinate bonds. Refunding bonds, excluding bonds issued to refund BANs, amounted to $4.0 billion. Of the $12.3 billion of bonds currently outstanding, 53.9 percent will be retired by the end of 2018, with the annual amortization of about $335 million in 2006, growing gradually to $615 million in 2020 and then decreasing gradually to $14 million in 2034. The debt will be fully amortized by 2035. This does not include TFA debt issued for education purpose and supported by state funding.

On November 3, 2005, the TFA closed a refunding issue consisting of $597 million of tax exempt fixed rate debt. Of that amount, $141 million were sold as subordinate bonds. The transaction generated $36.2 million of debt service savings in 2007. The total present value savings amounted to over $20.6 million.

At the beginning of 2006, the TFA held a competitive bid for nearly $2 billion of liquidity facilities due to expire within the year. The bids resulted in an annual savings of approximately $9 million due to lower liquidity fees.

In December 2005, the TFA terminated the interest rate cap it had sold to the NYC Housing Development Corporation ("HDC") in June 2002. In 2002, the TFA received over $23 million from HDC for the cap in connection with an HDC floating rate bond sale. Since the sale of the cap, the TFA had made no payments to HDC under the cap agreement. Due to a flattening yield curve, the market value of the cap declined considerably. At the TFA's request, HDC held a competitive bid to award the cap to a commercial provider. The bid resulted in a replacement cost for the cap of approximately $7.2 million. The TFA paid that amount to HDC in order to cancel the cap agreement between TFA and HDC. As a result, the TFA no longer has interest rate exposure under the cap.

TSASC, Inc.

TSASC, Inc., a special purpose corporation, was created by the City in November 1999 to issue bonds secured with the City's share of the Tobacco Settlement Revenues (TSRs) to be paid pursuant to a nationwide Master Settlement Agreement (MSA). TSASC has acquired the City's 3.4 percent share of the national total TSRs payable under the MSA. TSRs that are not pledged to TSASC's bondholders flow to the City through ownership of a residual certificate.

In February 2006, TSASC refinanced all bonds issued under its indenture. The refunding bonds were issued under an amended indenture. Under the amended indenture, approximately 40% of the TSRs are pledged to the TSASC bondholders and the remainder flows to the City. The pledged TSRs will fund regularly scheduled TSASC debt service and operating expenses. Any pledged TSRs received in excess of those requirements will be used to prepay the newly issued TSASC bonds.

In April 2006, TSASC received its share of the MSA receipts. Despite the fact that some tobacco companies deposited a portion of TSRs into a disputed payments account, TSASC still received sufficient funds to make required payments and redeem some TSASC bonds ahead of the required payment date.

Other Corporations

In 2003, the State Legislature passed an act requiring the Local Government Assistance Corporation (LGAC) to pay $170 million annually to the City or its assignee. The City assigned the payments from LGAC to the Sales Tax Asset Receivable Corporation ("STAR"), a local development corporation, in order to secure bonds issued by STAR to defease the remaining debt of the Municipal Assistance Corporation for the City of New York ("MAC"). In November 2004, STAR sold $1.8 billion of tax exempt fixed rate bonds and $682 million of taxable fixed rate bonds. The end result relieved the City of approximately $500 million of annual MAC debt service expense from 2004 through 2008.

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

In December 2004, Jay Street Development Corp. (JSDC) facility reached substantial completion. The building is occupied by Supreme and Family Courts as of July 2005.

In July 2004, the Hudson Yards Infrastructure Corporation (HYIC), a not-for-profit local development corporation, was incorporated. The HYIC is expected to issue approximately $3 billion of bonds over the next six years to finance a major development initiative of the City in the Hudson Yards district of Manhattan, an area defined roughly as the south side of 43rd Street on the North, the east side of Eleventh Avenue on the west, the north side of West 27th Street and West 30th Street on the south, and the west side of Seventh and Eighth Avenues on the east. Proceeds from the HYIC bonds will be used for a $2 billion extension of the Number 7 subway line west from Seventh Avenue to Tenth Avenue and then south to West 34th Street at Eleventh Avenue. Bond proceeds will also be used to construct a platform over the Eastern Rail Yards east of Eleventh Avenue between 34th Street and 35th Street, on which several office towers and facilities for a major cultural institution are expected to be constructed, and for the construction of a park and street network north of the rail yards. This will make possible the redevelopment of the Hudson Yards district including over 24 million square feet of office space and over 13 thousand units of residential development over the next 30 years. Principal on the HYIC bonds will be repaid from revenues generated by this new development, notably payments-in-lieu-of-property taxes on the commercial development and various developer payments. On January 19, 2005, the same day that it passed the comprehensive rezoning of the Hudson Yards district, the City Council passed a Resolution supporting the HYIC borrowing for the Hudson Yards infrastructure projects by means of an undertaking by the City to pay interest on the HYIC bonds, to the extent not paid by the revenues of HYIC, subject to appropriation. The Resolution of the City Council also supported the use of the TFA's revenues (after satisfaction of its obligations under its indenture) to credit enhance no more than $750 million of HYIC indebtedness which will make possible the use of low-cost variable rate debt for one-fourth of the $3 billion borrowing program of the HYIC. A concurrent expansion of the Javits Convention Center is planned for west of the Hudson Yards Redevelopment Area. The City's $350 million share of the Javits Convention Center expansion is expected be financed through the City's capital program with General Obligation bonds.

Analysis of Agency Budgets

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

Full Agency Costs for 2007

($ in Millions)

	Personal Service Costs				Other than Personal Service Costs								
Agency	Salaries & Wages	Fringe Benefits	Pensions	PS Subtotal	Agency OTPS	PA, MA & Other Mandates	Legal Services	Judgments & Claims	Debt Service	OTPS Subtotal	Gross Total (Including Intra-City)	Net Total (Excluding Intra-City)	City Funds Total
Uniform Agencies													
Police Department	$3,470	$1,611	$1,629	$6,710	$250	—	$34	$114	$67	$465	$7,175	$7,006	$6,849
Fire Department	1,210	558	734	2,502	120	—	5	21	59	205	2,707	2,696	2,529
Department of Correction	739	332	213	1,284	114	—	7	24	164	309	1,593	1,592	1,544
Department of Sanitation	685	353	139	1,177	488	—	5	25	199	717	1,894	1,894	1,848
Subtotal	$6,104	$2,854	$2,715	$11,673	$972	—	$51	$184	$489	$1,696	$13,369	$13,188	$12,770
Health and Welfare													
Administration for Children's Services	$364	$109	$36	$509	$2,078	—	$3	$4	$1	$2,086	$2,595	$2,595	$866
Department of Social Services	667	301	84	1,052	286	6,056	2	7	88	6,439	7,491	7,471	5,529
Department of Homeless Services	107	38	11	156	297	292	—	—	—	589	745	713	346
Department of Health and Mental Hygiene	343	99	35	477	1,149	—	1	3	26	1,179	1,656	1,654	740
Health and Hospitals Corporation[1]	—	20	—	20	150	785	27	192	184	1,338	1,358	$1,272	1,056
Subtotal	$1,481	$567	$166	$2,214	$3,960	$7,133	$33	$206	$299	$11,631	$13,845	$13,705	$8,537
Education													
Department of Education	$8,451	$2,683	$1,733	$12,867	$4,414	—	$15	$33	$809	$5,271	$18,138	$18,129	$9,294
City University	312	70	33	415	182	—	1	1	44	228	643	635	443
Subtotal	$8,763	$2,753	$1,766	$13,282	$4,596	—	$16	$34	$853	$5,499	$18,781	$18,764	$9,737
Other Agencies	$1,846	$662	$208	$2,715	$3,506	—	$70	$207	$1,917	$5,700	$8,415	$7,449	$5,982
Elected Officials	$388	$102	$36	$526	$88	—	$7	$1	—	$96	$622	$618	$577
Miscellaneous	$516	—	—	$516	—	$1,486[2]	—	—	$300	$1,786	$2,302	$2,302	$2,091
Debt Service Costs (Unallocated)	—	—	—	—	—	—	—	—	$117	$117	$117	$117	$44
Debt Service Costs Reestimate of Prior Year's Expenses	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	**$19,098**	**$6,937**	**$4,891**	**$30,926**	**$13,122**	**$8,619**	**$177**	**$632**	**$3,975**	**$26,525**	**$57,451**	**$56,143**	**$39,738**
City Funds	**$10,928**	**$6,347**	**$4,710**	**$21,985**	**$6,448**	**$7,023**	**$173**	**$442**	**$3,667**	**$17,753**	**$39,738**		
2005 Prepayments	$—	$—	$—	$—	$—	$124	$—	$—	$3,315	$3,439	$3,439	$3,439	$3,439
Total After Prepayments	$19,098	$6,937	$4,891	$30,926	$13,122	$8,495	$177	$632	$660	$23,086	$54,011	$52,704	$36,299

(1) Only reflects funding appropriated in the City's Budget.

(2) Includes subsidies to the MTA, General Reserve, Pay-Go-Capital, Indigent Defense Services and Other Contractual Services.

Notes: Excludes the impact of prepayments; totals may not add due to rounding.

DEPARTMENT OF EDUCATION

The New York City Department of Education provides primary and secondary education for over one million school age children. Through a network of elementary, junior high, intermediate, and high schools as well as special education schools, the Department provides basic instructional services and offers students special and bilingual education, and vocational training. Support services include free and subsidized transportation, breakfast and lunch services, and the operation and maintenance of over 1,400 schools.

Financial Review

The Department of Education's 2007 operating budget is $15,322.3 million, an increase of $449.8 million over the 2006 forecast of $14,872.5 million. In addition, education-related pension and debt service costs of $2,681.0 million are budgeted in separate agencies. These additional costs include a pension increase of $351.3 million from 2006 and a debt service increase of $26.9 million. City funds including pensions and debt service support $9,062.7 million of the Department of Education's expense budget in 2007, an increase of $517.4 million, or 6 percent. State funds support $7,039.4 million, an increase of $369.2 million. The balance of the education budget is supported by $1,753.2 in Federal aid (down $141.1 million from the 2006 forecast), $8.0 million in intra-city funds and $39.2 million in other categorical funds. Including those funds budgeted centrally, total funds budgeted on behalf of the Department of Education increase from $17,175.2 million in the 2006 forecast to $18,003.3 million, in the 2007 Executive Budget.

Total Department of Education Expenses
2002-2007
($ millions)

	2002	2003	2004	2005	Forecast 2006	Executive Budget 2007	Change 2006 to 2007	Change 2002 to 2007
Department Of Education Operating Budget								
City	$4,785	$5,103	$5,464	$5,605	$6,246	$6,483	$237	$1,698
Other Categorical	51	107	88	84	54	39	(14)	(12)
State	5,648	5,864	5,809	6,238	6,670	7,039	369	1,391
Federal	1,394	1,697	1,781	1,930	1,894	1,753	(141)	359
Intra-City	6	9	7	14	9	8	(1)	2
Total Operating Expenditures	**$11,884**	**$12,780**	**$13,149**	**$13,871**	**$14,872**	**$15,322**	**$450**	**$3,438**
Other City Funds Supporting Education								
Pensions	$452	$572	$848	$1,163	$1,245	$1,597	$351	$1,145
State Aid for Pensions	0	0	0	0	0	(65)	(65)	(65)
G.O. Bond Debt Service	473	383	518	595	797	809	12	336
State Aid for Debt Service	(3)	(3)	(3)	(3)	(3)	(3)	0	0
TFA Debt Service	144	161	215	227	260	275	15	131
State Aid for TFA Debt Service	0	0	0	0	0	(33)	(33)	(33)
Total Additional City Funds	**$1,066**	**$1,112**	**$1,577**	**$1,983**	**$2,300**	**$2,580**	**$280**	**$1,514**
TOTAL CITY FUNDS FOR EDUCATION	**$5,851**	**$6,215**	**$7,041**	**$7,588**	**$8,545**	**$9,063**	**$517**	**$3,211**
TOTAL STATE FUNDS FOR EDUCATION	**$5,651**	**$5,867**	**$5,812**	**$6,241**	**$6,673**	**$7,140**	**$467**	**$1,489**

The amounts shown for 2002 through 2005 represent actual expenditures including pensions and debt service funds budgeted in other agencies. The 2006 amounts represent the latest forecast as per the 2007 Executive Budget. G.O. Debt Service numbers have been corrected to reflect the impact of pre-payments. The 2003 City and Federal operating budget numbers have been corrected to reflect $29.9 million of FEMA expenditures for lost instructional time which were reimbursed at the Citywide level rather than in the Department of Education's budget. The City is carrying $65M of State Education Aid for Pensions in the Labor Reserve for 2007 through 2010.

Expense Budget Highlights

Additional Resources for Children First Reforms

- an additional $55.7 million for new Charter Schools and register growth at existing Charter Schools.
- an additional $39.5 million to support the creation, expansion and continuation of initiatives such as the Lead Teacher Program, additional attendance teachers to identify students at risk of abuse, and other important policy initiatives.
- an additional $19.1 million to open 41 new schools and close 18 under-performing schools.
- an additional $15.1 million to help under-credited and over-age students graduate through additional Transfer Schools, Young Adult Borough Centers and GED programs, some with Learning to Work components that will provide over 1,000 new internships.
- an additional $2.0 million to expand and improve translation and interpretation services for non-English speaking families.

Providing Core Services

- an additional $122.0 million for increased fringe benefit costs.
- an additional $83.6 million for transportation to cover the cost of CPI increases, additional bus routes required to serve the core school day, and additional routes required to transport children attending the extended time programs established in the most recent UFT contract.
- an additional $79.4 million for the increased cost of transportation and instruction of school-age special education students mandated to attend private facilities.
- an additional $36.9 million for the increased cost of instruction and transportation for special education pre-kindergarten students mandated to attend private facilities.
- an additional $26.3 million for the increased cost of leases and energy.
- an additional $20.0 million for mandated special education related service contracts and paraprofessionals required by Individualized Education Plans.
- an additional $11.7 million for 286 new school safety agents.
- an additional $9.5 million for the increased cost of maintaining school facilities and ensuring compliance with local law and Federal regulations.

The $6,482.6 million City funds budget for 2007 provides the Department of Education with $237.0 million more than is mandated by the maintenance of effort requirement established by the State as part of the governance changes passed in the summer of 2002. This provision of State law requires that the City funding provided in the Adopted Budget (excluding City funding for pensions and debt service) cannot be less than the amount provided for in the current year's budget. In the case of a year-to-year decline in the amount of City funds available for the total Citywide budget, the requirement permits the City to reduce education funding by a proportional amount.

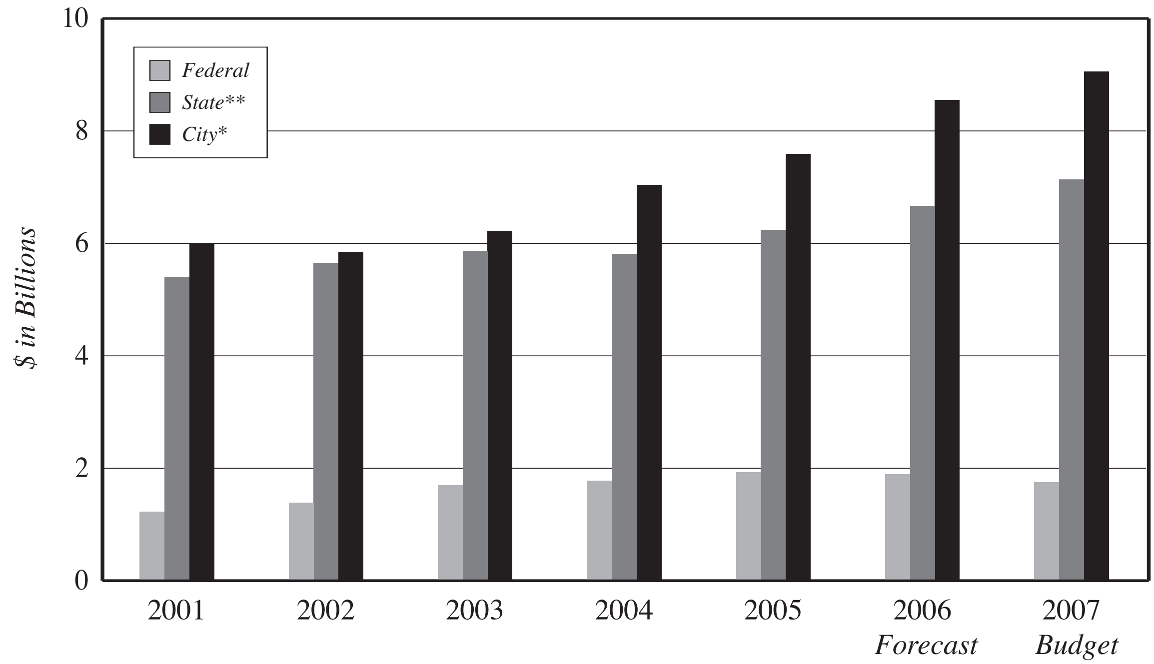
Summary of Agency Financial Data

The following table compares the 2007 Executive Budget with the 2007 Preliminary Budget, the 2006 forecast and actual expenditures for 2005, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2005 Actual	2006 Forecast	2007 Preliminary Budget	2007 Executive Budget	Increase/(Decrease) 2006 Forecast	Increase/(Decrease) 2007 Preliminary Budget
Expenditures						
Salary and Wages	$7,893,131	$8,401,279	$8,482,468	$8,451,556	$50,277	($30,912)
Fringe Benefits	2,026,939	2,209,290	2,297,912	2,321,915	112,625	24,003
OTPS	3,951,114	4,261,913	4,096,445	4,548,863	286,950	452,418
Total	$13,871,184	$14,872,482	$14,876,825	$15,322,334	$449,852	$445,509
Funding						
City	$5,605,073	$6,245,500	$6,196,359	$6,482,549	$237,049	$286,190
Other Categorical Grants	83,740	53,519	39,765	39,249	(14,270)	(516)
IFA	—	—	—	—	—	—
State	6,238,142	6,670,159	6,875,111	7,039,363	369,204	164,252
Federal CD	10,000	5,000	5,000	5,000	—	—
Federal Other	1,920,180	1,889,327	1,752,615	1,748,198	(141,129)	(4,417)
Intra-City Other	14,048	8,977	7,975	7,975	(1,002)	—
Total	$13,871,184	$14,872,482	$14,876,825	$15,322,334	$449,852	$445,509
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$60,838	$350,265	$357,832	$360,795	$10,530	$2,963
Pensions	1,298,900	1,381,305	1,730,858	1,732,596	351,291	1,738
Other Than Personal Service (OTPS)						
Legal Services	15,402	15,541	15,344	15,000	(541)	(344)
Judgments and Claims	42,155	32,000	33,000	33,000	1,000	—
Debt Service	595,369	797,115	961,968	809,485	12,370	(152,483)
Intra-City Pensions	(136,005)	(136,005)	(136,005)	(136,005)	—	—
Total Additional Costs	$1,876,659	$2,440,221	$2,962,997	$2,814,871	$374,650	($148,126)
Funding						
City	1,873,627	2,437,201	2,960,124	2,812,036	374,835	(148,088)
Non-City	3,032	3,020	2,873	2,835	(185)	(38)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$7,893,131	$8,401,279	$8,482,468	$8,451,556	$50,277	($30,912)
Fringe Benefits	2,087,777	2,559,555	2,655,744	2,682,710	123,155	26,966
Pensions	1,298,900	1,381,305	1,730,858	1,732,596	351,291	1,738
Total PS	$11,279,808	$12,342,139	$12,869,070	$12,866,862	$524,723	($2,208)
OTPS	$3,951,114	$4,261,913	$4,096,445	$4,548,863	$286,950	$452,418
Legal Services	15,402	15,541	15,344	15,000	(541)	(344)
Judgments and Claims	42,155	32,000	33,000	33,000	1,000	—
Debt Service	595,369	797,115	961,968	809,485	12,370	(152,483)
Intra-City Pensions	(136,005)	(136,005)	(136,005)	(136,005)	—	—
Total OTPS	$4,468,035	$4,970,564	$4,970,752	$5,270,343	$299,779	$299,591
Total Agency Costs	$15,747,843	$17,312,703	$17,839,822	$18,137,205	$824,502	$297,383
Less Intra-City	$14,048	$8,977	$7,975	$7,975	($1,002)	$—
Net Agency Cost	$15,733,795	$17,303,726	$17,831,847	$18,129,230	$825,504	$297,383
Funding						
City	7,478,700	8,682,701	9,156,483	9,294,585	611,884	138,102
Non-City	8,255,095	8,621,025	8,675,364	8,834,645	213,620	159,281
Personnel (includes FTEs at fiscal year-end)						
City	111,897	112,149	111,930	111,930	(219)	(2)
Non-City	23,874	24,160	24,327	24,327	167	—
Total	135,771	136,309	136,257	136,257	(52)	(2)

FUNDING SOURCES 2001-2007



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

New York City Public School Enrollment

School Year 2003-2007

	2003 Actual	2004 Actual	2005 Actual	2006 Projection	2007 Projection
DOE Facilities Enrollment					
General Education*	956,966	951,486	936,839	916,888	893,075
Special Education**	73,778	73,795	74,132	75,919	77,143
Pre-Kindergarten***	30,264	29,333	29,870	29,613	29,613
Subtotal	1,061,008	1,054,614	1,040,841	1,022,420	999,831
Non-DOE Facilities Enrollment					
Charter Schools	4,355	5,801	7,823	11,133	15,111
Contract Schools	6,250	6,673	7,137	7,236	7,336
Universal Pre-Kindergarten	17,082	16,384	15,963	15,722	15,722
Special Ed Pre-Kindergarten	23,856	24,742	24,769	25,788	25,788
Subtotal	51,543	53,600	55,692	59,879	63,957
TOTAL	1,112,551	1,108,214	1,096,533	1,082,299	1,063,788

* General Education enrollment includes General Education students served in CTT settings as well as those in regular classrooms.

** Special Education enrollment includes Community School District and High School Special Education students in self - contained classrooms, Citywide, Home and Hospital Instruction, and Special Education students served in CTT settings.

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

Programmatic Review

The Student Population

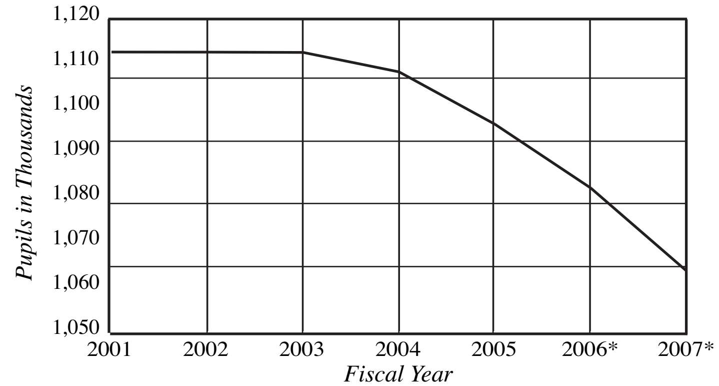
Total enrollment supported by the Department's budget, including pre-kindergarten, charter school and contract school students, will decrease 18,511 from 1,082,299 in 2006 to a projected 1,063,788 in 2007. In the coming fiscal year, the City projects that general education public school enrollment for kindergarten through twelfth grade will be 908,186, or 19,835 less than in 2006. Of these students, 893,075 are expected to attend schools run by the Department of Education, and 15,111 are expected to attend charter schools. The Universal Pre-Kindergarten, Superstart/Superstart Plus, and Targeted Pre-Kindergarten combined enrollments are expected to be 45,335. Of these students, 29,613 are expected to attend Department of Education schools, and 15,722 are expected to attend programs run by community based organizations.

In 2007, the City projects that 84,479 school-age students will be enrolled in full-time special education programs. This projected enrollment level is 1,324 students higher than the 2006 full time special education population of 83,155. Of these students, 77,143 are expected to attend Department of Education facilities, and 7,336 are expected to attend specialized private facilities ("contract schools") paid for through the Department's budget. The City's total special education population also includes approximately 26,000 pre-kindergarten students and a small group of school-age special education students placed in specialized facilities through steps taken outside the Department's regular referral process.

Staffing Levels

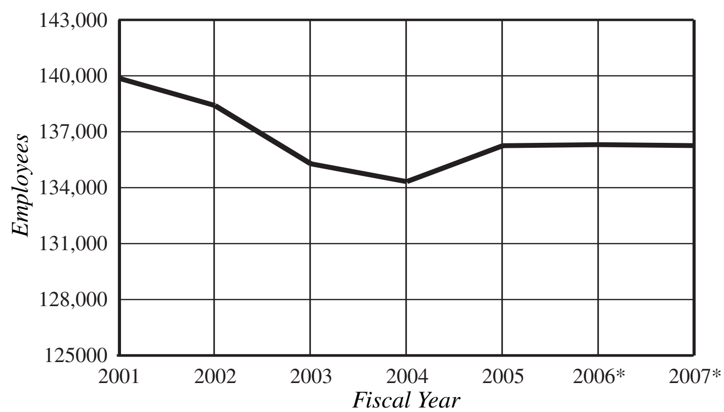
In 2007 the City projects that the Department's staffing level will be 136,257. Of this count, 119,548 are full time and 16,709 are Full Time Equivalents (FTEs). Pedagogical employees (which include teachers, superintendents,

NYC PUBLIC SCHOOL ENROLLMENT 2001-2007



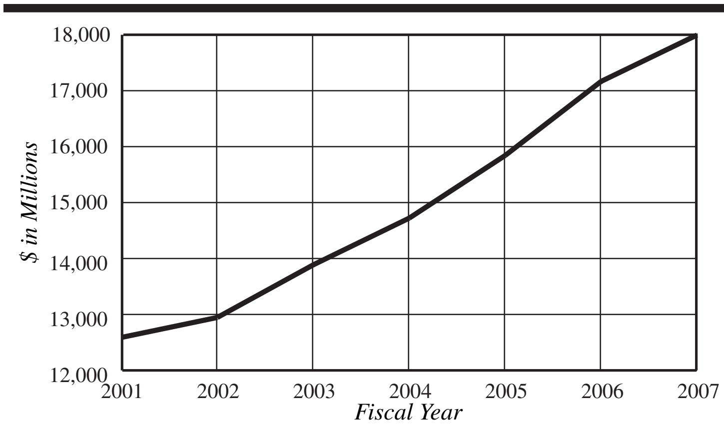
Includes Charter Schools, Special Ed Pre-K, Universal Pre-K, Targeted Superstart, Superstart Plus, Contract schools and CTT. Excludes LTA's.
** Projected as of FY07 Executive Budget*

FULL TIME AND FULL TIME EQUIVALENT DEPARTMENT OF EDUCATION EMPLOYEES 2001-2007



** Projected as of FY07 Executive Budget*

TOTAL DEPARTMENT OF EDUCATION EXPENDITURES 2001-2007 *



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

principals, assistant principals, guidance counselors, school secretaries, educational paraprofessionals and other school support staff) make up 109,548 of the full time employees and 1,363 of the FTEs. Non-pedagogical employees represent 10,000 of the full time employees and 15,346 of FTEs. Of the full time pedagogical employees approximately 77,000 are teachers.

Capital Review

The City's Four-Year Plan for 2007-2010 anticipates spending $10.3 billion on school construction projects and is consistent with the last three years of the Department of Education's (DOE) $13.1 billion Five-Year Plan for 2005-2009. In its 2007 budget the State of New York has agreed to provide its 50 percent share of this $13.1 billion plan. The City will now receive $1.8 billion in State aid and an additional $9.4 billion in TFA borrowing authority, half of which will be paid for by State building aid. These two new sources of capital support represent the State's full $6.5 billion share of the City's $13.1 billion Five-Year Plan for capital construction.

The table below shows actual and planned capital commitments by program area over the 2005-2010 periods.

Capital Commitments

($000's)

	2005 Actual		2006 Plan		2007 Plan		2008 Plan		2009 Plan		2010 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	277,248	277,253	328,876	878,876	77,850	848,225	55,284	772,315	12,859	772,292	11,668	11,668
System Expansion Other	195,996	195,997	131,299	131,299	30,182	275,797	112,670	318,648	149,681	537,034	135,811	135,811
School Modernizations	91,766	91,766	48,027	48,027	23,037	23,037	17,944	17,944	9,014	9,014	8,178	8,178
Rehabilitation of School Components	686,016	686,024	321,306	351,381	371,997	673,462	401,954	731,967	584,914	734,036	530,715	530,715
Educational Enhancements	509,925	509,767	223,650	223,650	133,200	881,842	154,142	895,956	200,056	906,496	181,519	181,519
Emergency, Unspecified And Miscellaneous	432,312	432,793	281,650	281,650	198,633	205,001	114,862	124,491	137,310	139,427	124,586	124,586
Safety and Security	46,573	46,572	36,601	36,601	92,868	92,868	152,654	152,654	115,676	115,676	104,957	104,957
Total	2,239,836	2,240,172	1,371,409	1,951,484	927,767	3,000,232	1,009,510	3,013,975	1,209,510	3,213,975	1,097,434	1,097,434

* The schedule of planned commitments by category will be updated in the Five-Year Plan amendment to be released in May 2006.

Capital Highlights - The Fourth Five-Year Plan

By successfully securing the State's $6.5 billion share of the Fourth Five-Year Capital Plan the City will now be able to proceed with its work to provide the following:

- over $4.0 billion for the construction or lease build out of more than 100 new schools and additions, creating 66,358 new classroom seats (16,455 in Brooklyn, 19,425 in The Bronx, 3,591 in Manhattan, 23,345 in Queens and 3,542 in Staten Island). In September 2006 DOE will open 2,400 of these new seats.

- in excess of $2.5 billion to rehabilitate existing schools through the DOE's Capital Improvement Program (CIP).

- over $1.5 billion for DOE's SIRA (School Improvement and Restructuring Allocation) program, which will restructure and enhance facilities at hundreds of struggling schools.

- over $1.5 billion for mandated programs and fixed costs, such as asbestos abatement, lead abatement, emergency lighting and code compliance.

- an amount of $1.1 billion for technology and safety enhancements, providing internet connections to every classroom and security cameras at hundreds of schools.

- approximately $1.0 billion for general enhancements, such as science lab upgrades, accessibility, physical fitness upgrades and auditorium upgrades.

- an amount of $359 million to create approximately 350 new partnership and charter schools.

- an amount of $98 million of Federal funding for noise abatement at schools in flight paths.

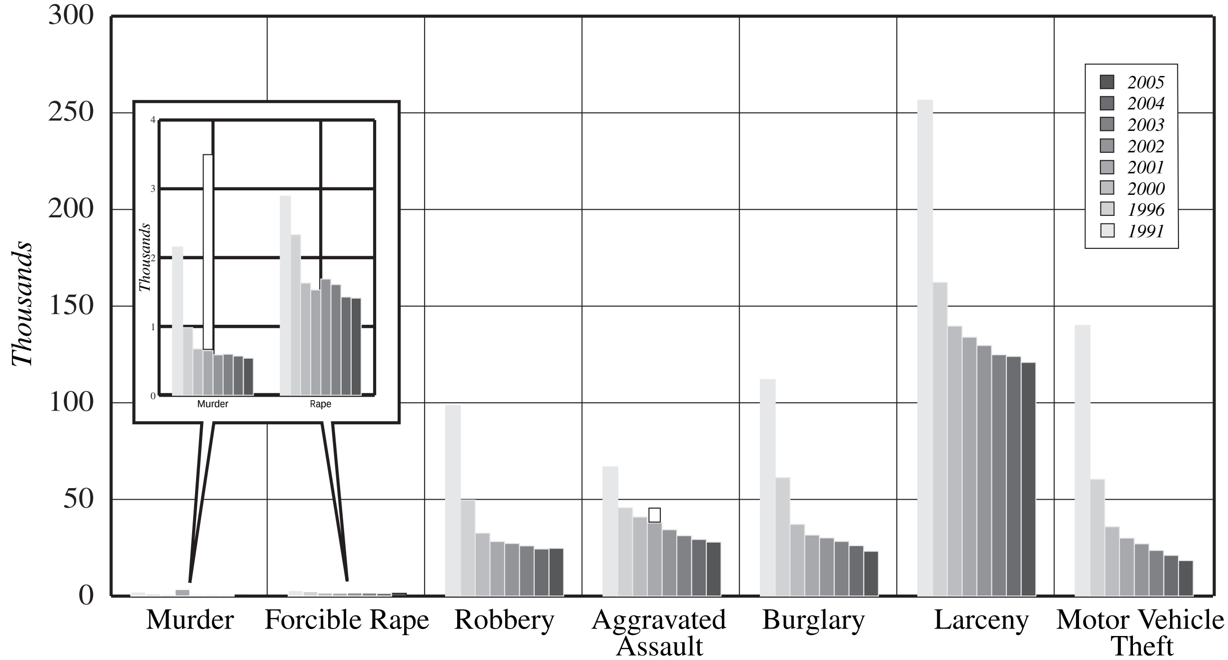
ADMINISTRATION OF JUSTICE

Overview

As demonstrated by NYPD Compstat data and the FBI crime index, crime in New York City continues to decrease to record low levels. Since 2001, crime has fallen 18 percent. In calendar year 2005, overall FBI-measured crimes decreased by 4.3 percent compared to 2004. In fact, all seven FBI crime categories decreased in comparison to 2004. Motor Vehicle Theft experienced the largest decrease (13 percent), followed by Burglary (11 percent), Murder (5.4 percent), Aggravated Assault (4.6 percent), Larceny (2.5 percent), and Forcible Rape (1 percent). The NYPD Compstat figures from calendar year 2005 support this trend, showing an overall crime decrease of five percent.

NEW YORK CITY FBI INDEX CRIMES

*Calendar Years 1991-2005***

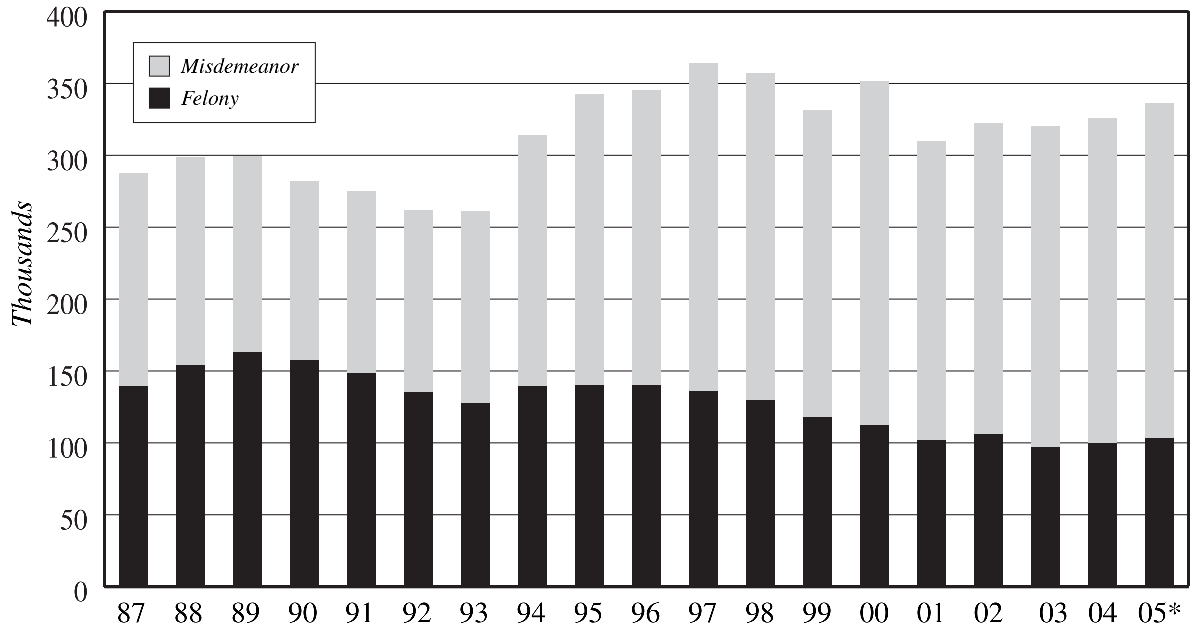


* *In 2001, for Murder and Aggravated Assault, the unshaded portion represents World Trade Center victims.*
** *Preliminary Data for 2005.*

Arrests totaled 358,478 in calendar year 2005. Although this is three percent more than in 2004, the overall distribution of felony and misdemeanor arrests has remained constant with 29 percent felonies, 65 percent misdemeanors and six percent violations.

NEW YORK CITY FELONY & MISDEMEANOR ARRESTS

Calendar Years 1987-2005



** Preliminary*
1987 – 2005 as per Official Crime Comparison Reports

While the distribution has not changed, both felony and misdemeanor arrests each increased three percent while violations decreased 1.6 percent. In the Criminal Courts, the overall number of filings did not change over the last year; however felony filings increased by four percent, misdemeanors increased by one percent and violations decreased by four percent. Also significant is that despite the increase in felony arrests and filings, 16 percent more criminal filings were disposed of at arraignment and 27 percent fewer cases were sent to a Grand Jury.

The increased arrest volume has not lead to a drastic rise in Department of Correction population. In 2001 population was 14,490 and the average length of stay was 44.6 days. In contrast, population through March 2006 is 13,474 and the average length of stay is 48.1 days. Although misdemeanor arrests have increased, these minor level crimes result in lower incarceration and therefore, a lower inmate population.

POLICE DEPARTMENT

In FY07, the NYPD will expand by 1,200 members, the largest City-funded expansion of the Department since 1993 when the Safe City/Safe Streets program was implemented. Over the past four years, the NYPD has been fighting crime with a reduced number of police officers, yet it still manages to cut crime to record levels and keep the City safer than any other large city in America.

The Department will continue to work collaboratively with the Department of Education to reduce crime in schools and with the District Attorneys to ensure a timely arrest to arraignment process. The NYPD will increasingly utilize technology such as the Real Time Crime Center (RTCC) to identify and respond to emerging crime patterns and trends by implementing proactive intelligence-driven crime prevention methods.

DEPARTMENT OF CORRECTION

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

The Department of Correction is investing in the expansion of two facilities on Rikers Island, the redevelopment of the Brooklyn Detention Center and a new detention facility in the Bronx. Each of these projects will be designed to maximize staffing efficiencies and are expected to save the City millions of dollars in annual operating costs.

OTHER CRIMINAL JUSTICE PROGRAMS

In order to provide coordinated, essential services to domestic violence victims, New York City received $1.2 million in Federal funding to develop one of 15 Family Justice Centers in the country. The Family Justice Center, located in Brooklyn, served 2,279 clients this year, 59 percent of whom were women between the ages of 25 and 45. Although the federal grant for the facility expires in September, new facilities that follow Brooklyn's model are scheduled to open in Queens and in the Bronx. The Police Department along with four other City agencies, the District Attorney's domestic violence unit and 25 community-based programs and organizations anticipate serving an estimated 7,000 adults and up to 14,000 children annually at these family justice centers.

Language Line, a pilot project begun in Queens in 2005, was extended to precincts throughout the City. This initiative focuses on providing quick, reliable assistance to victims of domestic violence by providing professional translation services via specially programmed cell phones. It further attempts to aid victims of domestic violence by equipping precincts around the City with digital cameras to record evidence of property damage and/or physical injury. The Police Department is also conducting follow-up home visits to those with a history of domestic violence. This effort has been successful in contributing to a 12 percent decrease in felony assaults related to domestic violence.

In April 2003, the City's first mobile Sexual Assault Response Team (SART) was launched in the Bronx. The Bronx SART consists of a group of dedicated health care professionals specially trained to identify, collect, and package forensic evidence, accurately document injuries, and attend to the emotional needs of rape victims. Accompanied by a rape crisis advocate, SART team members respond to every rape victim at all three Bronx public hospitals within one hour of their arrival. The Bronx SART has met its one hour target more than 95 percent of the time. In addition, the percentage of victims willing to cooperate with law enforcement has increased dramatically, along with the percentage of cases in which injury is discovered and documented. Additionally, rape kits collected from SART hospitals were positive for DNA profiles 40 percent more of the time than other Bronx hospitals over the same time period. In June 2005, SART was expanded to the three public hospitals in Brooklyn, with equally impressive results. In the first year, 94 percent of victims were seen within an hour of their arrival to the hospital. In March 2006, SART was expanded to all public hospitals with the addition of five City hospitals in Manhattan and Queens.

In his January 2006 State of the City speech, Mayor Bloomberg announced a multi-pronged approach to stemming gun crime and the flow of illegal guns. These efforts include increasing penalties for gun crimes, establishing a "de-briefing" protocol for every felony gun defendant, pursuing lawsuits against rogue gun dealers, and supporting legislation that would impose tighter controls over gun sales and gun offenders. In April 2006, Mayor Bloomberg hosted the first national gun summit which brought together fifteen mayors from around the country to share cutting-edge policing and legal strategies and launched a coordinated coalition to combat illegal guns and gun crime.

POLICE DEPARTMENT

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

Financial Review

The New York City Police Department's 2007 Executive Budget provides for an operating budget of $3.8 billion, a decrease of $83.1 million from the $3.9 billion forecast in 2006. This decrease is primarily due to annual State, Federal, and private grant funding. Capital commitments of $192.1 million are also provided in 2007.

Revenue Forecast

The Police Department collects revenue from fees charged for pistol licenses, rifle permits, fingerprint fees, accident report records, tow fees, and unclaimed cash and property that is abandoned or confiscated as a consequence of the commission of a crime. The City also collects E-911 surcharge imposed on all New York City cellular telephones and land line telephones. In 2007, the revenue estimate for the Police Department is approximately $108.9 million.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- in 2007, the NYPD will expand by 1,200 new members, the largest City-funded expansion of the Department since 1993. Of the 1,200 new members, 800 will be uniformed Police Officers and 400 will be civilians. The newly hired civilians will take on clerical duties in precincts, housing and transit commands, allowing the Department to reassign the same number of Police Officers to patrol.

- the Department will be adding an additional 286 School Safety Agents on top of the additional 126 that were already planned. When combined with the 327 that were added in FY06, 739 additional School Safety Agents were funded over the last year. The Department is making a targeted effort to ensure the safety of students at all public schools through community outreach and youth intervention.

- an additional $2 million per year for recruitment will allow the Department to enhance its advertising campaign. Through coordination with the Department of Citywide Administrative Services (DCAS), the number of annual open filing days will be increased from an average of 199 days to 365 days so that potential candidates can file for the police exam on any day of the year. Ongoing recruitment efforts will focus on emphasizing the benefits, educational opportunities, and career paths of an NYPD officer.

- the NYPD has hired an additional 100 Traffic Enforcement Agents to improve the flow of traffic in the five boroughs. The agents will be strategically placed at areas throughout the city to ease heavy congestion by increasing enforcement of current parking regulations. By FY08, this initiative is expected to generate an estimated $20 million in summons revenue.

- the Department will spend an additional $12 million; $6 million in 2007 and 2008, respectively, to outfit every Police Officer with Level 3A protective vests. According to the National Institute of Justice, Level 3A protective vests are the most highly rated concealable vests available.

Restructuring and Streamlining

- as the result of a functional transfer, the Department of Transportation's Parking Control Unit will be moved to the NYPD. The Department will acquire 99 positions and the necessary funding in an effort to centralize traffic and parking enforcement under one agency, allowing for better coordination and training of staff.

- the Department will identify a portion of their unmarked non-emergency sedan fleet that can sustain extended lifecycle replacement of one additional year. These efforts will generate annual savings of $2 million.

Summary of Agency Financial Data

The following table compares the 2007 Executive Budget with the 2007 Preliminary Budget, the 2006 forecast and actual expenditures for 2005, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2005 Actual	2006 Forecast	2007 Preliminary Budget	2007 Executive Budget	Increase/(Decrease) 2006 Forecast	Increase/(Decrease) 2007 Preliminary Budget
Expenditures						
Salary and Wages	$3,576,810	$3,457,384	$3,433,235	$3,470,197	$12,813	$36,962
Fringe Benefits	68,415	82,717	72,766	76,936	(5,781)	4,170
OTPS	259,655	331,634	234,255	251,736	(79,898)	17,481
Total	$3,904,880	$3,871,735	$3,740,256	$3,798,869	($72,866)	$58,613
Funding						
City	$3,467,705	$3,424,239	$3,469,440	$3,498,323	$74,084	$28,883
Other Categorical Grants	84,628	94,892	69,082	69,082	(25,810)	—
IFA	1,797	1,797	1,797	1,797	—	—
State	18,257	33,321	4,930	4,930	(28,391)	—
Federal CD	—	—	—	—	—	—
Federal Other	185,395	159,713	26,000	55,609	(104,104)	29,609
Intra-City Other	147,098	157,773	169,007	169,128	11,355	121
Total	$3,904,880	$3,871,735	$3,740,256	$3,798,869	($72,866)	$58,613
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$1,061,289	$1,459,547	$1,538,950	$1,534,580	$75,033	($4,370)
Pensions	1,077,158	1,392,814	1,627,083	1,628,304	235,490	1,221
Other Than Personal Service (OTPS)						
Legal Services	26,701	34,890	30,951	33,802	(1,088)	2,851
Judgments and Claims	135,029	100,868	112,260	112,783	11,915	523
Debt Service	54,070	53,907	66,223	67,075	13,168	852
Total Additional Costs	$2,354,247	$3,042,026	$3,375,467	$3,376,544	$334,518	$1,077
Funding						
City	2,326,257	3,017,188	3,353,171	3,351,388	334,200	(1,783)
Non-City	27,990	24,838	22,296	25,156	318	2,860
Total Agency Costs (including Central Accounts)						
Salary and Wages	$3,576,810	$3,457,384	$3,433,235	$3,470,197	$12,813	$36,962
Fringe Benefits	1,129,704	1,542,264	1,611,716	1,611,516	69,252	(200)
Pensions	1,077,158	1,392,814	1,627,083	1,628,304	235,490	1,221
Total PS	$5,783,672	$6,392,462	$6,672,034	$6,710,017	$317,555	$37,983
OTPS	$259,655	$331,634	$234,255	$251,736	($79,898)	$17,481
Legal Services	26,701	34,890	30,951	33,802	(1,088)	2,851
Judgments and Claims	135,029	100,868	112,260	112,783	11,915	523
Debt Service	54,070	53,907	66,223	67,075	13,168	852
Total OTPS	$475,455	$521,299	$443,689	$465,396	($55,903)	$21,707
Total Agency Costs	$6,259,127	$6,913,761	$7,115,723	$7,175,413	$261,652	$59,690
Less Intra-City	$147,098	$157,773	$169,007	$169,128	$11,355	$121
Net Agency Cost	$6,112,029	$6,755,988	$6,946,716	$7,006,285	$250,297	$59,569
Funding						
City	5,793,962	6,441,427	6,822,611	6,849,711	408,284	27,100
Non-City	318,067	314,561	124,105	156,574	(157,987)	32,469
Personnel (includes FTEs at fiscal year-end)						
City	49,832	49,405	50,469	51,369	1,964	900
Non-City	309	462	212	427	(35)	215
Total	50,141	49,867	50,681	51,796	1,929	1,115

Programmatic Review

The 2007 Executive Budget supports the Department's long-proven success in identifying changing trends in crime and reacting rapidly. The Department's efforts have been successful in reducing crime to record low levels and meeting the challenge of keeping the City safe from potential terrorist threats.

According to the FBI Uniform Crime Index Report, crime in New York City continues to fall to record low levels and remains the safest big city in America. The report now recognizes that over the past four years, overall crime has fallen 18 percent. During this time, the number of murders has decreased by 17 percent and notably in 2005 the City's murder total fell to 540, its lowest level since 1962.

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

Operation Impact, which was originally launched in January 2003, continues to serve as an innovative crime-fighting initiative. Crime trends are analyzed on a continual basis and Impact zones are reassessed often to determine continual or new areas that require intensive police patrol. Currently, there are 21 new Impact zones which are patrolled by over 1,200 Police Officers. Between 2004 and 2005, these efforts helped to reduce crime in those areas by 28.5 percent among all felony crimes. Shooting victims and shooting incidents decreased 25.5 percent and 20 percent, respectively.

The Department has implemented a closed-circuit television system which is supported by 505 cameras strategically located throughout the five boroughs. Crimes committed in view of these cameras will enable a faster response time from the nearest patrol and will assist in faster identification of suspects.

Another pioneering technology that has aggressively increased the Department's ability to combat crime is the Real Time Crime Center (RTCC). The RTCC is a powerful new tool piloted in the City in 2005 for the purpose of reducing crime solving time, enhancing timeliness and accuracy of information provided to investigators and detectives, recognizing developing crime trends and quick apprehension of suspected criminals. This is accomplished by compiling a multitude of databases at the Center and staffing the center twenty-four hours a day, seven days a week.

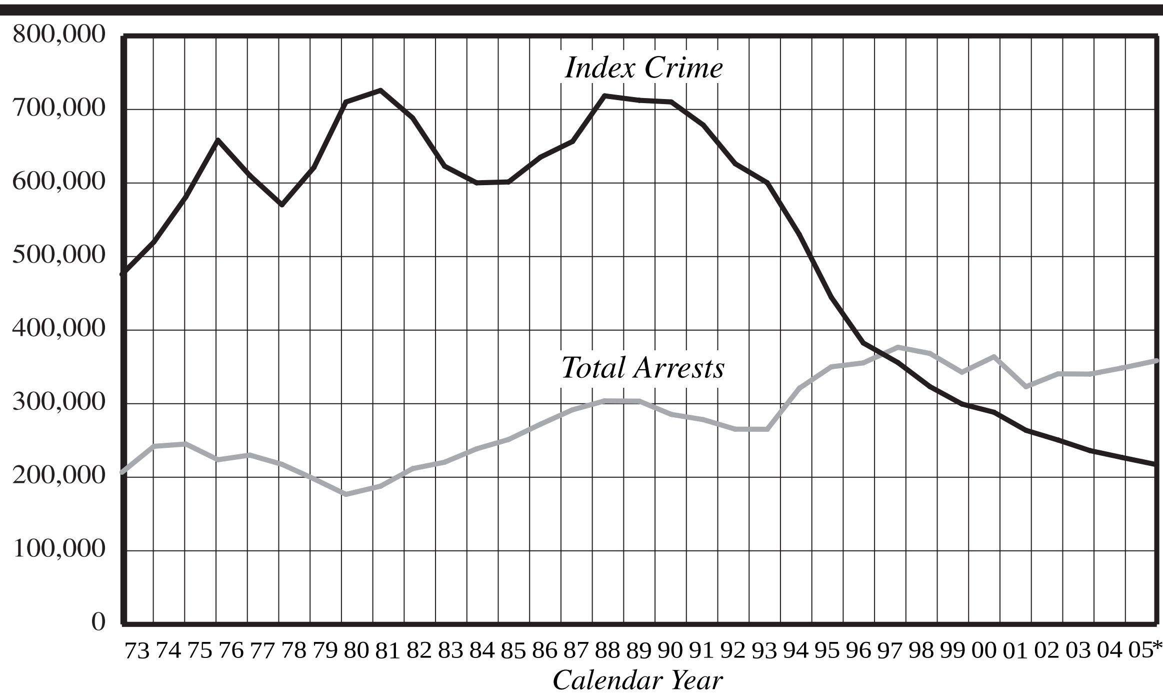
Designated Police Officers and School Safety Agents continue to rigorously enforce the NYC Department of Education Discipline Code as part of the NYPD's School Impact Program, which was launched in January 2004. This initiative focuses on low level crime and disorders and has successfully established order in schools that accounted for a disproportionate amount of crime. The program has been so successful that 11 of the 22 schools originally included have been removed from the program due to dramatic reductions in crime and disorder within the schools.

In further efforts to increase and maintain school safety, the Mobile Scanning Program will be implemented in middle and high schools across the City. Metal scanning devices will be operated by School Safety Agents and deployed at random to area schools as a means of deterring students from bringing weapons to school. Approximately 100,000 students are scanned a day. During the last school year, almost 40 percent of all weapons and dangerous instruments were discovered using these scanners.

Also, at public schools, officers who are assigned to the NYPD Graffiti Initiative, introduced in January 2005, have been taking a proactive approach to reducing graffiti by hosting presentations throughout the City. This initiative aims at reducing graffiti and its damaging affects across the City by focusing on enforcement, cleanup and education. There is also an active database which is used by local commands to log tag information. A reward system in which callers can be awarded $500 has been implemented to arrest and detain graffiti vandals. In addition, 311 and 911 are also handling graffiti complaint calls. Since the implementation of this initiative, total graffiti arrests have increased by just over 78 percent.

In addition to the Department's core mission to fight conventional crime, the Department continues to create innovative counter terrorism initiatives such as Operation Atlas to further secure high-profile landmarks in and around lower Manhattan. About 1,000 officers are devoted to this initiative daily to prevent terrorism efforts. Originally launched in 2003, the Department continues to protect critical landmarks and infrastructure sending heavily-armed patrols into high profile areas. They also focus on preventing acts of terrorism on the City's subway system by conducting bag searches at random subway stations. Staffing levels and assignments within Operation Atlas are continuously changed, based on the Department's ongoing risk assessment of conditions in the City and throughout the world.

ARRESTS VERSUS CRIME

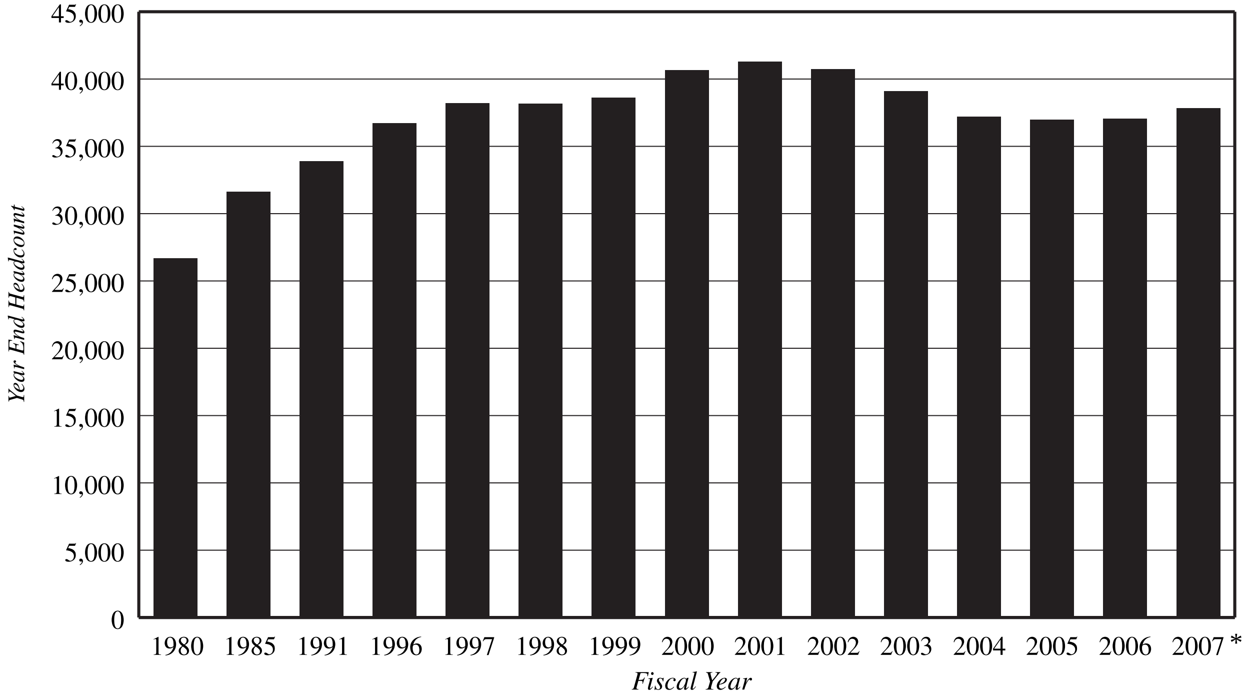


** NYPD Preliminary Data*
Arrests Totals include F.M.V. and Infractions

Uniformed Headcount

The Department hired 1,911 recruits in July 2005 and 1,148 recruits in January 2006 to achieve a peak headcount of 37,038. In addition to the already planned recruit classes, in July 2006 and January 2007, that are necessary to maintain authorized headcount and to minimize large fluctuations in uniform strength levels, the Department has been authorized to hire an additional 800 uniformed officers, 400 more in each of the scheduled classes.

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 Capital Commitment Plan for the Police Department includes $456 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 (total commitment, $187.3 million)

- construction of a new Staten Island Precinct ($22.8 million).
- construction of a new 120th Precinct ($44 million).
- rehabilitation of the Central Park Precinct ($29.1 million in FY 2006 and 2007).
- initial funding for the design and construction of a new 40th Precinct in the Bronx and New 66th and 70th Precincts in Brooklyn ($32.3 million).
- relocation of various Department facilities ($26.3 million).
- facility rehabilitations Department-wide ($60 million).

Communications and Computer Equipment (total commitment, $194.9 million)

- lifecycle replacement of the Department's radio system ($53.6 million), portable radios ($37.8 million), and mobile radios ($7.7 million).

- further development of the Department's Real Time Crime Center ($10.2 million).
- infrastructural upgrade of the Department's local area and wide area networks ($17.9 million).
- acquisition of equipment for the Department's arrest processing program ($10.5 million).

Miscellaneous Equipment (total commitment, $17.0 million)

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

Vehicles (total commitment, $57.3 million)

- life cycle replacement of Department helicopters ($20.0 million).
- purchase of tow trucks for the Department's Parking Enforcement and other Divisions ($8.5 million).
- purchase of various trucks, marine launches, and other Department vehicles ($28.8 million).

The table below shows capital plan commitments by program area over the 2006-2010 period.

Capital Commitments

($000's)

	2005 Actual		2006 Plan		2007 Plan		2008 Plan		2009 Plan		2010 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	$21,626	$21,626	$68,964	$68,964	$81,719	$81,719	$58,796	$58,796	$8,847	$8,847	$37,944	$37,944
Computer Equipment	11,805	11,805	33,822	33,822	36,165	36,165	22,841	22,841	4,925	4,925	10,536	10,536
Communications	8,139	8,139	17,367	17,367	46,228	46,228	17,543	17,543	18,571	18,571	38,070	38,070
Equipment	894	894	5,565	5,565	8,727	8,727	2,562	2,562	3,205	3,205	2,468	2,468
Vehicles	44	44	6,900	6,900	19,219	19,219	15,292	15,292	19,636	19,636	3,157	3,157
Total	$42,508	$42,508	$132,618	$132,618	$192,058	$192,058	$117,034	$117,034	$55,184	$55,184	$92,175	$92,175

DEPARTMENT OF CORRECTION

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

Financial Review

The Department of Correction's 2007 Executive Budget provides for operating expenses of $868 million, a decrease of $16 million from the amount forecast in 2006. This decrease is due to Department-wide staffing efficiencies and a reduction in overtime. Capital commitments of $227.3 million are also provided in 2007.

Revenue Forecast

The Department of Correction collects revenue from prison commissary operations, vending machines and surcharges on inmate telephone calls. The Department will generate $11.0 million in 2007, $7.0 million less than the amount in 2006. This decrease is attributable to the Department's plan to issue a concession for commissary operations.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- the Department has increased recruitment efforts through an enhanced advertising campaign. With roughly 46 percent of officers eligible for retirement within the next three to five years, recruitment is a major Department initiative.

Security

- the Department will purchase ballistic panel, stab/slash resistant vests for new recruits as well as replace vests currently in use that have exceeded their useful life.

- the Department will deploy an additional 61 Strategic Security Positions in 17 areas with the highest risk of violence to further improve safety and security in the jails.

- the Department is installing a state-of-the-art digital video surveillance and incident reporting system. The web-based system will monitor inmate and staff interactions, enhance safety, and create a more safe and transparent environment.

Streamlining

- by renegotiating a natural gas contract with Keyspan Energy Management, the Department will achieve annual savings of $4 million.

- population remains low relative to historical highs, averaging 13,474 inmates per day, in 2006 enabling the Department to save the City millions of dollars through the continuation of facility closures and bed consolidations.

- the Department expanded unit management within its facilities, a deployment strategy to ensure a steady assignment of correction officers and captains to each unit, providing savings through staff efficiencies.

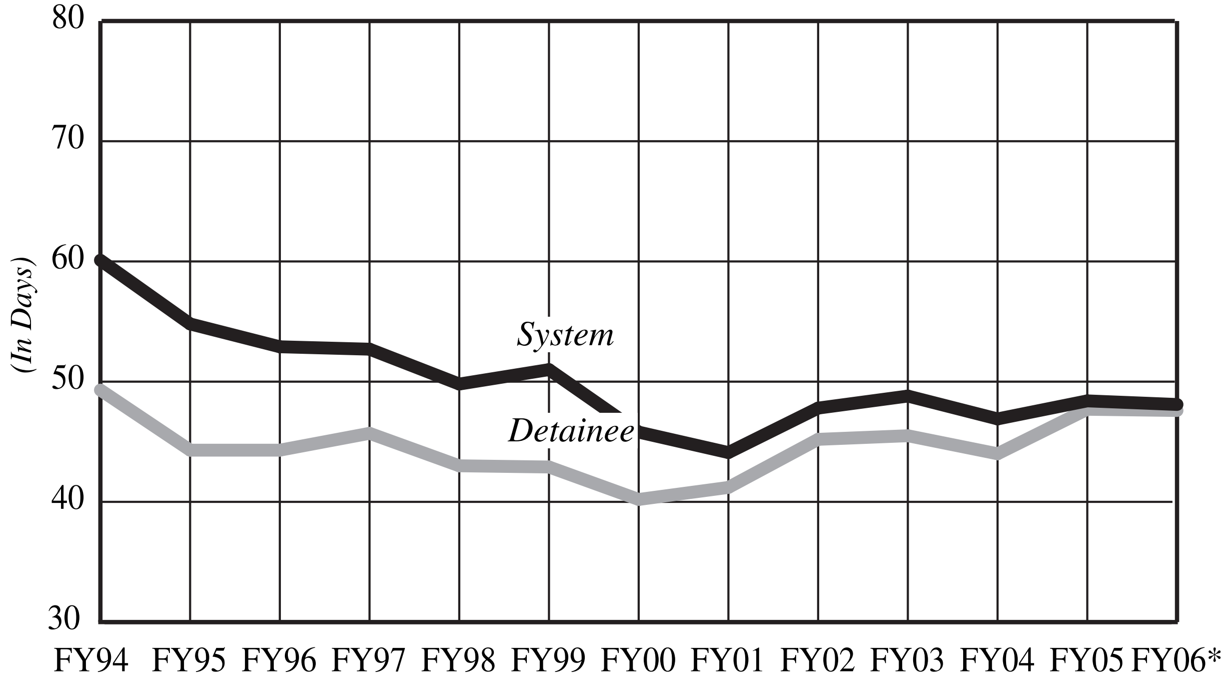
Summary of Agency Financial Data

The following table compares the 2007 Executive Budget with the 2007 Preliminary Budget, the 2006 forecast and actual expenditures for 2005, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2005 Actual	2006 Forecast	2007 Preliminary Budget	2007 Executive Budget	Increase/(Decrease) 2006 Forecast	Increase/(Decrease) 2007 Preliminary Budget
Expenditures						
Salary and Wages	$699,192	$746,027	$726,568	$738,890	($7,137)	$12,322
Fringe Benefits	15,777	16,103	16,013	16,013	(90)	—
OTPS	104,992	122,171	103,193	113,743	(8,428)	10,550
Total	$819,961	$884,301	$845,774	$868,646	($15,655)	$22,872
Funding						
City	$778,478	$841,048	$811,187	$834,059	($6,989)	$22,872
Other Categorical Grants	1,304	363	—	—	(363)	—
IFA	—	—	—	—	—	—
State	17,522	17,517	16,547	16,547	(970)	—
Federal CD	—	—	—	—	—	—
Federal Other	22,275	24,539	17,324	17,324	(7,215)	—
Intra-City Other	383	834	716	716	(118)	—
Total	$819,961	$884,301	$845,774	$868,646	($15,655)	$22,872
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$228,993	$300,982	$319,934	$315,890	$14,908	($4,044)
Pensions	127,574	167,879	213,196	213,279	45,400	83
Other Than Personal Service (OTPS)						
Legal Services	5,986	7,463	6,882	7,259	(204)	377
Judgments and Claims	27,779	21,660	23,526	24,218	2,558	692
Debt Service	137,927	137,511	168,929	163,532	26,021	(5,397)
Total Additional Costs	$528,259	$635,495	$732,467	$724,178	$88,683	($8,289)
Funding						
City	523,961	621,109	724,659	709,565	88,456	(15,094)
Non-City	4,298	14,386	7,808	14,613	227	6,805
Total Agency Costs (including Central Accounts)						
Salary and Wages	$699,192	$746,027	$726,568	$738,890	($7,137)	$12,322
Fringe Benefits	244,770	317,085	335,947	331,903	14,818	(4,044)
Pensions	127,574	167,879	213,196	213,279	45,400	83
Total PS	$1,071,536	$1,230,991	$1,275,711	$1,284,072	$53,081	$8,361
OTPS	$104,992	$122,171	$103,193	$113,743	($8,428)	$10,550
Legal Services	5,986	7,463	6,882	7,259	(204)	377
Judgments and Claims	27,779	21,660	23,526	24,218	2,558	692
Debt Service	137,927	137,511	168,929	163,532	26,021	(5,397)
Total OTPS	$276,684	$288,805	$302,530	$308,752	$19,947	$6,222
Total Agency Costs	$1,348,220	$1,519,796	$1,578,241	$1,592,824	$73,028	$14,583
Less Intra-City	$383	$834	$716	$716	($118)	$—
Net Agency Cost	$1,347,837	$1,518,962	$1,577,525	$1,592,108	$73,146	$14,583
Funding						
City	1,302,439	1,462,157	1,535,846	1,543,624	81,467	7,778
Non-City	45,398	56,805	41,679	48,484	(8,321)	6,805
Personnel (includes FTEs at fiscal year-end)						
City	10,012	10,065	10,001	10,160	95	159
Non-City	856	856	851	851	(5)	—
Total	10,868	10,921	10,852	11,011	90	159

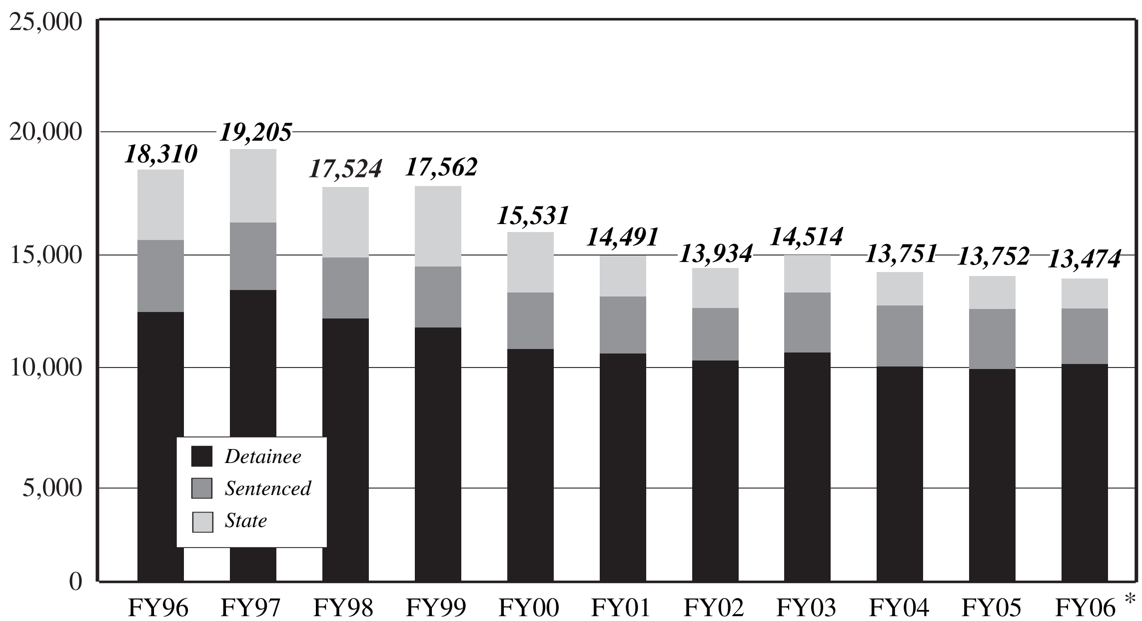
AVERAGE LENGTH OF STAY (By Fiscal Year)



** YTD through March 31, 2006*

AVERAGE DAILY INMATE POPULATION

By Fiscal Year



** YTD through March 31, 2006*

The average daily population through March 2006 was 13,474, which is slightly lower than 2005. Over the past two years, the rate of incarceration has decreased by six percent while arrests have increased by eight percent. Misdemeanor arrests continue to make up the highest volume of overall arrests. As a result, system admissions have increased. Although year to date admissions have increased, a two percent decrease in overall system length of stay has offset any impact on average daily population.

Capital Review

The Department's Four-Year Capital Commitment Plan totals $731 million for capital improvements and equipment purchases. The Four-Year Plan includes $531 million for capacity replacement, $4.6 million for construction of support space, $148.1 million for rehabilitation of building systems and infrastructure, and $47 million for acquisition of new equipment.

The table below shows capital plan commitments by program area over the 2006-2010 period:

Capital Commitments

($000's)

	2005 Actual		2006 Plan		2007 Plan		2008 Plan		2009 Plan		2010 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	$26,851	$26,851	$72,647	$72,647	$158,942	$158,942	$131,650	$131,650	$174,500	$174,500	$66,533	$66,533
Support Space	5,133	5,133	-10,500	-10,500	1,129	1,129	1,000	1,000	2,000	2,000	500	500
Building Systems and Infrastructure	16,528	16,528	38,501	38,501	54,805	54,805	21,568	21,568	39,561	43,361	32,225	32,225
Equipment	1,984	1,984	27,001	27,001	12,387	12,387	15,360	15,360	9,400	9,400	9,910	9,910
Total	$50,496	$50,496	$127,649	$127,649	$227,263	$227,263	$169,578	$169,578	$225,461	$229,261	$109,168	$109,168

Capacity Replacement

The Department's capital program funds the replacement of aging structures originally designed as temporary housing with permanent structures. The modular replacement program will not increase the overall bed capacity of the jails. The beds in the new, permanent facilities will simply replace some of the existing bed capacity in temporary housing structures, ultimately resulting in a net reduction of 1,800 beds. The new facilities will improve the operations, security and environmental health of the jails.

Construction of 1,520 dorm beds and 112 cell beds will be ongoing for the next four years at the Rose M. Singer Center and George R. Vierno Center. The total project cost for both additions is $180.9 million. Designs for an addition to the Brooklyn Detention Center and for the new Bronx House of Detention will begin in 2007.

The 2007 Four-Year Capital Commitment Plan provides $531 million for the modular replacement program. Commitments include:

- construction of an 832 bed and cell addition at the George R.Vierno Center ($72.3 million).
- construction of an 800 bed addition at the Rose M. Singer Center ($14.6 million).
- design and construction of a 960 bed addition to the Brooklyn Detention Center ($174.7 million in the Four-Year Capital Commitment Plan; total project cost of $240 million).
- design and construction of a new Bronx facility ($261 million in the Four-Year Capital Commitment Plan; total project cost of $375 million).

Building Systems, Infrastructure and Support Space

The Department will undertake improvements to building systems, infrastructure, and support space. The Four-Year Capital Commitment Plan provides $152.8 million and includes the following projects:

- improvements to Rikers Island perimeter security and fencing ($8.2 million).
- window replacements and roof reconstruction at various facilities ($9.6 million).
- continuation of fire life safety upgrades on Rikers Island ($29.5 million).

Equipment

The Four-Year Capital Commitment Plan provides $47 million for upgrades and/or replacements of vehicles, computers, security equipment, and communication systems. Commitments include:

- technology upgrades in the Department's four strategic areas: network and server infrastructure, the Inmate Information System, inmate telephone systems, and inmate cash management systems ($24.8 million).
- replacement of vehicles for inmate transport ($11.9 million).
- video surveillance system to monitor inmate and staff interactions, enhance safety and an incident reporting system to take images recorded by the cameras and provide a web-based system that can be used for court proceedings ($8.1 million in 2006).
- purchase of drug detection equipment and inmate housing security devices ($1.6 million in 2006 to 2010).

DEPARTMENT OF SOCIAL SERVICES

The Department of Social Services (DSS) provides a range of services and programs to assist individuals and families to achieve self-sufficiency. Eligible clients receive employment and support services, Public Assistance, Medical Assistance, and food stamps. DSS also provides financial and supportive services to victims of domestic violence, people with AIDS and HIV-illness, and frail, elderly and disabled individuals.

Financial Review

The Department's 2007 Executive Budget provides for operating expenses of $7.0 billion, of which $5.1 billion are City funds. Capital commitments of $57.2 million, of which $45.1 million are City funds, are also provided.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- in 2007, an additional $2.2 million in total funds will support administrative operations in the food stamp program, which is expanding to serve a growing non-public assistance caseload. Over 650,000 individuals who are working or receiving Supplemental Security Income (SSI) benefits receive food stamps, an increase of 82 percent since January 2002. The Department will also develop an automated food stamp system to further streamline the application and eligibility process.

- in 2007, an additional $642,000 in total funds will fund 14 staff in the Office of Child Support Enforcement (OCSE) to be deployed in family courts in four boroughs. OCSE teams in the courts assist custodial parents in obtaining support from non-custodial parents.

- an additional $25.9 million in 2006 and $28.7 million in 2007 will fund 227 scattered site apartments and 688 congregate supportive housing units for people with AIDS and HIV-illness.

- in 2007, an additional $3.1 million in total funds will enhance services, including guardianship, protective and home cleaning programs for Adult Protective Services (APS) clients who require support to maintain their independence.

- in 2007, an additional $4.5 million in total funds will support 96 additional staff in the Medical Insurance and Community Services Administration (MICSA) to process an increased volume of Medicaid applications and re-certifications and to conduct additional visits to homebound clients.

- in 2007, an additional $1.2 million in total funds will allow the HIV/AIDS Services Administration (HASA) to pilot a Comprehensive Health Assessment Team (CHAT) model that will perform clinical evaluations to determine appropriate placements for HASA clients who require housing services.

Restructuring and Streamlining

- in 2007, child care services for parents receiving public assistance and those transitioning from welfare to work will be integrated into the Administration for Children's Services (ACS). This consolidation will create a single child care system that is more accessible to families and providers and will streamline duplicative administrative structures.

- in 2007, the Department will continue restructuring its field offices to improve the delivery of client services by reducing waiting time, creating a consumer-oriented approach and ensuring that individuals are directed to appropriate services. Nineteen MICSA community sites have been restructured and there are now eight model job centers. Each model job center has a co-located food stamp office. HASA has also converted three of its centers.

Summary of Agency Financial Data

The following table compares the 2007 Executive Budget with the 2007 Preliminary Budget, the 2006 forecast and actual expenditures for 2005, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

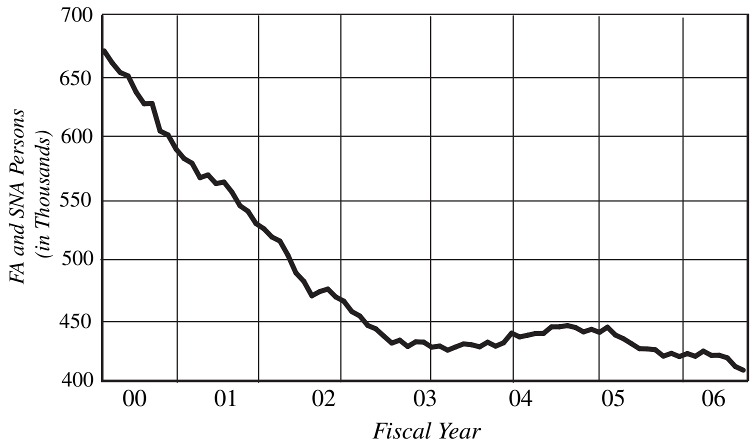
	2005 Actual	2006 Forecast	2007 Preliminary Budget	2007 Executive Budget	Increase/(Decrease) 2006 Forecast	Increase/(Decrease) 2007 Preliminary Budget
Expenditures						
Salary and Wages	$620,740	$639,526	$662,438	$666,249	$26,723	$3,811
Fringe Benefits	63	914	270	270	(644)	—
Medical Assistance	4,130,831	3,759,021	4,164,078	4,149,890	390,869	(14,188)
Public Assistance	2,123,041	2,126,301	2,134,067	1,906,639	(219,662)	(227,428)
Other OTPS	329,386	309,571	274,898	285,668	(23,903)	10,770
Total	$7,204,061	$6,835,333	$7,235,751	$7,008,716	$173,383	($227,035)
Funding						
City	$5,165,384	$4,744,394	$5,163,800	$5,116,675	$372,281	($47,125)
Other Categorical Grants	—	—	—	—	—	—
IFA	—	—	—	—	—	—
State	947,077	1,077,038	1,066,259	903,991	(173,047)	(162,268)
Federal CD	2,534	2,938	2,938	2,938	—	—
Federal Other	1,088,298	985,155	981,986	964,023	(21,132)	(17,963)
Intra-City Other	768	25,808	20,768	21,089	(4,719)	321
Total	$7,204,061	$6,835,333	$7,235,751	$7,008,716	$173,383	($227,035)
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$229,539	$281,703	$305,178	$300,993	$19,290	($4,185)
Pensions	50,733	59,850	85,416	84,327	24,477	(1,089)
Other Than Personal Service (OTPS)						
Legal Services	3,043	2,598	1,963	2,493	(105)	530
Judgments and Claims	10,236	6,213	5,666	6,947	734	1,281
Debt Service	58,225	58,050	71,281	88,401	30,351	17,120
Total Additional Costs	$351,776	$408,414	$469,504	$483,161	$74,747	$13,657
Funding						
City	286,766	339,895	403,062	412,282	72,387	9,220
Non-City	65,010	68,519	66,442	70,879	2,360	4,437
Total Agency Costs (including Central Accounts)						
Salary and Wages	$620,740	$639,526	$662,438	$666,249	$26,723	$3,811
Fringe Benefits	229,602	282,617	305,448	301,263	18,646	(4,185)
Pensions	50,733	59,850	85,416	84,327	24,477	(1,089)
Total PS	$901,075	$981,993	$1,053,302	$1,051,839	$69,846	($1,463)
Medical Assistance	$4,130,831	$3,759,021	$4,164,078	$4,149,890	$390,869	($14,188)
Public Assistance	2,123,041	2,126,301	2,134,067	1,906,639	(219,662)	(227,428)
Other OTPS	329,386	309,571	274,898	283,168	(26,403)	8,270
Legal Services	3,043	2,598	1,963	2,493	(105)	530
Judgments and Claims	10,236	6,213	5,666	6,947	734	1,281
Debt Service	58,225	58,050	71,281	88,401	30,351	17,120
Total OTPS	$6,654,762	$6,261,754	$6,651,953	$6,440,038	$178,284	($211,915)
Total Agency Costs	$7,555,837	$7,243,747	$7,705,255	$7,491,877	$248,130	($213,378)
Less Intra-City	$768	$25,808	$20,768	$21,089	($4,719)	$321
Net Agency Cost	$7,555,069	$7,217,939	$7,684,487	$7,470,788	$252,849	($213,699)
Funding						
City	5,452,150	5,084,289	5,566,862	5,528,957	444,668	(37,905)
Non-City	2,102,919	2,133,650	2,117,625	1,941,831	(191,819)	(175,794)
Personnel (includes FTEs at fiscal year-end)						
City	11,103	11,499	11,822	11,688	189	(134)
Non-City	3,280	4,129	3,794	3,890	(239)	96
Total	14,383	15,628	15,616	15,578	(50)	(38)

Programmatic Review

Family Independence Administration (FIA)

The Family Independence Administration (FIA) administers public assistance and employment programs, including Family Assistance (FA), Safety Net Assistance (SNA), and food stamps. FIA assists individuals to obtain employment and provides specialized services to assist clients with barriers to work. FIA also ensures that childcare and support services are available to help clients achieve self-sufficiency.

PUBLIC ASSISTANCE CASELOAD 2000-2006



Public Assistance

The Department expects to spend $1.3 billion, of which $507.1 million are City funds, on public assistance benefits in 2007. The FA program, which is partially funded with Federal Temporary Assistance for Needy Families (TANF) and State funds, assisted 185,079 adults and children in March 2006. FA expenditures in 2007 are projected to be $589.4 million, of which $147.3 million are City funds. As of March 2006, 104,063 recipients have reached the five-year time limit for TANF-funded assistance and have been converted to the State and City funded SNA program. The Department projects spending $225.6 million, of which $112.8 million are City funds, on these families in 2007. Additionally, there were 113,139 persons exclusive of the time-limited converted cases receiving SNA in March 2006. An estimated $493.9 million, of which $246.9 million are City funds, will be spent serving these recipients in the SNA program in 2007.

Food Stamps

FIA manages the food stamp program, which, except for administrative costs, is entirely funded by the Federal government. Over $1.5 billion in food stamp benefits will be provided to New York City residents in 2007. In January 2002, the Department issued $72 million in food stamp benefits to 798,396 recipients. By March 2006, monthly benefit issuances increased to $112 million for 1,096,146 people.

Employment Services

FIA offers a wide array of programs and services to help families and individuals achieve self-sufficiency including job search for applicants; basic education, job training, placement, work experience and retention services, and supported work opportunities for recipients; as well as targeted services for individuals with barriers to employment. At the end of March 2006, 70,961 participants were engaged in employment, training, or other work related activities. With a continued emphasis on retention, 86 percent of clients who had been placed in jobs retained their jobs for at least three months and 75 percent retained their employment for at least six months by the end of 2005. In 2007 the Department will establish new comprehensive employment contracts that provide a continuum of services from assessment to job placement and retention.

Specialized Job Centers

DSS operates a special needs program for clients with barriers to self-sufficiency. Services include comprehensive case management, substance abuse treatment, employment and vocational rehabilitation, disability benefits advocacy and case monitoring. Specialized programs include a Veterans Job Center; two Refugee/Immigrant Job Centers; job centers that serve homeless families and single adults; the Perfect Opportunity for Individual Skills and Educational Development (POISED) program, which serves pregnant women and women with children three years of age or under; and the Substance Abuse Service Center (SASC), which serves participants in outpatient substance abuse treatment centers. Additional programs include the Residential Treatment Service Center (RTSC) and the SENIORWORKS Center.

Child Care

Child care is provided to public assistance recipients who are working or engaged in employment activities and for up to 12 months after families leave public assistance for employment. In 2006, an average of 55,000 children per month received child care subsidies through DSS or ACS programs. In 2007 the consolidation of the City's child care programs into ACS will introduce a more seamless approach to providing child care to families as they transition from welfare to work.

Medical Insurance and Community Services Administration (MICSA)

MICSA funds health care services through Medicaid for over 2.7 million New York City residents. Medicaid consumers receive a wide range of services including primary care, hospital inpatient, emergency room, physician, pharmacy, clinic, nursing home, personal care, dental, rehabilitation, transportation, vision care, laboratory services and x-rays.

MICSA is responsible for enrollment and recertification of Medicaid clients. Participation in MICSA programs has increased by 25 percent from 2,230,239 in January 2002 to 2,784,044 in September 2005. A key factor in this increase is the growth of Family Health Plus, which provided health care coverage to 380,299 City residents as of September 2005. There have also been increases in Medicaid enrollment independent of public assistance and Supplemental Security Income (SSI) clients. Between January 2002 and September 2005, Medicaid-only enrollments increased by 174,000 comprising 51 percent of the total Medicaid caseload.

Home Care Services Program

The Home Care Services Program assists frail, elderly and disabled residents to remain safely in their homes through non-institutional alternatives to nursing home care. In February 2006, the Home Care Services Program was responsible for approximately 65,140 beneficiaries in home health services and long-term home health care.

Adult Protective Services (APS)

APS provides case management, guardianship, financial management and eviction prevention services to adults who are unable to care for themselves or protect themselves from abuse, neglect, or exploitation. In calendar year 2005, APS received 15,016 referrals and assisted an average of 5,409 clients each month. Over 90 percent of the cases found eligible have a psychiatric diagnosis and nearly 65 percent have physical impairments. Over a third of APS referrals are the result of a person being threatened with eviction. APS administers contracts with not-for-profit providers for 900 protective services cases and 1,125 community guardian cases.

HIV/AIDS Services Administration (HASA)

HASA provides a range of services to individuals and families with AIDS or with advanced HIV- illness. As of March 2006, the HASA caseload was 30,328. HASA provides emergency housing placements in supportive transitional facilities and single room occupancy (SRO) units for homeless clients. As of March 2006, the SRO census was 788, a reduction of 64 percent from a high of 2,171. HASA also provides permanent housing in contracted congregate facilities and scattered site apartments operated by community-based organizations that provide case management and support services. In 2007 HASA will support 2,443 units in its emergency housing portfolio and 4,378 units in its permanent housing stock. In addition, over 23,710 households receive rental assistance subsidies so that they may remain in private market apartments. HASA clients also receive case management, homemaking, employment and vocational programs, disability benefits advocacy and referrals to community based mental health, substance abuse and medical service providers.

In November 2005, New York City and New York State entered into New York/New York III, a landmark agreement to create 9,000 units of supportive housing over the next ten years for homeless populations including individuals with AIDS or advanced HIV- illness, mental illness and disabilities. New York/New York III will be jointly administered in the City by the Department of Social Services, the Department of Homeless Services and the Department of Health and Mental Hygiene.

Customized Assistance Services (CAS)

CAS provides a wide array of services to clients who experience significant health, mental health and substance abuse problems.

The Visiting Psychiatric Service Program provides home-based psychiatric assessments and crisis intervention services to clients referred by other areas of the Department. In 2005, 6,447 home visits and court appearances were made.

The Wellness, Comprehensive Assessment, Rehabilitation and Employment (WeCARE) program, established in 2005, helps the growing proportion of the public assistance population with medical and/or psychiatric conditions that pose barriers to employability reach their greatest level of health and self-sufficiency. WeCARE provides a continuum of integrated services that include assessment, diagnosis, comprehensive service planning, linkages to treatment, case management, vocational rehabilitation, skills training and education, job placement and retention, and disability benefits assistance and advocacy. WeCARE serves approximately 46,000 people annually through two performance-based contracts.

Office of Domestic Violence and Emergency Intervention Services (ODVEIS)

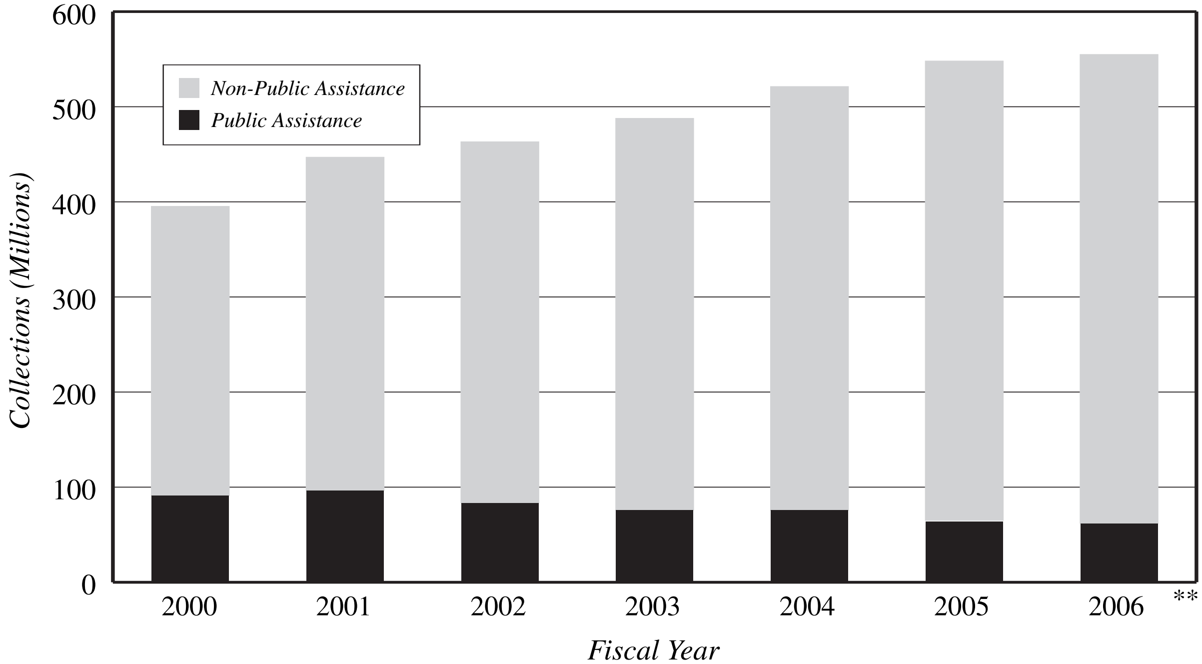
ODVEIS is comprised of the Office of Domestic Violence Services (ODV), which provides emergency shelter and social services to victims of domestic violence, and the Office of Emergency Intervention Services (OEIS). OEIS includes the Crisis and Disaster Services unit that responds to citywide disasters, the federally funded Low Income Home Energy Assistance Program (LIHEAP), and the Office of Food Programs and Policy Coordination.

ODV administers 38 State-licensed emergency domestic violence shelters, including one directly operated by the Department. ODV increased the emergency bed capacity to 1,995 in 2005 and is expanding the number of Tier II shelters to a total of seven, which will provide 240 units of transitional housing to victims of domestic violence. Domestic violence victims are provided with a safe environment and a range of support services including counseling, advocacy and referrals. Non-residential domestic violence programs provide telephone hotlines, counseling, advocacy, legal services and referrals to supportive services. Each month these programs serve an average of 2,901 domestic violence victims.

LIHEAP is a Federally funded energy program that assists low-income homeowners and renters pay energy and repair bills. In 2006 $32 million was allocated to New York City to provide benefits to eligible clients. From October 2005 to March 2006, the City issued 413,119 regular heating benefits and emergency grants.

The Emergency Food Assistance Program (EFAP) in the Office of Food Programs administers programs that work to improve the nutritional status of low-income New Yorkers. The program provides nutrition education and food stamp outreach and funds the distribution of more than 14 million pounds of food to over 600 food pantries and soup kitchens.

CHILD SUPPORT COLLECTIONS 2000-2006*



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

Office of Child Support Enforcement (OCSE)

The mission of OCSE is to ensure that non-custodial parents are identified and that they provide financial support for their children. As of January 2006, there were 49,628 public assistance cases and 251,556 non-public assistance cases with established court orders. Collections totaled $521.1 million in 2004 and $546.5 million in 2005 and OCSE expects to collect $563 million in 2006 through increased investigative enforcement efforts and service enhancements.

Capital Review

The Department's Four-Year Capital Plan totals $110 million, of which $81 million are City funds. The Four-Year Capital Plan includes $49 million for technology to streamline Department operations, $47 million for facilities maintenance, improvement, and equipment, and $14 million for the installation of telecommunications equipment.

Capital Commitments

($000's)

	2005 Actual		2006 Plan		2007 Plan		2008 Plan		2009 Plan		2010 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	$1,295	$2,423	$16,411	$17,161	$28,982	$30,612	$7,909	$8,513	$1,567	$1,567	$1,721	$1,721
Computers	4,729	7,835	16,807	28,012	11,225	18,705	2,984	4,972	5,869	9,780	9,153	15,253
Telecommunications	956	1,594	6,955	11,621	2,172	3,621	2,170	3,616	989	1,648	2,861	4,767
Equipment	33	54	4,588	5,468	2,416	4,027	0	0	0	0	0	0
Vehicles	0	0	66	110	272	272	0	0	159	265	162	270
Total	$7,013	$11,906	$44,827	$62,372	$45,067	$57,237	$13,063	$17,101	$8,584	$13,260	$13,897	$22,011

Highlights of the Four-Year Capital Plan

- construction of 16 model offices to provide a more client-friendly environment and to reduce waiting times. Improvements include a reception desk, computer kiosks that provide information, and a childcare corner ($19 million, of which $16 million are City funds).

- automation and imaging projects to allow electronic storage and retrieval of documents related to the Department's programs and to implement an electronic food stamp application and review process ($13 million, of which $8 million are City funds).

- improvements to telecommunications systems including Voice over Internet Protocol and Wide Area Network to improve communication with clients and within the agency ($9 million, of which $6 million are City funds).

ADMINISTRATION FOR CHILDREN'S SERVICES

The Administration for Children's Services (ACS) provides a broad range of programs that protect and advance the interests of children. The Department investigates allegations of child abuse and neglect, supports preventive services to families and children, and provides foster care or adoption services for children who cannot safely remain in their homes. The Department also administers subsidized child care programs and early childhood education through the Head Start program.

In March 2006, Children's Services released a comprehensive Action Plan, *Safeguarding our Children*. In this plan, ACS reinforces its commitment to strengthening child protection. By building on the performance data management systems that have guided agency operations over the past decade, the agency will enhance accountability and more precisely gauge key child safety outcomes and related trends. ACS will continue to enhance child protective investigatory practice among staff and supervisors and will ensure that every part of the system of services, from child protection to family support to foster care, is focused foremost on safety.

Financial Review

The Department's 2007 Executive Budget provides for operating expenses of $2.4 billion, $738.3 million of which are City funds. Capital commitments of $56.3 million are also provided.

Expense Budget Highlights

Budgetary Priorities: Enhancing Child Protection

- an increase in total funds of $2.8 million in 2006 and $11.0 million in 2007 will support 249 new staff in the Family Oversight Units in the Division of Child Protection. These new workers will enable ACS to provide ongoing supervision of families who have been the subject of a protective investigation when removal of the child was not warranted.

- an additional $2.8 million in total funds will support 35 new Child Protective managers in 2007 to reduce supervisory ratios to a maximum of three frontline units.

- an additional $1.5 million in total funds in 2007 will support 32 new Family Court Legal Services attorneys to ensure effective court oversight of child protection cases.

- twenty-one investigative liaisons will be supported with $2.2 million in total funds in 2007. These staff will help caseworkers with legal decision-making and law enforcement coordination.

Budgetary Priorities: Providing Core Services

- in 2007, $51 million in total funds will be added to support the care of children in adoptive homes who were formerly in foster care.

Restructuring and Streamlining

- investment of $23 million, made possible by the reduced use of institutional foster care, will support two new initiatives in 2007. The Youth Placement initiative will serve 500 to 750 youth annually who are placed in foster care by the juvenile justice system. The program will provide alternatives to placement through a range of intensive, community-based programs for these youth and their families. The Foster Parent Support initiative will enable foster care providers to do targeted recruitment to attract foster parents for teens, hire foster parent advocates, and provide other support services.

- in 2007, child care services for parents receiving public assistance and those transitioning from welfare to work, now provided by the Department of Social Services, will be integrated into ACS. This consolidation will create a single child care system that is more accessible to families and providers. ACS will implement a single eligibility and enrollment system across the child care system, leading to improved continuity of care for families moving to work, reducing disruptions and fully utilizing the City's child care resources. ACS will also be responsible for all child care administrative functions, to assure a uniform city-wide approach.

Summary of Agency Financial Data

The following table compares the 2007 Executive Budget with the 2007 Preliminary Budget, the 2006 forecast and actual expenditures for 2005, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2005 Actual	2006 Forecast	2007 Preliminary Budget	2007 Executive Budget	Increase/(Decrease) 2006 Forecast	Increase/(Decrease) 2007 Preliminary Budget
Expenditures						
Salary and Wages	$324,687	$345,558	$356,900	$365,326	$19,768	$8,426
Fringe Benefits	15	67	55	55	(12)	—
Medical Assistance	—	—	—	—	—	—
Public Assistance	—	—	—	—	—	—
Other OTPS	1,958,945	1,964,415	1,793,714	2,079,610	115,195	285,896
Total	$2,283,647	$2,310,040	$2,150,669	$2,444,991	$134,951	$294,322
Funding						
City	$621,522	$645,564	$591,843	$738,319	$92,755	$146,476
Other Categorical Grants	—	178	—	—	(178)	—
IFA	—	—	—	—	—	—
State	510,124	543,425	610,702	605,895	62,470	(4,807)
Federal CD	33,303	23,916	3,715	3,715	(20,201)	—
Federal Other	1,118,441	1,072,415	917,409	1,096,670	24,255	179,261
Intra-City Other	257	24,542	27,000	392	(24,150)	(26,608)
Total	$2,283,647	$2,310,040	$2,150,669	$2,444,991	$134,951	$294,322
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$90,446	$102,172	$110,257	$108,133	$5,961	($2,124)
Pensions	19,845	24,340	35,285	36,434	12,094	1,149
Other Than Personal Service (OTPS)						
Legal Services	2,074	2,196	2,035	2,108	(88)	73
Judgments and Claims	3,774	2,975	2,843	3,326	351	483
Debt Service	—	—	—	—	—	—
Total Additional Costs	$116,139	$131,683	$150,420	$150,001	$18,318	($419)
Funding						
City	93,721	109,513	127,969	127,516	18,003	(453)
Non-City	22,418	22,170	22,451	22,485	315	34
Total Agency Costs (including Central Accounts)						
Salary and Wages	$324,687	$345,558	$356,900	$365,326	$19,768	$8,426
Fringe Benefits	90,461	102,239	110,312	108,188	5,949	(2,124)
Pensions	19,845	24,340	35,285	36,434	12,094	1,149
Total PS	$434,993	$472,137	$502,497	$509,948	$37,811	$7,451
Medical Assistance	$—	$—	$—	$—	$—	$—
Public Assistance	—	—	—	—	—	—
Other OTPS	1,958,945	1,964,415	1,793,714	2,079,610	115,195	285,896
Legal Services	2,074	2,196	2,035	2,108	(88)	73
Judgments and Claims	3,774	2,975	2,843	3,326	351	483
Debt Service	—	—	—	—	—	—
Total OTPS	$1,964,793	$1,969,586	$1,798,592	$2,085,044	$115,458	$286,452
Total Agency Costs	$2,399,786	$2,441,723	$2,301,089	$2,594,992	$153,269	$293,903
Less Intra-City	$257	$24,542	$27,000	$392	($24,150)	($26,608)
Net Agency Cost	$2,399,529	$2,417,181	$2,274,089	$2,594,600	$177,419	$320,511
Funding						
City	715,243	755,077	719,812	865,835	110,758	146,023
Non-City	1,684,286	1,662,104	1,554,277	1,728,765	66,661	174,488
Personnel (includes FTEs at fiscal year-end)						
City	6,052	7,009	6,940	7,106	97	166
Non-City	359	157	166	217	60	51
Total	6,411	7,166	7,106	7,323	157	217

Programmatic Review

Division for Child Protection (DCP)

DCP investigates allegations of child abuse and neglect and is responsible for monitoring children and families until it is determined whether children may remain safely in their homes or must be placed in foster care. ACS investigates an average of over 50,000 reports of child abuse or neglect each year. To achieve optimal outcomes for children and families, Protective Services also conducts case conferences to bring caseworkers, parents, relatives and service providers together. These conferences ensure that service and placement decisions are based on all available information and perspectives. In 2007, protective services will be enhanced by increasing the number of trainers, managers, and lawyers.

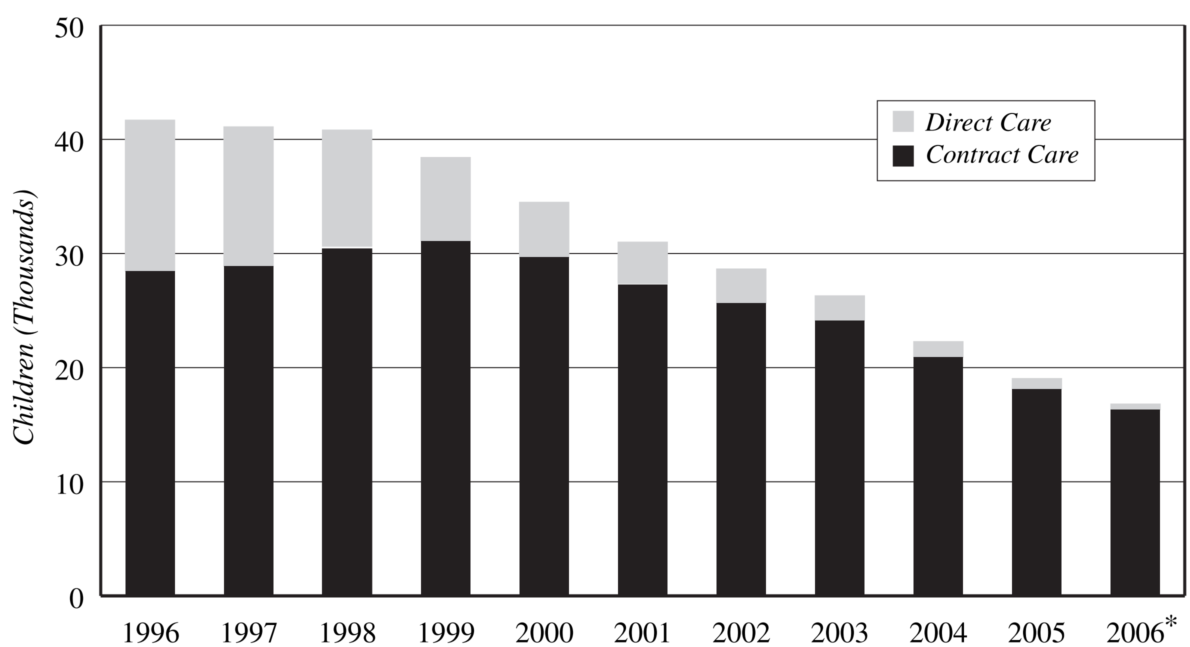
Preventive Services for Children and Families

The Department provides both direct and contracted preventive services designed to prevent foster care placement or reduce the time that children spend in foster care. The Department provides intensive services through its direct Family Preservation Program to a monthly average of 224 families. In addition, the 2007 budget will support over 13,000 contracted preventive slots for children and their families, including general preventive services, specialized programs for adolescents, the Family Rehabilitation Program (FRP) that provides intensive services for families with substance abuse issues, and programs for families with special needs.

Foster Care

Placements in foster boarding homes, congregate settings or specialized residential care facilities are provided on a temporary basis until children can be reunified with their families. If reunification is not an option, children receive services that will lead to adoption or development of independent living skills. In February 2006, 16,723 children were living in out-of-home placements, a 12 percent decline over 2005.

AVERAGE FOSTER CARE CASELOAD: 1996-2006



* Projected

Adoption Services

Adoption provides a stable and permanent home for children who cannot return to their birth parents. In 2006, there were more than 33,500 children living in adoptive homes. The Department's efforts to recruit adoptive parents, including the adoption hotline and the award winning "Wednesday's Child" television segment, have contributed to continued placement of children in adoptive homes. Despite the decline in foster care, the proportion of children freed for adoption has remained stable.

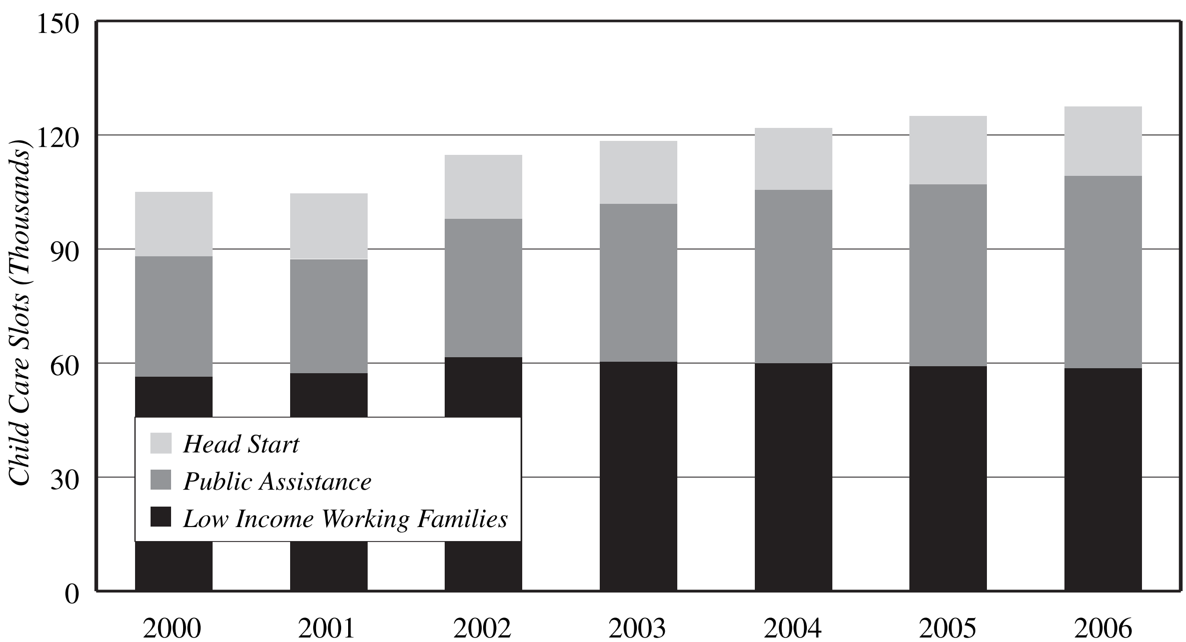
Division of Child Care and Head Start

The Division of Child Care and Head Start provides quality child care services that enhance child development and assist families in achieving and maintaining self-sufficiency. Subsidized child care is targeted to low-income working families, public assistance recipients who are employed or engaged in work activities and families receiving child welfare services.

ACS contracts with over 320 not-for-profit organizations to operate child care programs in communities across the City. Contracted care is provided in group child care centers that are licensed by the Department of Health and Mental Hygiene (DOHMH) or in the homes of child care providers that are registered by DOHMH. Vouchers that may be used by parents to purchase care in any legal child care setting are issued to eligible families. Head Start, a federally funded program that provides comprehensive early childhood care for pre-school aged children is provided through 79 delegate agencies at 244 sites.

In 2007, all child care services and administration currently provided in DSS will be consolidated into ACS to create a single system and unified approach to service delivery. As of March 2006, an average of 128,815 children were enrolled in child care programs City wide: 19,215 in Head Start, 54,600 in ACS contract and voucher care, and 55,000 in child care funded through DSS.

CITYWIDE CHILD CARE ENROLLMENT: 2000-2006



Capital Review

The 2007-2010 Four-Year Capital Plan totals $111.7 million including $4.7 million for child welfare facilities, $12.4 million for child care facilities, $32 million for administrative offices, and $62.6 million for information systems.

Capital Commitments
($000's)

	2005 Actual		2006 Plan		2007 Plan		2008 Plan		2009 Plan		2010 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	$106	$109	$3,441	$3,441	$4,719	$4,719	$0	$0	$0	$0	$0	$0
Child Care	543	543	17,486	17,512	4,686	4,686	2,585	2,585	2,747	2,747	2,422	2,422
Buildings	334	334	5,591	6,499	24,443	24,709	3,000	3,266	0	0	3,188	4,036
MIS	2,845	2,845	17,401	22,128	20,837	22,151	21,352	22,349	11,844	13,003	4,000	5,064
Total	$3,828	$3,831	$43,919	$49,580	$54,685	$56,265	$26,937	$28,200	$14,591	$15,750	$9,610	$11,522

Highlights of the Four-Year Capital Plan

- repairs and structural improvements for child protective field offices citywide ($4.9 million).
- construction of a new Bronx Child Protective field office at 1200 Waters Place. There are an estimated 4,500 active cases in the Bronx that will be served by two strategically located field offices once the relocation is complete ($2.4 million).
- development of a new child care information system (ACCIS) to track and monitor the City's early childhood educational services including child care, Head Start, Universal Pre-K, and Out-of-School Time ($12.0 million).
- development of CHILDSTAT, a system to enable ACS to monitor performance data and track the results of decisions regarding services, family supervision and removal ($11.5 million).
- upgrade of the Legal Tracking System (LTS) to enhance information sharing with the New York State Family Court ($3.4 million).
- implementation of a network integration project that will create a single uniform system to eliminate a network that is split between the State and City ($14.0 million).

DEPARTMENT OF YOUTH AND COMMUNITY DEVELOPMENT

The Department of Youth and Community Development (DYCD) administers programs for youth and adults, through community-based organizations in neighborhoods throughout the five boroughs. These organizations provide services including after-school, summer jobs, youth workforce development, and essential services for runaway and homeless teens. DYCD is committed to improving communities by developing innovative and creative approaches to support positive development of youth, families and neighborhoods.

DYCD is also the designated Community Action Agency for New York City, which is the local grantee for the Federal Community Services Block Grant (CSBG). CSBG funding supports a wide variety of programs that address conditions of poverty. These programs provide many important community-based services, including academic support, youth leadership activities, employment services, health care, housing assistance and immigrant support.

In 2007, DYCD will expand the Out-of-School Time (OST) program, enhance programs including Family Literacy, Youth Workforce Development, and services for runaway and homeless youth, introduce Adolescent Literacy Services, and ensure the continued delivery of quality services in core programs.

Financial Review

The Department's 2007 Executive Budget provides for operating expenses of $233.9 million, of which $134.9 million are City funds.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- in 2007, $78.5 million in total funds, an increase of $26.4 million from 2006, will support the Out-of-School Time program to enroll over 65,000 school-age children and youth in programs that provide high-quality after-school services.

- in 2007, $5.0 million in federal funds will enhance literacy and English for Speakers of Other Language programs (ESOL), including $2.5 million for development of two television series that will teach literacy skills to both native and non-native speakers through emphasis on real-world literacy and language skills. The television programming will be accompanied by video and print materials that will be available to organizations throughout the City to use in the classroom setting.

Summary of Agency Financial Data

The following table compares the 2007 Executive Budget with the 2007 Preliminary Budget, the 2006 forecast and actual expenditures for 2005, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2005 Actual	2006 Forecast	2007 Preliminary Budget	2007 Executive Budget	Increase/(Decrease) 2006 Forecast	Increase/(Decrease) 2007 Preliminary Budget
Expenditures						
Salary and Wages	$19,207	$20,192	$20,194	$20,261	$69	$67
Fringe Benefits	—	—	—	—	—	—
OTPS	226,960	285,675	204,545	213,681	(71,994)	9,136
Total	$246,167	$305,867	$224,739	$233,942	($71,925)	$9,203
Funding						
City	$126,952	$176,647	$130,790	$134,859	($41,788)	$4,069
Other Categorical Grants	72	—	—	—	—	—
IFA	—	—	—	—	—	—
State	15,557	16,180	14,605	14,605	(1,575)	—
Federal CD	6,452	6,675	6,300	11,300	4,625	5,000
Federal Other	88,994	95,588	65,457	65,475	(30,113)	18
Intra-City Other	8,141	10,777	7,587	7,703	(3,074)	116
Total	$246,167	$305,867	$224,739	$233,942	($71,925)	$9,203
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$5,072	$6,193	$6,505	$6,581	$388	$76
Pensions	1,174	1,417	2,086	2,062	645	(24)
Other Than Personal Service (OTPS)						
Legal Services	27	34	23	33	(1)	10
Judgments and Claims	7	12	32	13	1	(19)
Debt Service	—	—	—	—	—	—
Total Additional Costs	$6,280	$7,656	$8,646	$8,689	$1,033	$43
Funding						
City	6,248	7,638	8,608	8,652	1,014	44
Non-City	32	18	38	37	19	(1)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$19,207	$20,192	$20,194	$20,261	$69	$67
Fringe Benefits	5,072	6,193	6,505	6,581	388	76
Pensions	1,174	1,417	2,086	2,062	645	(24)
Total PS	$25,453	$27,802	$28,785	$28,904	$1,102	$119
OTPS	$226,960	$285,675	$204,545	$213,681	($71,994)	$9,136
Legal Services	27	34	23	33	(1)	10
Judgments and Claims	7	12	32	13	1	(19)
Debt Service	—	—	—	—	—	—
Total OTPS	$226,994	$285,721	$204,600	$213,727	($71,994)	$9,127
Total Agency Costs	$252,447	$313,523	$233,385	$242,631	($70,892)	$9,246
Less Intra-City	$8,141	$10,777	$7,587	$7,703	($3,074)	$116
Net Agency Cost	$244,306	$302,746	$225,798	$234,928	($67,818)	$9,130
Funding						
City	133,200	184,285	139,398	143,511	(40,774)	4,113
Non-City	111,106	118,461	86,400	91,417	(27,044)	5,017
Personnel (includes FTEs at fiscal year-end)						
City	150	193	206	206	13	—
Non-City	255	230	225	226	(4)	1
Total	405	423	431	432	9	1

Programmatic Review

Out-of-School Time (OST)

In September 2005, DYCD launched the City's Out-of-School Time (OST) Programs, the largest municipally funded after-school initiative in the nation. OST provides a mix of academic, recreational and cultural activities for young people after school, during holidays and in the summer. The OST system consists of over 550 programs in every neighborhood across the City. The programs, which are operated by 200 community-based organizations, are located in schools, community centers, settlement houses, religious centers, cultural organizations, libraries, public housing, and Parks Department facilities.

OST programs have served more than 55,000 elementary, middle and high school students during the 2005-2006 school year, and will grow substantially to serve at least 65,000 beginning in September 2006. These new programs are the product of reforms designed to make OST better targeted, more comprehensive, more accountable, and better integrated with the City's overall education reform goals.

Beacon Community Centers

The Department operates the Beacon program, which currently provides services in 80 public schools throughout the City during after-school hours and on school holidays. Services provided at Beacon Community Centers include literacy programs, preventive services, homework and tutorial assistance, GED preparation, ESOL classes, computer classes, and recreational and cultural activities.

Family Literacy

Family literacy programs utilize the natural bonds between child and parent/primary caregiver to support the entire family's educational, social and economic success. Since 2003, DYCD has funded family literacy programs with support from the National Center for Family Literacy and Toyota Motors, Inc. Beginning in 2007, DYCD will separately fund literacy programs that specifically address the needs of younger adolescents in public school grades six through eight.

Runaway and Homeless Youth Programs

DYCD is committed to providing services that meet the needs of runaway and homeless youth, a group that is particularly vulnerable to neglect and poverty. In 2007, DYCD will establish a "continuum of care" model for runaway and homeless youth services, comprising a broad range of services including Crisis Shelters, Transitional Independent Living Programs, and a "Community Connections Initiative." These programs will provide an effective, integrated network of services for at-risk youth.

Youth Workforce Development

As the lead agency for the City's youth employment programs, DYCD provides young people with a full complement of career exploration and skill-building opportunities.

The Department operates the Summer Youth Employment Program (SYEP). In the summer of Calendar Year 2005, 41,608 youth enrolled in the program. DYCD has made substantive improvements to the program to benefit youth including a more efficient and user-friendly payroll system, a web-based application process, a more flexible work schedule, and an educational component that includes financial literacy, college and post-secondary school exploration, work-readiness, and health education.

In 2007, DYCD will concentrate on expanding corporate sector involvement in youth employment efforts. In the summer of 2006, DYCD will launch two private sector sponsored summer internship programs—CAPITAL and NYC GirlsREACH. These pilot initiatives will place outstanding former SYEP and In-School Youth (ISY) participants in summer jobs in the private sector.

DYCD administers the youth services funding component of the Workforce Investment Act (WIA). In 2007, the Department will receive a projected $31.7 million in WIA funds. WIA primarily funds ISY and Out-of-School Youth (OSY) employment programs. The ISY programs provide education and employment-related services to youth, ages 14 to 18, who are still attending school. OSY employment programs provide occupational skills training and education services to youth, ages 16 to 21, who are no longer in school.

In 2007, the Department will begin managing contracts for new ISY and OSY programs that will target high-growth employment sectors and build upon the strengths of youth. Provider organizations will focus on career awareness, educational achievement, and job placements that offer advancement through multiple career pathways. DYCD will continue to cultivate partnerships among training service providers, schools and businesses to address the workforce needs of employers. The new programs are projected to serve over 5,600 youth annually.

Community Services Block Grant

In 2007, the City is projected to receive $30.3 million in Community Services Block Grant (CSBG) funds, pending the outcome of the Federal Fiscal 2007 budget. CSBG funds support over 360 programs that address conditions of poverty, including academic support, youth leadership activities, economic development, youth and adult employment programs, senior services, health care, domestic violence intervention, housing assistance, literacy instruction, and immigrant support. These services are provided in 43 low-income communities throughout the five boroughs that are known as Neighborhood Development Areas.

DEPARTMENT OF HOMELESS SERVICES

The Department of Homeless Services provides programs for homeless families and single adults, including transitional housing, outreach and drop-in services, homeless prevention programs, and permanent housing placements.

The Department of Homeless Services continues to focus on its five year plan to end chronic homelessness. The plan as outlined in the 2004 *"Uniting for Solutions Beyond Shelter"* charged the Department, in coordination with other public agencies and not-for-profit and private sector partners, to reduce the street and shelter homeless populations by two-thirds within five years. This strategy provides the blueprint for homelessness prevention programs, rental assistance, and other housing-based interventions that supplement the Department's traditional services.

In 2007, DHS will continue its homeless prevention and aftercare programs, as well as initiatives to improve intake, eligibility and housing placement services. The Department will continue efforts to reduce the average length of shelter stay, with a particular focus on helping those who have been in shelter for extended periods to make a successful transition to permanent housing.

Financial Review

The Department's 2007 Executive Budget provides for operating expenses of $695.8 million, of which $308.7 million are City funds. Capital commitments of $83.1 million are also provided.

Expense Budget Highlights

Budgetary Priorities: Providing Core Service

- in 2007, $1.8 million in City funds will support the phase-in of a decentralized shelter intake system for single men at three sites. There will be a focus on diversion, shorter assessment periods and placement in the most appropriate shelter settings. By 2008, the program will be fully implemented at a cost of $7.2 million.

- two million in total funds in 2007 will support a new shelter model for adult families that will provide supportive services to enable them to move more quickly to permanent housing.

- an additional $300,000 in City funds in 2007 will support two programs to help move long term shelter users out of the adult shelter system and into permanent housing. "Homeward Bound," a program that helps clients voluntarily relocate back to home communities, will expand to serve more clients. "Moving On" will provide funding to supportive housing providers to move clients into independent housing and make space for those leaving shelters.

Restructuring and Streamlining

- in 2007, the Department will realize $4.7 million in City savings through consolidation in the adult and family shelter systems. These reductions are possible as a result of increased permanent housing initiatives which will reduce the homeless shelter census.

Summary of Agency Financial Data

The following table compares the 2007 Executive Budget with the 2007 Preliminary Budget, the 2006 forecast and actual expenditures for 2005, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2005 Actual	2006 Forecast	2007 Preliminary Budget	2007 Executive Budget	Increase/(Decrease) 2006 Forecast	Increase/(Decrease) 2007 Preliminary Budget
Expenditures						
Salary and Wages	$112,478	$113,480	$104,678	$106,443	($7,037)	$1,765
Fringe Benefits	307	1,413	1,160	1,160	(253)	—
Medical Assistance	—	—	—	—	—	—
Public Assistance	327,938	336,165	306,958	291,763	(44,402)	(15,195)
Other OTPS	281,916	315,852	292,094	296,432	(19,420)	4,338
Total	$722,639	$766,910	$704,890	$695,798	($71,112)	($9,092)
Funding						
City	$301,093	$332,288	$303,236	$308,707	($23,581)	$5,471
Other Categorical Grants	41	—	—	—	—	—
IFA	—	—	—	—	—	—
State	245,758	213,937	211,054	204,294	(9,643)	(6,760)
Federal CD	7,505	6,509	4,051	4,051	(2,458)	—
Federal Other	146,121	183,055	155,428	147,625	(35,430)	(7,803)
Intra-City Other	22,121	31,121	31,121	31,121	—	—
Total	$722,639	$766,910	$704,890	$695,798	($71,112)	($9,092)
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$32,242	$36,224	$37,619	$37,294	$1,070	($325)
Pensions	6,893	7,782	11,173	10,686	2,904	(487)
Other Than Personal Service (OTPS)						
Legal Services	162	482	492	463	(19)	(29)
Judgments and Claims	893	281	324	314	33	(10)
Debt Service	—	—	—	—	—	—
Total Additional Costs	$40,190	$44,769	$49,608	$48,757	$3,988	($851)
Funding						
City	28,577	33,236	38,004	37,155	3,919	(849)
Non-City	11,613	11,533	11,604	11,602	69	(2)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$112,478	$113,480	$104,678	$106,443	($7,037)	$1,765
Fringe Benefits	32,549	37,637	38,779	38,454	817	(325)
Pensions	6,893	7,782	11,173	10,686	2,904	(487)
Total PS	$151,920	$158,899	$154,630	$155,583	($3,316)	$953
Medical Assistance	$—	$—	$—	$—	$—	$—
Public Assistance	327,938	336,165	306,958	291,763	(44,402)	(15,195)
Other OTPS	281,916	315,852	292,094	296,432	(19,420)	4,338
Legal Services	162	482	492	463	(19)	(29)
Judgments and Claims	893	281	324	314	33	(10)
Debt Service	—	—	—	—	—	—
Total OTPS	$610,909	$652,780	$599,868	$588,972	($63,808)	($10,896)
Total Agency Costs	$762,829	$811,679	$754,498	$744,555	($67,124)	($9,943)
Less Intra-City	$22,121	$31,121	$31,121	$31,121	$—	$—
Net Agency Cost	$740,708	$780,558	$723,377	$713,434	($67,124)	($9,943)
Funding						
City	329,670	365,524	341,240	345,862	(19,662)	4,622
Non-City	411,038	415,034	382,137	367,572	(47,462)	(14,565)
Personnel (includes FTEs at fiscal year-end)						
City	2,234	2,318	2,295	2,317	(1)	22
Non-City	32	3	1	1	(2)	—
Total	2,266	2,321	2,296	2,318	(3)	22

Programmatic Review

Single Adult Services

The Department provides a variety of services for homeless single adults, including street outreach and drop-in centers for the hardest to serve, general and specialized transitional facilities, and permanent supportive housing. In March 2006, the average daily census was 8,085, a decrease of 6.1 percent since March 2005.

The Department supports directly-run and contracted outreach teams to identify and engage homeless adults living in public spaces and link them with services to enable them to move into transitional or permanent housing. Ten drop-in centers provide counseling, crisis intervention, meals, clothing and referrals to support services for an average of 1,384 individuals each day. In addition, the Department is working in collaboration with the Department of Health and Mental Hygiene to better reach and serve the street homeless population.

In February 2006, the Department undertook its fourth annual Homeless Outreach Population Estimate (HOPE) in order to measure success and challenges in efforts to reduce street homelessness. The results of HOPE 2006, the second city-wide count, indicate that an estimated 3,843 unsheltered individuals live on the streets, in parks, in encampments, under highways, and in subway stations and trains in New York City. This is a 12.6 percent decrease from the 2005 estimate.

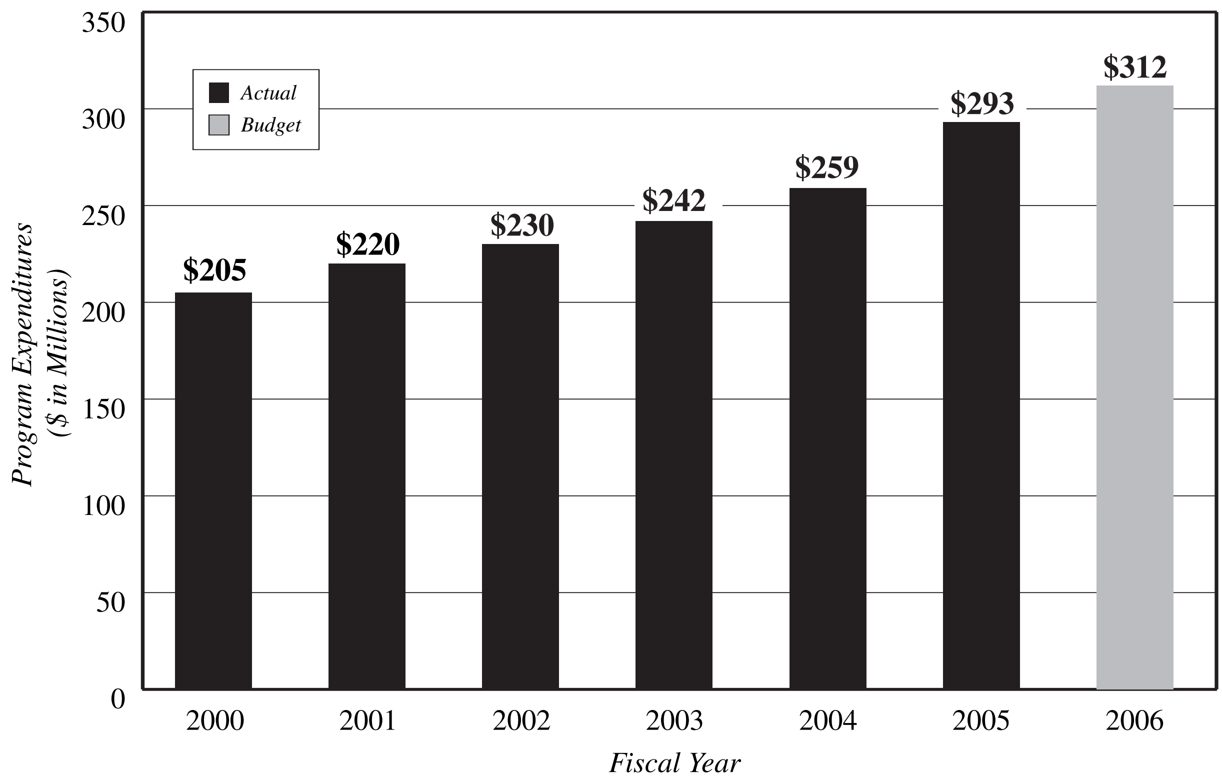
The Department also offers permanent housing assistance, including referral to supportive Single Room Occupancy (SRO) units operated by a network of not-for-profit providers. The Department funds social services for approximately 8,500 units of supportive housing through the SRO Support Subsidy Program. In 2007, an additional 372 units will be added to the portfolio.

In November 2005, New York City and New York State entered into New York/New York III, a landmark agreement to create 9,000 units of supportive housing over the next ten years for homeless mentally ill and disabled populations. New York/New York III will be jointly administered in the City by the Department of Homeless Services, the Department of Social Services, and the Department of Health and Mental Hygiene.

In January 2006, the Department expanded a pilot program to the entire single adult shelter system to assist "long term stayers" - clients in shelter at least nine months - to move into permanent housing. The program combines case management, client responsibility plans, and targeted housing resources. In addition, the expansion of Homeward Bound and the implementation of Moving On will support the Department's goal of moving these clients into more stable living arrangements.

The Department operates a network of 58 transitional shelters for homeless individuals, both directly operated by the City and under contract with not-for-profit providers. In 2007, the Department will continue to improve and expand specialized programs providing substance abuse, mental health and employment services in these facilities to address barriers to independent living.

HOMELESS INDIVIDUALS - PROGRAM EXPENDITURES: 2000-2006



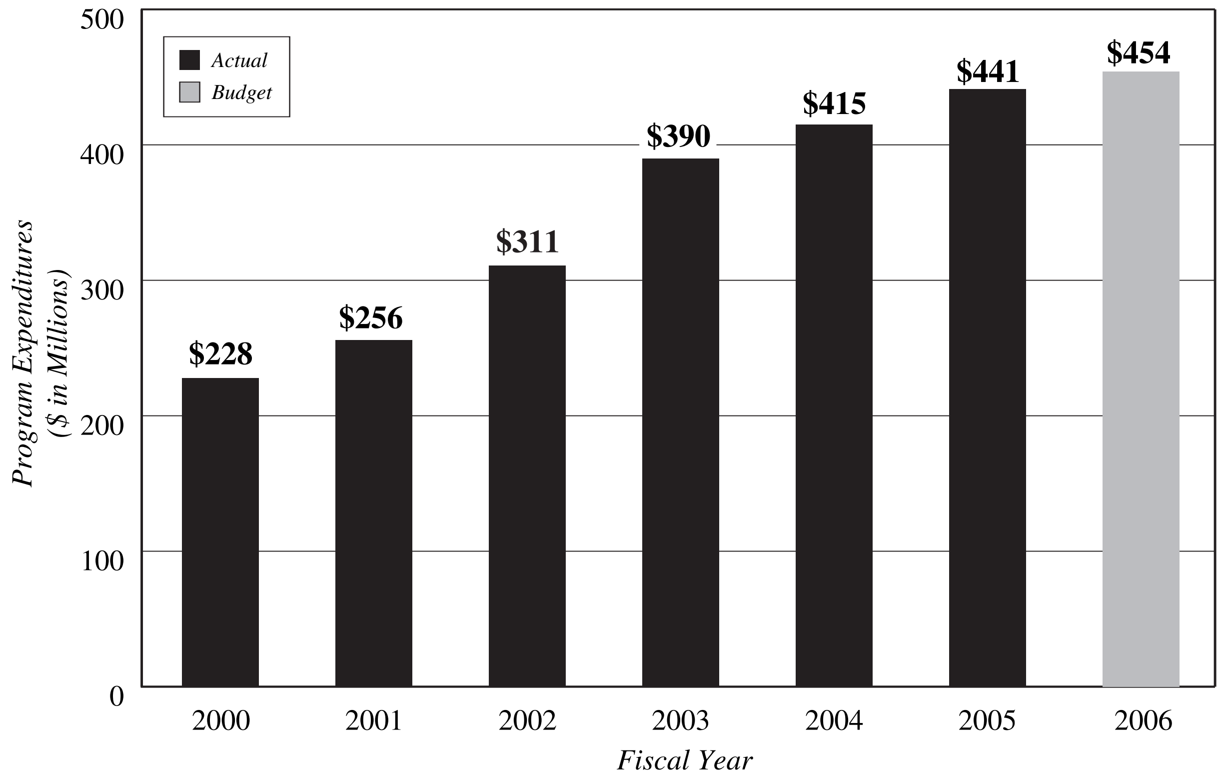
Family Services

The Department serves homeless families through a network of transitional housing facilities that provide families with stable living situations and supportive social services designed to lead to self-sufficiency. The number of homeless families has declined from an average of 8,534 in March 2005 to an average of 7,646 in March 2006, a reduction of 10.4 percent.

Housing Stability Plus (HSP), a time-limited rental assistance supplement that declines in value each year to promote self-sufficiency, began in November 2004. HSP is available to homeless families and individuals in DHS shelters, in domestic violence shelters operated by the Department of Social Services and to reunify families served by the Administration for Children's Services. As of March 2006, 6,241 households in the homeless shelter system had signed leases for housing though HSP. Of the total HSP leases signed 5,642 were families with children, 407 were single adults and 192 were adult families without children.

In July 2006, the current intake center for homeless families, the Bronx Emergency Assistance Unit (EAU), will undergo reconstruction. The new Family Intake Center will be a seven story structure designed to accommodate the Department's revamped application and intake process. The cost of $52.9 million includes demolition of the existing facility, construction of a new building, and funding for technology enhancements. The newly built facility will enable DHS to expand its focus on preventive interventions to help families avoid homelessness and on strengthening the eligibility determination process.

HOMELESS FAMILIES - PROGRAM EXPENDITURES: 2000-2006



Capital Review

The Department's Four-Year Capital Plan totals $163 million. Projects for homeless families total $84.7 million, projects for single adults total $70 million and $8.3 million is allocated for computer systems and equipment purchases.

Capital Commitments

($000's)

	2005 Actual		2006 Plan		2007 Plan		2008 Plan		2009 Plan		2010 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	$11,595	$11,595	$7,355	$7,355	$49,280	$49,280	$26,739	$26,739	$3,700	$3,700	$5,000	$5,000
Homeless Individuals	11,876	4,639	13,554	13,554	27,993	27,993	13,382	13,382	13,489	13,489	15,243	15,243
Equipment and Vehicles	416	416	489	489	250	250	250	250	0	0	0	0
Information Technology	4,639	4,639	10,738	10,738	5,550	5,550	750	750	1,000	1,000	1,000	1,000
Total	$28,526	$21,289	$32,136	$32,136	$83,073	$83,073	$41,121	$41,121	$18,189	$18,189	$21,243	$21,243

Highlights of the Four-Year Capital Plan

- construction and related technology funding for a new Family Intake Center to replace the Bronx Emergency Assistance Unit ($52.9 million including $2.2 million in 2006).

- rehabilitation of the Auburn Shelter to house a new intake center for adult families ($13.9 million).

- renovation and division of the Ward's Island Men's Shelter into three individual shelters ($2.0 million).

- exterior and interior building upgrades at facilities for homeless adults including Bedford Atlantic Armory, East 3rd Street, Ward's Island Men's Shelter, Park Avenue Women's Shelter, Kingsboro, Willow Avenue, Barbara Kleiman, Brownsville Women's Center ($76.6 million).

- exterior and interior building upgrades at facilities for homeless families including Flatlands, Nelson Avenue, Rose McCarthy, Springfield, Jennie Clark, Linden Family Residence ($11.7 million).

- upgrade and expansion of the Department's computer network linking directly operated and contracted sites; development of the new Client Tracking System and implementation of a digital telephone system ($8.3 million).

DEPARTMENT FOR THE AGING

The Department for the Aging (DFTA) administers a wide range of programs for the City's elderly population to enhance independence and quality of life. The Department's services include the operation of senior centers, provision of home-delivered and congregate meals, case management, social and legal services, home care, caregiver services, transportation, and information and referral services.

Financial Review

The Department's 2007 Executive Budget provides for operating expenses of $236.2 million, of which $108.7 million are City funds. Capital commitments of $19.4 million are also provided.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- in 2007, an increase of $1.5 million in City funds will support enhancements to the Naturally Occurring Retirement Community (NORC) program. NORC's are residential buildings or communities where seniors receive services through a network of housing entities, social service and healthcare providers.

Restructuring and Streamlining

- in 2007, the Department will transfer operation of the Senior Citizen Rent Increase Exemption (SCRIE) program to the Department of Finance in order to improve efficiency in the application, eligibility and payment processing functions.

- in 2007, the Department will consolidate its internal information and referral program with the City's 311 Call Center in order to provide improved customer service for seniors.

Summary of Agency Financial Data

The following table compares the 2007 Executive Budget with the 2007 Preliminary Budget, the 2006 forecast and actual expenditures for 2005, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2005 Actual	2006 Forecast	2007 Preliminary Budget	2007 Executive Budget	Increase/(Decrease) 2006 Forecast	Increase/(Decrease) 2007 Preliminary Budget
Expenditures						
Salary and Wages	$24,124	$19,054	$15,017	$15,202	($3,852)	$185
Fringe Benefits	20	1,246	1,563	1,563	317	—
OTPS	207,119	249,499	209,219	219,466	(30,033)	10,247
Total	$231,263	$273,799	$225,799	$236,231	($37,568)	$10,432
Funding						
City	$99,697	$132,360	$94,957	$108,697	($23,663)	$13,740
Other Categorical Grants	29,448	10	—	—	(10)	—
IFA	—	—	—	—	—	—
State	20,016	27,233	25,472	25,477	(1,756)	5
Federal CD	2,072	4,594	2,474	2,474	(2,120)	—
Federal Other	78,955	109,018	102,424	99,111	(9,907)	(3,313)
Intra-City Other	1,076	584	472	472	(112)	—
Total	$231,263	$273,799	$225,799	$236,231	($37,568)	$10,432
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$6,617	$6,347	$6,596	$6,474	$127	($122)
Pensions	1,476	1,117	1,515	1,757	640	242
Other Than Personal Service (OTPS)						
Legal Services	58	101	77	97	(4)	20
Judgments and Claims	42	10	38	11	1	(27)
Debt Service	—	—	—	—	—	—
Total Additional Costs	$8,193	$7,575	$8,226	$8,339	$764	$113
Funding						
City	8,122	7,521	8,158	8,271	750	113
Non-City	71	54	68	68	14	—
Total Agency Costs (including Central Accounts)						
Salary and Wages	$24,124	$19,054	$15,017	$15,202	($3,852)	$185
Fringe Benefits	6,637	7,593	8,159	8,037	444	(122)
Pensions	1,476	1,117	1,515	1,757	640	242
Total PS	$32,237	$27,764	$24,691	$24,996	($2,768)	$305
OTPS	$207,119	$249,499	$209,219	$219,466	($30,033)	$10,247
Legal Services	58	101	77	97	(4)	20
Judgments and Claims	42	10	38	11	1	(27)
Debt Service	—	—	—	—	—	—
Total OTPS	$207,219	$249,610	$209,334	$219,574	($30,036)	$10,240
Total Agency Costs	$239,456	$277,374	$234,025	$244,570	($32,804)	$10,545
Less Intra-City	$1,076	$584	$472	$472	($112)	$—
Net Agency Cost	$238,380	$276,790	$233,553	$244,098	($32,692)	$10,545
Funding						
City	107,819	139,881	103,115	116,968	(22,913)	13,853
Non-City	130,561	136,909	130,438	127,130	(9,779)	(3,308)
Personnel (includes FTEs at fiscal year-end)						
City	119	110	79	79	(31)	—
Non-City	730	766	639	612	(154)	(27)
Total	849	876	718	691	(185)	(27)

Programmatic Review

In 2007, DFTA will provide critical services through a network of 328 senior centers in the five boroughs. Services provided by senior centers include congregate meals, home-delivered meals, educational and recreational activities, social services and volunteer opportunities. DFTA plans to serve over 12.4 million congregate and home-delivered meals in 2007.

Home Care Services

The Department provides home care services to over 4,200 elderly residents throughout the City. The program allows low-income frail elderly, who are above the Medicaid eligibility threshold, to safely remain in their homes by providing assistance with daily chores and personal care.

Case Management Services

DFTA contracts with 22 case management agencies that provide assessment services and link homebound seniors with services that they need including home-delivered meals, home care attendants, information and referrals and other supportive services. Seniors access case management services through referrals from senior centers, home-delivered meal providers, hospitals and other community-based social service and health care agencies.

Naturally Occurring Retirement Communities

Naturally Occurring Retirement Communities (NORCs) are on-site collaborations among housing entities, social service providers, and healthcare networks that assist seniors to remain in their own homes by providing critical support and assistance. Approximately 8,500 elderly residents receive core services (case management/assistance and healthcare management/ assistance). There are approximately 45,000 seniors residing in City-funded NORCs that are eligible for NORC services. The Department supports services in 27 NORCs in the Bronx, Brooklyn, Manhattan and Queens. The NORC program model has gained national recognition, putting New York City in the forefront of adapting programs to meet the changing needs of the elderly population.

New York City Caregiver Program

New York City's Caregiver program provides approximately 6,000 caregivers of the elderly throughout the City with critical support services including training, assistance in accessing benefits and resources, counseling and respite services. The Department provides these services in partnership with 15 community-based organizations.

Capital Review

The Department's Four-Year Capital Strategy totals $26.2 million. Capital projects include the rehabilitation of senior centers throughout the City and technology projects to improve operations.

Capital Commitments

($ in 000's)

	2005 Actual		2006 Plan		2007 Plan		2008 Plan		2009 Plan		2010 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	$1,117	$1,117	$7,205	$7,205	$1,030	$1,030	$1,800	$1,800	$700	$700	$1,200	$1,200
Building Renovations and Vehicles	3,749	3,749	17,448	17,448	18,315	18,315	300	300	1,400	1,400	1,453	1,453
Total	$4,866	$4,866	$24,653	$24,653	$19,345	$19,345	$2,100	$2,100	$2,100	$2,100	$2,653	$2,653

Highlights of the Four-Year Capital Plan

- establishment of new facilities and renovation of existing senior centers in neighborhoods with growing senior populations ($21.3 million).
- development of a computerized network to assist applicants in accessing services and entitlement programs, purchase computers for senior centers and migration of applications to a web-based platform ($4.7 million).
- purchase of new and replacement vehicles to provide transportation and home delivered meals ($0.2 million).

DEPARTMENT OF HEALTH AND MENTAL HYGIENE

The mission of the New York City Department of Health and Mental Hygiene (DOHMH) is to protect and promote the health and mental health of all New Yorkers, to support the recovery of individuals with mental illness and chemical dependencies, and to promote the realization of the full potential of individuals with mental retardation and developmental disabilities. DOHMH is committed to maintaining core public health services and continues to introduce new programs and technologies to improve the health status of all New Yorkers.

The Department's mission is achieved through monitoring, prevention, and control activities for individuals, families, and communities. The Department prevents epidemics and the spread of diseases such as HIV/AIDS, sexually transmitted diseases (STDs), and tuberculosis (TB); protects against environmental hazards; prevents unintentional injuries; promotes and encourages healthy behaviors; responds to disasters and assists communities in recovery; and ensures the accessibility of health services.

The Office of the Chief Medical Examiner is responsible for determining the cause and manner of deaths occurring in the City, operating the county mortuaries; and the accredited Forensic Biology Laboratory.

In 2007, the Department will continue its focus on reducing the incidence of preventable and treatable conditions; intensifying efforts to improve HIV prevention, and care, housing, and treatment for individuals with HIV/AIDS; providing higher quality care for people with poorly controlled diabetes; and improving the health of school children. The Department's public health activities are targeted to those communities that bear a disproportionate share of physical and mental illness and premature death.

Financial Review

The Department's 2007 Executive Budget provides for operating expenses of $1.5 billion, of which $581 million are City funds. Additional funding of approximately $59 million will be added to the budget during the fiscal year when Federal and State award notifications are received. Capital commitments of $150 million are also provided to fund agency initiatives.

Revenue Forecast

The Department of Health and Mental Hygiene generates revenue from licenses, permits, inspection and service fees, and fines for violations of the New York City Health Code. In 2007, the Department will generate $50.9 million from these sources.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- improving care for people with poorly-controlled diabetes by tracking A1C blood levels through a pilot program in the South Bronx, a neighborhood with one of the City's highest diabetes prevalence rates. Recurring funding of $1.8 million per year.

- implementation of an Electronic Health Record, public health and clinical decision support tools for Correctional Health Services, Federally-Qualified Health Centers and selected physician practices. The project is funded at a 5-year total of $39.6 million

- improving medical treatment for inmates and ensuring a high standard of care. $3.7 million is allocated for rapid HIV test kits and Gonorrhea and Chlamydia testing and treatment.

- expanding the Nurse Family Partnership and the Newborn Home Visiting programs. These initiatives improve the health of mothers and infants and provide necessary services to first time mothers. An additional $3.5 million in 2007 and growing to $4.8 million in 2008 funds the expansion.

Restructuring and Streamlining

- extend activities to increase Medicaid enrollment among children in the Early Intervention Program.

- work closely with the City's Human Resources Administration to enroll children into public health insurance programs, in particular, children in the Early Intervention program.

- review the mental health contract processes to identify more cost-effective approaches to service contracting, monitoring and reporting. The Department aims to protect existing services while preserving access and quality.

- explore direct provider billing to the New York State Department of Health or a State-contracted fiscal agent in order to reduce reliance on a locally-contracted fiscal agent for Early Intervention claims processing, reimbursement and revenue recovery.

- evaluate field locations to identify opportunities for consolidation while ensuring access to services. The Department is in the process of assessing community needs, the proximity of alternate service locations, and ongoing capital improvement projects, in order to identify facilities for consolidation.

- restructure the oral health program to focus on basic and preventive dental care for younger children as the most effective means to address long-term oral health needs.

Summary of Agency Financial Data

The following table compares the 2007 Executive Budget with the 2007 Preliminary Budget, the 2006 forecast and actual expenditures for 2005, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2005 Actual	2006 Forecast	2007 Preliminary Budget	2007 Executive Budget	Increase/(Decrease) 2006 Forecast	Increase/(Decrease) 2007 Preliminary Budget
Expenditures						
Salary and Wages	$279,426	$314,722	$336,318	$343,270	$28,548	$6,952
Fringe Benefits	537	756	390	580	(176)	190
Medical Assistance	(47)	—	—	—	—	—
Public Assistance	130,177	—	—	—	—	—
Other OTPS	1,033,372	1,258,915	1,148,715	1,148,531	(110,384)	(184)
Total	$1,443,465	$1,574,393	$1,485,423	$1,492,381	($82,012)	$6,958
Funding						
City	$539,751	$599,987	$573,713	$581,036	($18,951)	$7,323
Other Categorical Grants	222,009	237,747	251,519	251,519	13,772	—
IFA	—	—	—	—	—	—
State	410,147	418,201	416,750	411,417	(6,784)	(5,333)
Federal CD	830	553	553	553	—	—
Federal Other	263,739	311,203	240,780	245,748	(65,455)	4,968
Intra-City Other	6,991	6,702	2,108	2,108	(4,594)	—
Total	$1,443,465	$1,574,393	$1,485,423	$1,492,381	($82,012)	$6,958
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$77,032	$91,581	$98,714	$98,272	$6,691	($442)
Pensions	17,111	22,408	35,090	34,588	12,180	(502)
Other Than Personal Service (OTPS)						
Legal Services	1,168	1,111	954	1,067	(44)	113
Judgments and Claims	6,685	2,822	3,137	3,155	333	18
Debt Service	19,182	19,124	23,493	26,269	7,145	2,776
Total Additional Costs	$121,178	$137,046	$161,388	$163,351	$26,305	$1,963
Funding						
City	118,720	130,132	158,433	159,163	29,031	730
Non-City	2,458	6,914	2,955	4,188	(2,726)	1,233
Total Agency Costs (including Central Accounts)						
Salary and Wages	$279,426	$314,722	$336,318	$343,270	$28,548	$6,952
Fringe Benefits	77,569	92,337	99,104	98,852	6,515	(252)
Pensions	17,111	22,408	35,090	34,588	12,180	(502)
Total PS	$374,106	$429,467	$470,512	$476,710	$47,243	$6,198
Medical Assistance	($47)	$—	$—	$—	$—	$—
Public Assistance	130,177	—	—	—	—	—
Other OTPS	1,033,372	1,258,915	1,148,715	1,148,531	(110,384)	(184)
Legal Services	1,168	1,111	954	1,067	(44)	113
Judgments and Claims	6,685	2,822	3,137	3,155	333	18
Debt Service	19,182	19,124	23,493	26,269	7,145	2,776
Total OTPS	$1,190,537	$1,281,972	$1,176,299	$1,179,022	($102,950)	$2,723
Total Agency Costs	$1,564,643	$1,711,439	$1,646,811	$1,655,732	($55,707)	$8,921
Less Intra-City	$6,991	$6,702	$2,108	$2,108	($4,594)	$—
Net Agency Cost	$1,557,652	$1,704,737	$1,644,703	$1,653,624	($51,113)	$8,921
Funding						
City	658,471	730,119	732,146	740,199	10,080	8,053
Non-City	899,181	974,618	912,557	913,425	(61,193)	868
Personnel (includes FTEs at fiscal year-end)						
City	4,358	4,726	5,217	4,863	137	(354)
Non-City	1,338	1,490	1,015	1,034	(456)	19
Total	5,696	6,216	6,232	5,897	(319)	(335)

Programmatic Review

Agency-wide Initiatives

Launched in March 2004, the Take Care New York (TCNY) outreach campaign identifies 10 steps that individuals can take to live a longer and healthier life. The Department, in conjunction with City agencies, health care providers, community-based organizations and employers is working to engage all New Yorkers in making the Take Care New York steps a part of their lives. Among the outreach components of TCNY are the issuance of Passports to Your Health, a guide for New Yorkers to follow their health status, and health awareness bulletins for consumers. The program is recording successes as evidenced by recent survey results showing that 170,000 additional New Yorkers report having a doctor; there are 200,000 fewer smokers; and 10 percent more New Yorkers over 50 years of age, were screened for colon cancer. In 2007, the Department will continue to work closely with its partners to further implement core TCNY program and policy initiatives.

DOHMH continues a comprehensive approach to planning for and managing public health emergencies. To better prepare for a potential avian flu pandemic, a multi-disciplinary team with expertise in surveillance and epidemiology, laboratory sciences, public health law and public communication has been convened to develop a preparedness plan. The Department is working with the Office of Emergency Management to guide other City entities in their pandemic flu planning activities, while simultaneously developing a comprehensive all-hazards plan that is in accordance with City, State and Federal emergency readiness requirements.

Mental Hygiene Services

Through the Division of Mental Hygiene, the Department provides planning, funding, and oversight for the provision of mental health, mental retardation, developmental disabilities, chemical dependency and early intervention services. Beginning in 2007, the Department will be a partner in the New York - New York III supportive housing initiative. Over 450,000 mental hygiene consumers are served annually through contracts with nonprofit provider agencies, HHC facilities, other City agencies and voluntary hospitals.

Mental Health

The Department provides a variety of mental health services for children, adolescents, adults and families. Among the Department's leading priorities is the targeting of services toward specific populations. Examples of population specific programs include services for people with co-occurring disabilities and disorders; homeless children, adolescents, and individuals with severe and persistent mental illness. Other targeted services involve the detection and treatment of depression, reducing problem drinking, and providing new treatments for heroin and other opioid drug dependencies.

Mental Retardation and Developmental Disabilities

The Department provides services for individuals with mental retardation, cerebral palsy, epilepsy, autism and other neurological impairments. A network of priority services are designed to meet the needs of individuals with co-occurring disabilities and individuals aging out of the Department of Education's Special Education system. A full range of services are available for people with developmental disabilities; including employment, evaluation, family support, counseling, recreation, respite care, and special continuing education.

Chemical Dependency

Services to assist individuals in need of chemical dependency treatment include detoxification, outpatient adult services, family centered treatment for adolescents, sobriety and employment readiness programs, and community residences. Priority populations include people who are homeless, pregnant women, people with co-occurring disabilities, families and adolescents. The Department will also continue to expand its buprenorphine initiative, a new treatment for opioid addiction.

Early Intervention Services

The Early Intervention Program is a system that identifies and treats children up to age three, who are at risk for or diagnosed with developmental delays or disabilities. Services are designed to reduce or eliminate delays, as well as enable families to manage their children's needs and support their development. A network of over 150 contract agencies provides services to more than 37,500 children and their families annually.

Supportive Housing - New York - New York III

The Department is a critical partner in the New York/New York III agreement to develop 9,000 congregate and scatter-site supportive housing units over the next 10 years for individuals who are homeless, have a mental illness or a disability. New York/New York III will be jointly administered in the City by Department of Homeless Services, Department of Social Services, and Department of Health and Mental Hygiene.

Public Health Services

Disease Control

The Department safeguards the health of New Yorkers through the identification, surveillance, treatment, control, and prevention of infectious diseases and protects the health of citizens during emergencies.

The Bureau of Tuberculosis Control provides direct patient care, education, surveillance, and outreach to reduce the incidence of tuberculosis (TB). In calendar year 2005, new cases of TB reached an historic low of 989 cases, an overall decline of 74% since the peak of the epidemic in 1992. For the first time in the City's recorded public health history there are less than 1,000 cases. TB continues to disproportionately affect the foreign-born, who represented 70 percent of the cases reported in 2005. The Department is increasing services for high-risk immigrant communities and working to improve completion rates for treatment of latent TB infections.

The Bureau of STD Prevention & Control will continue outreach activities and target screening efforts to address the rise in syphilis cases, which decreased slightly to 609 cases in 2005 from 621 cases in 2004. The Bureau operates 10 full-service STD clinics and one free standing HIV Counseling and Testing site. These sites performed approximately 47,000 HIV tests in 2005. All STD sites offer rapid HIV testing that provides results in 20 minutes. During calendar 2005, HIV testing in STD clinics grew by over 10 percent, exceeding 47,000 HIV tests in total. Three quarters of all HIV tests were rapid HIV tests. The STD clinics also provide emergency contraception as well as hepatitis A, B and C-related services.

The Public Health Laboratory provides a wide variety of clinical and environmental testing in support of Department programs and mandates, and develops new procedures to respond to emerging public health issues. Together with the Bureau of Communicable Disease, the Infectious Disease and Bioterrorism Laboratory will continue to enhance its capacity to rapidly detect and respond to new infectious disease threats such as avian influenza and ensure preparedness for bioterrorism incidents.

The mission of the Bureau of HIV/AIDS Prevention and Control is to reduce the number of new cases and ensure that people living with HIV/AIDS live longer and healthier lives. The Bureau will continue to perform core functions of HIV/AIDS surveillance, with an enhanced focus on utilizing data for program planning. The Bureau is funded with a $151 million in federal and City funds in 2007.

Epidemiology

The Epidemiology Bureau provides timely, systematic, and ongoing collection, analysis, and dissemination of data to monitor health trends and assist in the development of appropriate interventions. The Department also registers, processes, certifies, and issues reports of births, deaths, and spontaneous and induced terminations of pregnancy.

In 2007, the Department will disseminate World Trade Center related clinical guidelines and research findings, which will describe respiratory health and post-traumatic stress among people exposed to the WTC attacks. Clinical guidelines have been developed in conjunction with WTC medical monitoring programs, to provide physicians with physical and mental health guidelines for treating patients affected by the attacks.

Health Promotion and Disease Prevention

In 2007, the Bureau will continue to focus on controlling non-communicable diseases and on reducing health disparities within the most vulnerable communities. Through its District Public Health Offices (DPHOs) in Harlem, the South Bronx and North/Central Brooklyn, the Bureau will focus on improving the management of childhood asthma, reducing childhood lead exposure and preventing adolescent pregnancy. Additional efforts will address obesity and the lack of physical activity; smoking cessation; cancer screening; improved diabetes prevention and care; promotion of wellness in workplaces; and the prevention and control of heart disease. Department representatives will make one-on-one educational visits to deliver information and tools to improve physicians' ability to address these issues.

The Department provides public health services in public and non-public elementary and intermediate schools, including comprehensive reviews of children's medical conditions and immunization status, provision of prescription medication, management of chronic illnesses, vision and hearing screening, and follow-up on conditions requiring referrals. These activities are assisted by the Automated School Health Record. Expanding physical education in schools continues to be a priority joint initiative with the Department of Education.

In 2007, the Department will continue to enhance efforts to reduce infant mortality in high-risk neighborhoods through coordination with community partners and the education of residents and service providers. The City's infant mortality rate dropped from 6.5 per 1,000 live births in calendar 2003 to 6.1 in calendar year 2004, coming very close to its historic low (6.0 in calendar year 2000). Because the rate still remains unacceptably high in certain neighborhoods, and to further improve child health and development, the Department is expanding the Nurse Family Partnership and the Newborn Home Visiting Program.

Environmental Health

The Department made significant progress in improving its oversight of more than 9,500 day care services. This includes implementation of a new day care website in 2006 that provides parents with the identification, contact, capacity and permit status information on City-regulated Group Day Care Services. Website improvements for 2007 will include summaries of inspection results, including issuances of violations.

The Department provides care coordination and environmental investigation services to all children with blood lead levels of 15 mcg/dL or greater. The Department also provides education and follow-up services for families and doctors of children with blood lead levels of 10-14 mcg/dL. The number of lead-poisoned children requiring environmental intervention continues to decrease, reflecting the continued success of lead poisoning prevention activities. In the first four months of 2006, 386 children required a medical intervention for elevated lead levels as opposed to 422 for the same period in 2005.

Health Care Access and Improvement

The Department develops, implements, and monitors programs to expand the availability of health services. In conjunction with the City Department of Social Services and the New York State Department of Health, it oversees the Mandatory Medicaid Managed Care program. As of March 2006, enrollment in Medicaid managed care programs exceeded 1.5 million persons. The Department also oversees Medicaid Managed Care Plans designed to meet the needs of special populations. Over 59,000 Supplemental Security Income recipients were enrolled as of March 2006; mandatory enrollment for this population began in November 2005. In addition, 1,700 persons with HIV/AIDS have voluntarily enrolled in three special needs plans. The Department will continue to collaborate with managed care plans to address public health priorities through improved health care management and effective prevention activities.

The Department assists New Yorkers in applying for public health insurance programs. In the past four years Department staff screened more than 160,000 children and adults and enrolled over 40,500 into public health insurance programs.

The Bureau of Correctional Health Services provides health services to more than 102,000 inmates who pass through the City's correctional facilities each year. In 2006, the Department initiated the use of an electronic intake system, a first step towards the implementation of a full electronic health record for prisoners. The Department has also doubled its annual HIV testing in correctional facilities.

The Bureau of Forensic Behavioral Services provides discharge planning to severely and persistently mentally ill inmates released from City jails. In the first six months of 2006, the Bureau screened over 2,800 patients for Medicaid eligibility. The Bureau also conducted five Take Care New York discharge planning fairs at City jails. Representatives from over 100 community-based organizations assisted over 5,000 inmates plan for post release health, housing and legal services.

Office of Chief Medical Examiner

The independent Office of Chief Medical Examiner (OCME) is responsible for the investigation of persons who die within New York City from criminal violence; by casualty or by suicide; suddenly, when in apparent good health; when unattended by a physician; in a correctional facility; or in any suspicious or unusual manner.

OCME, in 2007, will complete construction of the fifteen-story DNA Forensic Biology Laboratory. The structure will consolidate existing DNA laboratories into a custom-built facility for forensic DNA analysis. The new building will provide greater capacity to receive, test and store evidence. Not only will the capacity of existing laboratories expand, but the new building will facilitate the development of new laboratories. This includes a high-volume, high-throughput laboratory to perform DNA profiling, and a genetics laboratory that will use DNA and biochemical testing to perform molecular autopsies.

Last year, OCME reported that efforts of its scientists and outside private partners have exhausted current DNA technology, making future identifications of World Trade Center victims unlikely. Despite this, OCME will continue to further its ability to identify remains by developing improved methods of DNA extraction.

OCME has made major strides in planning for management of mass fatality incidents. Working closely with the NYPD, DOHMH, OEM, DEP, and FDNY, the Office has developed interagency teams and protocols to respond to and mitigate the effects of a disaster, whether natural, accidental, or the result of a terrorist attack. Planning over the past year included development of the Interagency Mass Fatality Plan for OEM, development of the Unified Victim Identification System with the NYPD Missing Persons Unit, OEM and DoITT, and the implementation of training in weapons of mass destruction awareness and response.

In the winter of 2006 the Office occupied new facilities in Queens and Brooklyn that replaced aging facilities. The new buildings offer the public a dignified, and accommodating environment during a time of grief and loss.

Capital Review

The 2007 - 2010 Four-Year Capital Strategy totals $250 million for facilities, new construction, renovation and equipment. The table below reflects capital commitments over the 2007 - 2010 period.

Capital Commitments

($000's)

	2005 Actual		2006 Plan		2007 Plan		2008 Plan		2009 Plan		2010 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
Administration	$0	$0	$1,237	$1,237	$525	$525	$0	$0	$0	$0	$0	$0
Information Technology	$2,716	$2,716	$19,020	$19,020	$12,398	$12,398	$7,790	$7,790	$6,620	$6,620	$4,530	$4,530
Laboratories	$9,950	$9,950	$19,098	$19,098	$30,640	$30,640	$1,001	$1,001	$5,816	$5,816	$0	$0
OCME	$9,504	$9,504	$13,880	$13,880	$2,273	$2,273	$3,638	$3,638	$1,857	$1,857	$2,100	$2,100
Equipment	$10,435	$10,435	$43,371	$43,371	$41,408	$41,408	$7,777	$7,777	$3,334	$3,334	$1,178	$1,178
Renovation	18,682	18,682	50,274	50,274	63,110	63,110	25,133	25,133	21,172	21,172	8,250	8,250
Total	$51,287	$51,287	$146,880	$146,880	$150,354	$150,354	$45,339	$45,339	$38,799	$38,799	$16,058	$16,058

Highlights of the Four Year Capital Strategy

- design and renovation of clinics ($71.7 million)
- information technology improvements ($30.8 million)
- renovation of Vital Records services and upgrades to DOHMH Central Office ($17.1 million)
- Office of Chief Medical Examiner equipment replacement and upgrade and initial outfitting ($9.9 million)

FIRE DEPARTMENT

The Fire Department is responsible for protecting the lives and the property of the citizens of New York City while responding to fire, medical and other emergencies, and investigating building hazards. The Fire Department extinguishes fires, promotes fire prevention awareness, investigates suspicious fires, provides ambulance and emergency medical services, and inspects for building safety. The Department currently has 356 fire units that provide fire and rescue and emergency medical services, while public outreach and enforcement of New York City's fire codes promote fire prevention. The Department's Fire Marshals investigate fires and apprehend perpetrators. The Bureau of Emergency Medical Services (EMS), assisted by the Certified First Responder - Defibrillation (CFR-D) trained personnel responding from Engine Companies, provide pre-hospital emergency medical care and ambulance transport, where required.

Financial Review

The Fire Department's 2007 Executive Budget provides for operating expenses of $1.4 billion, a decrease of $82.6 million from the amount forecasted for 2006. This decrease is primarily due to expected overtime spending reductions in 2007 as well as a projected reduction in expenses supported by Federal grant funding, including costs incurred in reponse to Hurricane Katrina.

Capital commitments of $322.2 million are also provided in 2007. This represents a increase of $145.4 million, a 79 percent change from the amount forecasted for 2006 primarily due to the design and construction of a new Ambulance Fleet Maintenance Facility and procurement of additional mandated frontline apparatus.

Revenue Forecast

The Fire Department issues permits and collects fees for the inspection of fire suppression and electrical systems, places of public assembly, laboratories, high-rise buildings, and the storage and use of combustible materials. In addition, the Department realizes revenues from fees charged to out-of-state fire insurers that issue policies in New York City and to private fire alarm companies. The Department will submit legislation to the City Council to authorize charging currently exempt non-profit and charitable organizations for fire inspections. The 2007 revenue estimate for the Fire Department is $69.8 million.

The Department also collects revenue from Emergency Medical Services (EMS) ambulance transports. In 2007, revenue from Medicaid and non-Medicaid sources is projected at $129.0 million which is $0.5 million more than 2006. This increase in EMS revenue projections is associated primarily with improved collections from commercial health insurers along with an increased number of hospital transports.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- continue to provide on-site emergency medical care and ambulance transport services citywide.
- continue to aggressively hire at levels to maintain firefighter quotas to reduce overtime.
- open new EMS station in Red Hook, Brooklyn to optimize ambulatory services in that part of the City.
- add 15 municipal ambulance tours to replace voluntary tours no longer provided by private hospitals.
- fund collective bargaining agreements for Firefighters and Fire Officers reached in 2006, entailing measures that improve productivity of the uniformed workforce.

- add funds for contracts to better secure Departmental facilities, replace and clean uniforms and bunker gear, and maintain firehouses.

Restructuring and Streamlining

- hire 118 Emergency Medical Technicians to reduce overtime expenditures and improve Emergency Medical dispatch and operations.

- hire 39 personnel in fleet operations to reduce overtime expenditures and improve the maintenance of Departmental vehicles.

Summary of Agency Financial Data

The following table compares the 2007 Executive Budget with the 2007 Preliminary Budget, the 2006 forecast and actual expenditures for 2005, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2005 Actual	2006 Forecast	2007 Preliminary Budget	2007 Executive Budget	Increase/(Decrease) 2006 Forecast	Increase/(Decrease) 2007 Preliminary Budget
Expenditures						
Salary and Wages	$1,093,886	$1,254,958	$1,151,297	$1,209,497	($45,461)	$58,200
Fringe Benefits	18,356	23,530	19,492	20,938	(2,592)	1,446
OTPS	114,271	153,944	107,451	119,378	(34,566)	11,927
Total	$1,226,513	$1,432,432	$1,278,240	$1,349,813	($82,619)	$71,573
Funding						
City	$1,091,062	$1,231,322	$1,143,235	$1,207,944	($23,378)	$64,709
Other Categorical Grants	104,882	128,680	122,147	124,879	(3,801)	2,732
IFA	—	—	—	—	—	—
State	2,085	1,916	1,846	1,846	(70)	—
Federal CD	—	—	—	—	—	—
Federal Other	26,282	65,672	5,193	4,801	(60,871)	(392)
Intra-City Other	2,201	4,842	5,819	10,343	5,501	4,524
Total	$1,226,513	$1,432,432	$1,278,240	$1,349,813	($82,619)	$71,573
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$369,430	$513,107	$539,186	$536,816	$23,709	($2,370)
Pensions	534,297	653,594	734,254	734,316	80,722	62
Other Than Personal Service (OTPS)						
Legal Services	4,763	5,003	4,359	4,643	(360)	284
Judgments and Claims	15,997	19,053	22,331	21,303	2,250	(1,028)
Debt Service	46,314	46,177	56,466	59,353	13,176	2,887
Total Additional Costs	$970,801	$1,236,934	$1,356,596	$1,356,431	$119,497	($165)
Funding						
City	941,951	1,201,371	1,323,982	1,321,245	119,874	(2,737)
Non-City	28,850	35,563	32,614	35,186	(377)	2,572
Total Agency Costs (including Central Accounts)						
Salary and Wages	$1,093,886	$1,254,958	$1,151,297	$1,209,497	($45,461)	$58,200
Fringe Benefits	387,786	536,637	558,678	557,754	21,117	(924)
Pensions	534,297	653,594	734,254	734,316	80,722	62
Total PS	$2,015,969	$2,445,189	$2,444,229	$2,501,567	$56,378	$57,338
OTPS	$114,271	$153,944	$107,451	$119,378	($34,566)	$11,927
Legal Services	4,763	5,003	4,359	4,643	(360)	284
Judgments and Claims	15,997	19,053	22,331	21,303	2,250	(1,028)
Debt Service	46,314	46,177	56,466	59,353	13,176	2,887
Total OTPS	$181,345	$224,177	$190,607	$204,677	($19,500)	$14,070
Total Agency Costs	$2,197,314	$2,669,366	$2,634,836	$2,706,244	$36,878	$71,408
Less Intra-City	$2,201	$4,842	$5,819	$10,343	$5,501	$4,524
Net Agency Cost	$2,195,113	$2,664,524	$2,629,017	$2,695,901	$31,377	$66,884
Funding						
City	2,033,013	2,432,693	2,467,217	2,529,189	96,496	61,972
Non-City	162,100	231,831	161,800	166,712	(65,119)	4,912
Personnel (includes FTEs at fiscal year-end)						
City	15,885	15,726	15,691	15,834	108	143
Non-City	17	33	31	31	(2)	—
Total	15,902	15,759	15,722	15,865	106	143

Programmatic Review

In 2007, the Department expects that well over one-half of the responses by fire companies will be to medical and other non-fire emergencies. The Department's citywide response time to structural fires is estimated to be less than four and one-half minutes in 2007. The Department anticipates that its ambulances will respond to over one million medical incidents in 2007.

Fire Extinguishment

The Fire Department provides fire and rescue operations via 197 Engine Companies, 143 Ladder Companies, seven Squads, five Rescue Units, three Marine Companies, and one Hazardous Materials Unit.

Emergency Medical Services

The Department provides pre-hospital medical care through the deployment of 565 daily ambulance tours. 12 additional EMS tours will be added as noted above. Engine Companies' personnel have received CFR-D training, and re-certification continues for those whose initial certification will expire.

Fire Prevention

The Bureau of Fire Prevention is responsible for enforcing the City's fire code through the inspection of public and private properties. The Bureau was recently expanded to focus on on-site examinations for fire safety directors in high-rise buildings, overdue account inspections and residential sprinkler inspections. The Bureau is also working with the Legal Division on the fire code revision project.

Fire Investigation

The Bureau of Fire Investigation is responsible for investigating and determining the cause and origin of all suspicious fires, and for the apprehension of arsonists. The Department will deploy 80 Fire Marshals to field duty in 2007.

Capital Review

The 2007-2010 Four-Year Capital Plan totals $477.0 million. This funding will be used for the purchase of fire-fighting apparatus, support vehicles, fire suppression and emergency medical equipment, the renovation and modernization of firehouses and other facilities, and the upgrade and replacement of computer and communications systems.

The City is undertaking significant upgrade and enhancements to its 911 Emergency Dispatch System. The majority of the capital funding for this initiative, known as the Emergency Communications Transformation Program (ECTP), is contained within the capital budget of the Department of Information Technology and Telecommunications (DoITT). In conjunction with the NYPD and DoITT, FDNY is working to develop an integrated 911 dispatch system that will bolster the City's critical emergency response capabilities. This project includes the development of a consolidated dispatch system, an upgraded telecommunications infrastructure, and redundant call-taking and dispatch centers. In 2007, DoITT plans to begin technology outfitting and installation of call-taking and dispatch consoles at the Public Safety Answering Center (PSAC).

Capital Commitments

($000's)

	2005 Actual		2006 Plan		2007 Plan		2008 Plan		2009 Plan		2010 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 Communication	14,198	14,198	24,298	28,264	11,096	11,096	200	200	200	200	200	200
Electronic Data Processing	3,470	3,470	23,427	30,172	7,838	7,838	5,584	5,584	1,922	1,922	150	150
Reconstruction/Modernization of Facilities	48,821	48,821	89,713	98,853	254,815	254,815	24,024	24,024	13,847	13,847	15,619	15,619
Vehicles and Equipment	26,293	26,293	8,182	29,682	48,460	48,460	28,467	28,467	36,235	36,235	28,284	28,284
Total	92,782	92,782	145,620	186,971	322,209	322,209	58,275	58,275	52,204	52,204	44,253	44,253

Highlights of the Four-Year Capital Plan

- upgrade emergency communications systems and radio equipment ($26.9 million).
- professional services for the upgrade and integration of the information systems for emergency response and dispatch ($19.9 million).
- the replacement of front-line fire-fighting apparatus according to mandated replacement cycles as well as support vehicles and equipment ($140.8 million).
- the renovation of firehouse components such as boilers, electrical upgrades, kitchens, roofs, bathrooms, waterproofing, apparatus doors, floors, and windows ($78.4 million).
- the complete rehabilitation of Engine Companies 259 and 293 in Queens ($6.9 million).
- the completion of a new firehouse for Rescue Squad Three in the Bronx ($16.6 million).
- the reconstruction of the existing Fleet Maintenance building, and replacement of the Ambulance Maintenance facility ($160.4 million).

The 2007 Plan for the Department totals $322.2 million and highlights include:

- the renovation of firehouse components such as boilers, electrical upgrades, kitchens, roofs, bathrooms, waterproofing, apparatus doors, floors, and windows ($36.5 million).
- the reconstruction of the existing fleet maintenance building, and replacement of the Ambulance Maintenance facility ($135.0 million).
- the replacement of front-line fire-fighting apparatus and support vehicles and equipment ($48.3 million).
- the reconstruction of the Marine 6 Pier in the Brooklyn Navy Yard, due to piling deterioration ($2.5 million).
- the construction of a new EMS Station to replace the existing station located on the Queens General Hospital grounds ($11.1 million).
- the construction of a new EMS Station in Greenpoint, Brooklyn ($5.4 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 sanitary conditions and enforces sanitary compliance through the collection, management, recycling, and disposal of municipal solid waste in the City's 59 Community Districts.

Financial Review

The Department of Sanitation's 2007 Executive Budget provides for operating expenses of $1.2 billion, an increase of $67.8 million from the 2006 forecast. This increase is primarily due to sanitation worker collective bargaining and waste export contract costs.

Capital commitments of $725.7 million are also provided in 2007, an increase of $629.6 million from the 2006 Plan amount. This increase is primarily due to the extensive infrastructure development for the new Solid Waste Management Plan in 2007.

Revenue Forecast

The Department of Sanitation generates revenue from contracts for the removal of abandoned vehicles from City streets and property, from concession fees on methane gas extracted from the Fresh Kills landfill, from the sale of recycled paper and metal to private processors, and from an assortment of miscellaneous fees and minor sales. The Department's 2007 revenue estimate is $17.6 million from these sources, compared to $12.3 million in 2006. The 2007 increase includes the payment of a revenue sharing fee from the methane gas extraction concessionaire.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- fund a collective bargaining agreement for Sanitation Workers reached in November 2005 that entails numerous measures that improve the productivity of the uniformed workforce, at an increased cost of $58.4 million in 2007.

- the Department's workforce has increased by 38 positions and $2.4 million annually for operation and maintenance of the Staten Island Transfer Station and rail-link, due to open in 2007. Exporting waste from the Staten Island Transfer Station via rail will bring environmental benefits over the current system of export via truck transport.

- higher bid prices for interim waste export contracts in Queens will result in increased annual costs of $8.9 million.

- to comply with Local Law 38 of 2005, the Department will spend $750,000 more annually for the purchase of hybrid light-duty vehicles. In addition, 35 more positions are provided for vehicle and building maintenance.

- the Department's snow removal budget has been increased by $5.2 million, based on the previous five-year spending average.

Restructuring and Streamlining

- with the hiring of an additional 58 Sanitation Enforcement Agents and supervisors, the Department is expecting to reduce illegal dumping, postering, etc., increase recycling, and increase fine revenue from non-compliance with City laws.

- the Department is estimating $9.8 million less in Fresh Kills closure construction costs in 2007.

- lower-than-expected yield of MGP (metal, glass, and plastic) tonnage will result in a savings of $2.0 million in 2007 for the processing of these materials.

Summary of Agency Financial Data

The following table compares the 2007 Executive Budget with the 2007 Preliminary Budget, the 2006 forecast and actual expenditures for 2005, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2005 Actual	2006 Forecast	2007 Preliminary Budget	2007 Executive Budget	Increase/(Decrease) 2006 Forecast	Increase/(Decrease) 2007 Preliminary Budget
Expenditures						
Salary and Wages	$610,971	$671,005	$679,118	$685,767	$14,762	$6,649
Fringe Benefits	17,787	20,359	20,919	20,919	560	—
OTPS	406,188	435,731	476,833	488,167	52,436	11,334
Total	$1,034,946	$1,127,095	$1,176,870	$1,194,853	$67,758	$17,983
Funding						
City	$1,009,084	$1,078,862	$1,152,182	$1,168,907	$90,045	$16,725
Other Categorical Grants	2,006	2,026	1,100	1,100	(926)	—
IFA	8,997	10,906	10,631	10,906	—	275
State	1,630	21,002	—	—	(21,002)	—
Federal CD	12,136	13,180	12,096	12,984	(196)	888
Federal Other	5	2	—	—	(2)	—
Intra-City Other	1,087	1,117	861	956	(161)	95
Total	$1,034,946	$1,127,095	$1,176,870	$1,194,853	$67,758	$17,983
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$219,342	$314,136	$332,557	$331,815	$17,679	($742)
Pensions	65,201	96,376	138,794	138,868	42,492	74
Other Than Personal Service (OTPS)						
Legal Services	2,755	5,287	4,360	5,074	(213)	714
Judgments and Claims	16,332	22,741	28,769	25,428	2,687	(3,341)
Debt Service	150,180	149,727	183,937	198,706	48,979	14,769
Total Additional Costs	$453,810	$588,267	$688,417	$699,891	$111,624	$11,474
Funding						
City	446,395	569,878	676,917	679,032	109,154	2,115
Non-City	7,415	18,389	11,500	20,859	2,470	9,359
Total Agency Costs (including Central Accounts)						
Salary and Wages	$610,971	$671,005	$679,118	$685,767	$14,762	$6,649
Fringe Benefits	237,129	334,495	353,476	352,734	18,239	(742)
Pensions	65,201	96,376	138,794	138,868	42,492	74
Total PS	$913,301	$1,101,876	$1,171,388	$1,177,369	$75,493	$5,981
OTPS	$406,188	$435,731	$476,833	$488,167	$52,436	$11,334
Legal Services	2,755	5,287	4,360	5,074	(213)	714
Judgments and Claims	16,332	22,741	28,769	25,428	2,687	(3,341)
Debt Service	150,180	149,727	183,937	198,706	48,979	14,769
Total OTPS	$575,455	$613,486	$693,899	$717,375	$103,889	$23,476
Total Agency Costs	$1,488,756	$1,715,362	$1,865,287	$1,894,744	$179,382	$29,457
Less Intra-City	$1,087	$1,117	$861	$956	($161)	$95
Net Agency Cost	$1,487,669	$1,714,245	$1,864,426	$1,893,788	$179,543	$29,362
Funding						
City	1,455,479	1,648,740	1,829,099	1,847,939	199,199	18,840
Non-City	32,190	65,505	35,327	45,849	(19,656)	10,522
Personnel (includes FTEs at fiscal year-end)						
City	9,272	9,558	9,558	9,679	121	121
Non-City	309	390	390	390	—	—
Total	9,581	9,948	9,948	10,069	121	121

Programmatic Review

The Department's main administrative and planning divisions include the Bureau of Long Term Export, Financial Management and Administration, and the Bureau of Waste Prevention, Re-use, and Recycling. The two operational divisions are the Bureau of Cleaning and Collection (BCC) and the Bureau of Waste Disposal (BWD). The Bureau of Motor Equipment (BME) and the Bureau of Building Management (BBM) provide support operations.

Long Term Solid Waste Management

On July 31, 2002, the Mayor asked the Department of Sanitation to develop a new City waste export infrastructure to replace the existing contracts, limit truck-based export and maximize the export of containerized waste by barge or rail. The Mayor directed the Department to focus on the conversion of existing Marine Transfer Stations for barge export from four Boroughs and to build a facility to export Staten Island waste by rail.

The Department's efforts resulted in designs for new containerization facilities to be built at the Marine Transfer Station sites for the Department-managed waste generated in four Boroughs. Through procurement solicitations, the Department also obtained proposals from vendors interested in providing long-term waste services at the Marine Transfer Stations, as well as private vendor proposals that offer alternatives to the conversion of certain Marine Transfer Stations.

For Staten Island waste, the Department has completed the construction of a facility at a site at the closed Fresh Kills landfill that will containerize waste for rail transport once the final rail connections are complete.

Containerization at the Marine Transfer Stations and at the Staten Island facility will provide the City with an environmentally sound approach to waste management and increased flexibility in disposal options. In addition, the Solid Waste Management Plan more equitably distributes the responsibility for waste transfer among the five boroughs.

The Department's Four-Year Capital Commitment Plan provides $464.7 million for the implementation of the City's Solid Waste Management Plan.

Bureau of Waste Prevention, Re-use, and Recycling

The Department continues its efforts to reduce the quantity of solid waste that must be disposed. The Department currently operates a dual-stream recycling program that requires residents to separate metal, glass, and plastic (MGP) from paper and place it in bins, bags or bundles.

In 2006, the paper recycling program generates an average of $10.02 of revenue per ton from various vendors or $4.6 million per year. In 2006, the City is paying $53.00 per ton for metal, glass and plastic (MGP) processing.

Bureau of Cleaning and Collection

The Bureau of Cleaning and Collection (BCC) is primarily responsible for collecting household refuse and recyclables, cleaning City streets, and enforcing recycling regulations and portions of the City's health and administrative codes. During the winter, BCC is also responsible for the removal of snow from City streets.

Currently, BCC provides refuse collection services two to three times a week depending on the population density of the community. During 2005, the Department's curbside collection program averaged 10.7 tons per truck. In 2006, the Department has averaged 10.7 tons per truck year-to-date.

Bureau of Waste Disposal

The Bureau of Waste Disposal (BWD) is responsible for the receipt, transfer, transportation, and final disposal of approximately 12,000 daily tons of residential and institutional waste through its waste export contracts.

BWD is also responsible for the Fresh Kills landfill closure activities. The Financial Plan includes funds for closure activities including final capping of the landfill, leachate treatment and control, methane gas collection and flaring, maintenance and security of the site and waterways, and environmental monitoring.

Support Bureaus

The Bureau of Motor Equipment (BME) provides services related to the acquisition, repair, and maintenance of the Department's equipment including collection trucks, street sweepers, salt spreaders, snow melters, front-end loaders, and other vehicles and equipment. BME operates an extensive network of repair and maintenance facilities to ensure that equipment is available. This Bureau researches and develops equipment specifications to improve productivity, vehicle design, and to take advantage of the newest technologies including alternative fuel vehicles and emissions-reducing exhaust after-treatments. The Department has been a leading force in the City's efforts to convert its fleet to ultra-low-sulfur fuel.

The Bureau of Building Maintenance continues to provide facility management services. BBM provides maintenance and emergency repair work for the Department's 204 facilities. BBM is also working in conjunction with the New York Power Authority to reduce the Department's overall electrical consumption, particularly peak loads during high temperature summer days.

Capital Review

The Department's 2007-2010 Four-Year Capital Commitment Plan totals $1.6 billion. The Four-Year Capital Commitment 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. The Department's Four-Year Capital Commitment Plan consists of three major components - garage construction and rehabilitation, transfer station renovation and construction, and vehicle purchases. These three major programs represent 98.0 percent of the total 2007-2010 Four-Year Capital Commitment Plan.

The Department supports its collection and cleaning operations through its garage program. Garages and facilities will be constructed and rehabilitated in all five Boroughs. In accordance with the revised focus of the City's Long Term Solid Waste Management Plan, the Department has also embarked on the renovation and the construction of transfer stations. These containerized facilities will enable the City to export its refuse via barge or rail. The Department continues to replenish its fleet, including collection trucks, dual-bin trucks, mechanical brooms, and salt spreaders in order to support operations.

Capital Commitments

($ in 000's)

	2005 Actual		2006 Plan		2007 Plan		2008 Plan		2009 Plan		2010 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Waste Disposal	$7,379	$7,379	-$5,655	-$5,655	$8,967	$8,967	$10,500	$10,500	$7,000	$7,000	$0	$0
Solid Waste Management	11,923	11,923	16,983	16,983	460,054	464,054	0	600	0	0	0	0
Garages	88,863	88,863	29,264	29,264	96,115	96,115	263,150	263,150	7,141	7,141	196,393	196,393
Equipment	28,381	28,381	55,482	55,482	156,517	156,517	116,928	116,928	121,160	121,160	118,192	118,192
Total	$136,546	$136,546	$96,074	$96,074	$721,653	$725,653	$390,578	$391,178	$135,301	$135,301	$314,585	$314,585

Highlights of the 2007-2010 Four-Year Capital Commitment Plan

- construction and rehabilitation of garages ($532.8 million): including Manhattan 1/2/5 Garage ($166.7 million); Manhattan 6/8/8A Garage ($166.0 million); Staten Island 3 Garage and Borough Shop ($58.3 million); Brooklyn 13/15 Garage ($48.2 million); Brooklyn 3/3A Garage ($47.3 million); and Staten Island 1 Garage ($28.5 million).

- construction and renovation of transfer stations in accordance with the revised focus of the City's Long Term Solid Waste Management Plan ($421.9 million).

- replacement of vehicles ($467.7 million).

- upgrading and expansion of the Sanitation Control and Analysis Network (SCAN), the information system for staffing, equipment, and other operational activities ($32.6 million).

The 2007 Capital Plan provides $725.7 million in 2007 including:

- design and construction services necessary for the transfer stations ($421.9 million).

- construction and equipment purchase for the City's four composting facilities ($14.1 million).

- replacement of mechanical brooms, collection trucks, salt spreaders and other vehicles ($114.7 million).

- design of the Staten Island 1 Garage ($1.7 million); design of the Brooklyn 13/15 Garage ($2.6 million); rehabilitation of Queens 9 garage ($3.1 million) and Manhattan 9 garage ($2.0 million); design of Staten Island 3 Garage and Borough Shop ($2.0 million); and the construction of Brooklyn 3/3A Garage ($47.3 million).

- construction and renovation of salt sheds, citywide ($17.9 million).

DEPARTMENT OF PARKS AND RECREATION

The Department of Parks and Recreation maintains one of the oldest and most extensive municipal park systems in the country. The Department is responsible for approximately 29,000 acres of developed, natural, and undeveloped parkland, which constitutes 14 percent of the City's landmass. The municipal park system includes 800 athletic fields, 550 tennis courts, 63 swimming pools, 35 recreation centers, 14 miles of beaches, 13 golf courses, six ice rinks, four stadia, and three zoos. The Department is also responsible for the care of 1,200 monuments, 22 historic house museums and the cultivation of 2.5 million park and street trees.

Financial Review

The 2007 Executive Budget for the Department provides for operating expenses of $284.5 million, which represents a net decrease of $26.8 million from the amount forecasted in 2006. This decrease is primarily due to expenses supported by grant funding and non-recurring City Council add-ons.

Capital commitments for 2007 of $707.5 million are also provided, an increase of $192.3 million from the 2006 capital plan of $515.5 million. This increase is due to the schedule of construction activity of parks projects such as the New Mets and Yankee Stadium Infrastructure, High Line Park, and Randall's Island Sports Fields, as well as the commencement of several designs for the new Fresh Kills Park in Staten Island.

Revenue Forecast

The Department of Parks and Recreation issues recreational permits, collects revenue from stadium rentals, and receives revenue generated by concessions operated on Parks property. The Department will collect $72.2 million from these sources in 2007, compared to $67.7 million in 2006. The 2007 increase reflects the Department instituting a uniform fee schedule at all recreation centers.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- maintaining the City's parks, playgrounds, infrastructure, and safety equipment, while maintaining the level of acceptable ratings for the cleanliness and overall condition of parks. The budget re-classifies 894 per diems to full time status.

- sustaining parks through workforce transformation programs. Parks maintenance funding is also provided by the City's Human Resources Administration for the Parks Opportunity Program. This program provides manpower to the Parks Department to maintain and operate its parks, while helping to train and employ public assistance recipients. The budget converts seasonal staff to 52 full time positions to support the operations of this multi-agency program.

- operating pools and beaches, and employing lifeguards at beaches. The 2007 budget includes the continuation of a $6 million allocation to provide the necessary staff for the operation and maintenance of pools and other recreation facilities during the summer months.

- expanding and improving recreation activity throughout the city. The budget has been increased by 33 positions for the staffing and operation of the new Fowler Avenue Recreation Center in Flushing, Queens and Greenbelt Center in Staten Island. The 2007 budget also provides funding and revenue projections that will allow the City to charge the same fees at all recreation centers throughout the City.

- maintaining street trees, park flora and fauna. The 2007 budget includes over $5 million for the removal of wood waste in areas affected by the Asian Longhorned Beetle infestation throughout the New York City area, preventing further infestation and damage to the City's trees. The 2007 budget establishes a base of funding in the outyears to prevent future spread of this infestation.

- designing and supervising park construction. The 2007 budget includes an increase of 71 full time positions for the Capital Projects Division that is responsible for redesigning and rebuilding the agency's more than 1,700 sites throughout the city. 43 of the new positions are provided for the reconstruction of parkland throughout the City. 28 positions are focused directly on designing and overseeing parkland construction surrounding the New Yankee Stadium in the Bronx.

- the 2007 budget also includes $8.5 million to subsidize the Wildlife Conservation Society for the operation of the Central Park Zoo, the Prospect Park Zoo and the Queens Wildlife Center. This represents a reduction of $1.3 million from the FY06 subsidy of $9.8 million due to an increase in admission prices at all three zoos.

Summary of Agency Financial Data

The following table compares the 2007 Executive Budget with the 2007 Preliminary Budget, the 2006 forecast and actual expenditures for 2005, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2005 Actual	2006 Forecast	2007 Preliminary Budget	2007 Executive Budget	Increase/(Decrease) 2006 Forecast	Increase/(Decrease) 2007 Preliminary Budget
Expenditures						
Salary and Wages	$216,978	$229,864	$205,373	$214,281	($15,583)	$8,908
Fringe Benefits	516	2,946	1,337	1,341	(1,605)	4
OTPS	69,592	78,505	61,479	68,873	(9,632)	7,394
Total	$287,086	$311,315	$268,189	$284,495	($26,820)	$16,306
Funding						
City	$202,613	$220,706	$198,328	$212,123	($8,583)	$13,795
Other Categorical Grants	12,826	15,309	850	2,940	(12,369)	2,090
IFA	18,708	20,516	20,509	24,503	3,987	3,994
State	472	1,377	—	—	(1,377)	—
Federal CD	6,488	6,837	5,942	2,369	(4,468)	(3,573)
Federal Other	1,011	1,272	—	—	(1,272)	—
Intra-City Other	44,968	45,298	42,560	42,560	(2,738)	—
Total	$287,086	$311,315	$268,189	$284,495	($26,820)	$16,306
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$63,694	$87,775	$91,467	$91,009	$3,234	($458)
Pensions	13,293	15,941	21,317	21,006	5,065	(311)
Other Than Personal Service (OTPS)						
Legal Services	3,914	5,111	4,300	4,905	(206)	605
Judgments and Claims	16,750	18,069	20,008	20,204	2,135	196
Debt Service	119,253	118,893	146,058	172,391	53,498	26,333
Total Additional Costs	$216,904	$245,789	$283,150	$309,515	$63,726	$26,365
Funding						
City	212,153	232,036	275,139	294,062	62,026	18,923
Non-City	4,751	13,753	8,011	15,453	1,700	7,442
Total Agency Costs (including Central Accounts)						
Salary and Wages	$216,978	$229,864	$205,373	$214,281	($15,583)	$8,908
Fringe Benefits	64,210	90,721	92,804	92,350	1,629	(454)
Pensions	13,293	15,941	21,317	21,006	5,065	(311)
Total PS	$294,481	$336,526	$319,494	$327,637	($8,889)	$8,143
OTPS	$69,592	$78,505	$61,479	$68,873	($9,632)	$7,394
Legal Services	3,914	5,111	4,300	4,905	(206)	605
Judgments and Claims	16,750	18,069	20,008	20,204	2,135	196
Debt Service	119,253	118,893	146,058	172,391	53,498	26,333
Total OTPS	$209,509	$220,578	$231,845	$266,373	$45,795	$34,528
Total Agency Costs	$503,990	$557,104	$551,339	$594,010	$36,906	$42,671
Less Intra-City	$44,968	$45,298	$42,560	$42,560	($2,738)	$—
Net Agency Cost	$459,022	$511,806	$508,779	$551,450	$39,644	$42,671
Funding						
City	414,766	452,742	473,467	506,185	53,443	32,718
Non-City	44,256	59,064	35,312	45,265	(13,799)	9,953
Personnel (includes FTEs at fiscal year-end)						
City	6,906	5,865	5,222	5,404	(461)	182
Non-City	418	560	525	491	(69)	(34)
Total	7,324	6,425	5,747	5,895	(530)	148

Programmatic Review

The Department continues to explore approaches to maximize funding available to provide for safe and clean recreational space. To that end, the Department expects to build upon past successes in establishing private and public partnerships, along with Federal and State funding, to assist in parkland maintenance and operations.

Maintaining Parks

The Department of Parks and Recreation will continue to optimize its full-time and seasonal staffing resources in order to maintain cleanliness in all parks and playgrounds citywide.

As a continued cost cutting measure, the Parks Department continues to reconstruct asphalt or barren athletic fields, converting them to fields carpeted with synthetic turf. This initiative maximizes recreational use of the fields, which can then sustain year-round play. Furthermore, the program reduces maintenance costs by eliminating the need to irrigate, mow, weed, fertilize or seed and requires no chemical fertilizers, pesticides, herbicides or fungicides (as grass fields require). This allows the Department to shift resources to heavily utilized natural turf fields.

Expanding Public-Private Partnerships

The Department of Parks and Recreation continues to explore a variety of opportunities to increase resources for specific programmatic allocation. In the past, the Department has received support for capital projects, maintenance, programming and special events from non-profit partners like the Central Park Conservancy, the Prospect Park Alliance, the Bronx River Alliance, and the Greenbelt Conservancy. The Department will expand its support from private partnerships as it commences to construct the new High Line Park, with support from Friends of the High Line, and as it reconstructs Washington Square Park and Union Square Park with private assistance. Private contributions will be considerable for the completion of both park projects.

In 2005, in a four-way partnership, the Department, Central Park Conservancy, City Parks Foundation, and New Yorkers for Parks launched the Neighborhood Parks Initiative (NPI). The program assigned 30 assistant gardeners and 30 playground associates to 30 neighborhood parks across the city. Central Park Conservancy staff trained and mentored the assistant gardeners, helping to develop horticultural plans for the neighborhood parks. The other organizations provided financial and technical support.

Also in 2005, the Department launched Trees Count! and the 2005-2006 Street Tree Census. Over 1,000 volunteers learned about 30-plus species of street trees in New York City, and how to identify them and then walked block by block counting and identifying the species. The Bank of America was the lead sponsor with other sponsors including Hewlett Packard, New York Presbyterian, Verizon Wireless, NYCity Environmental Fund, and Rodale.

Recreational Services

In an effort to ensure that the City is making the best choices about improvements to its 35 recreation centers (not including the Fowler Center in Queens and the Greenbelt Recreation Center in Staten Island that will be open this year), the 2007 Budget calls for the Department to collect revenue from membership sales and programs at its centers. In an effort to promote cultural, recreational, and academic enrichment, the Department offers free after-school programs in its recreation centers citywide. Youth membership at recreational centers is at 25,000, an increase of approximately thirty percent from three years ago. The Department continues to make children a priority by enhancing its after school programs. Through programs such as Shape Up New York, Teens at Parks and Parks Afterschool, the Department is encouraging physical and mental health as well as developing leadership, teambuilding and creative skills throughout the City during the entire school year.

Capital Review

The Four-Year Plan totals $1.41 billion, including $80.3 million of non-city funding. The table below shows capital commitments by program area over the 2005 - 2010 period.

Capital Commitments
($000's)

	2005 Actual		2006 Plan		2007 Plan		2008 Plan		2009 Plan		2010 Plan	
Ten Year Plan Category	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Beaches and Boardwalks	$5,205	$5,405	$4,265	$4,440	$2,358	$6,558	$1,700	$1,700	$500	$500	$500	$500
Land Acquistion and Tree Planting	25,349	25,449	28,695	29,402	32,121	33,519	8,191	8,191	6,400	6,400	8,000	8,000
Major Recreation Facilities	34,413	34,953	94,785	95,256	173,208	176,466	75,528	75,528	60,300	60,300	5,200	5,200
Neighborhood Parks and Playgrounds	34,582	39,070	107,989	133,996	84,631	101,111	50,367	52,187	25,000	25,000	14,000	14,000
Vehicles, Equipment and Facility Reconstruction	4,257	4,257	20,253	20,875	15,595	15,865	9,202	9,202	7,200	7,200	7,200	7,200
Large, Major and Regional Park Reconstruction	104,520	113,005	193,933	228,024	312,083	357,865	184,505	191,601	149,026	149,026	81,889	81,889
Zoos	3,044	3,044	3,338	3,338	16,104	16,104	0	0	0	0	0	0
TOTAL	$211,370	$225,183	$453,258	$515,331	$636,100	$707,488	$329,493	$338,409	$248,426	$248,426	$116,789	$116,789

Highlights of the Four-Year Capital Plan

- construction of neighborhood parks, roadways, and other park features at Fresh Kills in Staten Island ($136.1 million).
- construction of new parks surrounding Yankee Stadium in the Bronx ($148.8 million).
- construction of supporting infrastructure for the New Mets Stadium in Queens ($103.7 million).
- construction of the new Brooklyn Bridge Park in Brooklyn ($49.8 million).
- development of parks along the Greenpoint and Williamsburg waterfront ($98.7 million).
- development of riverfront parkland along the Bronx River ($15.7 million).
- conversion of an abandoned freight viaduct to the new High Line Park in Manhattan ($69.5 million).
- construction of sports fields and underground infrastructure at Randall's Island ($86.1 million).
- construction of Hudson River Park in Manhattan ($61.0 million).
- construction of the new Elmhurst Keyspan Park ($17.0 million) and Fort Totten Park in Queens ($12.0 million).
- reconstruction and replacement of safety surfaces, play equipment and paths in neighborhood parks and playgrounds citywide ($53.0 million).
- planting an average of 6,900 street trees per year citywide ($29.8 million).

- reconstruction and rehabilitation of park buildings citywide ($22.0 million).
- reconstruction of pools citywide ($5.7 million).

The 2007 Plan for the Department totals $707.5 million and highlights include:

- park replacement surrounding Yankee Stadium in the Bronx ($42.5 million).
- infrastructure for the new Mets Stadium in Queens ($88.8 million).
- reconstruction of the Prospect Park Ice Rink in Brooklyn ($10.0 million).
- reconstruction of Robert Venable Park in Brooklyn ($5.0 million).
- reconstruction of the Eastern Parkway Malls in Brooklyn ($3.0 million).
- restoration the Bronx River West Farms Link ($2.4 million).
- construction of Hudson River Park in Manhattan($25.5 million).
- construction of High Line Park in Manhattan ($49.5 million).
- construction of the sports fields and underground infrastructure at Randall's Island ($80.8 million).
- reconstruction of the West 59th St. Recreation Center in Manhattan ($5.1 million).
- construction of the new Elmhurst Keyspan Park in Queens ($7.5 million).
- reconstruction of Union Square Park in Manhattan ($8.3 million).
- construction of a new lifeguard station at Beach 67th St. in the Rockaways, Queens ($1.4 million).
- completion of the new Flushing Meadows-Corona Park Pool and Rink in Queens ($11.0 million).
- construction of the Owl Hollow playground at Fresh Kills, Staten Island ($3.2 million).
- design of the Travis neighborhood park at Fresh Kills, Staten Island ($1.7 million).

DEPARTMENT OF ENVIRONMENTAL PROTECTION

The primary mission of the Department of Environmental Protection (DEP) is to protect the environmental health, welfare and natural resources of New York City and its residents. To this end, DEP is responsible for 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 construction, reconstruction and upgrading 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 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 2007 Executive Budget provides $881.7 million in operating expenses, an increase of $61.9 million from the amount forecast for 2006. It also provides capital commitments of $2.6 billion in Water Finance Authority Funds, $43.0 million in City General Obligation funds, and $128.7 million in non-City funds.

Revenue Forecast

The Department collects revenue from environmental quality permits, the sale of hydro-energy to upstate power utilities, property rentals, summonses adjudicated before the Environmental Control Board (ECB), and other fees. The revenue estimate for 2007 is $78.0 million. The Bureau of Environmental Compliance regulates air, noise and hazardous materials, performs inspections, issues licenses and permits, and reviews technical plans related to asbestos control, air quality, and noise abatement laws. The Bureau will collect $9.7 million from these sources in 2007. The Environmental Control Board will collect $64.0 million in 2007.

In addition, DEP also gathers the data used to generate bills for customers of, and collects water and sewer fees for, the New York City Water Board. DEP projects approximately $2.1 billion in water and sewer revenue for 2007.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- DEP supplies approximately 1.3 billion gallons per day of drinking water to eight million City residents and one million upstate residents, as well as maintaining the City's water main and sewer infrastructure. Approximately 2,300 personnel and $350.0 million are dedicated to this function.

- DEP treats approximately 1.3 billion gallons of dry-weather sewage per day at the City's 14 water pollution control plants (WPCPs). Approximately 2,000 personnel and $300.0 million are dedicated to this function.

- the Agency enforces the City's air and noise codes, responds to hazardous materials emergencies and adjudicates environmental violations through the Environmental Control Board, with 312 personnel and $30.5 million dedicated to this function.

- the Department will increase watershed security resources by $300,000. Currently the upstate watershed police force personnel are comprised of 215 positions including 188 environmental police officers.

- to improve water quality in the City's local waters, DEP will activate the Flushing Bay Combined Sewer Overflow Retention Tank in November 2006. The Department will add seven positions and $366,489 in funding to support this initiative.

- the Agency will add 41 positions and $6.1 million in funding for the operation and maintenance of the upgraded Newtown Creek WPCP as the facility initiates secondary treatment of wastewater.

- DEP will provide an additional 89 positions and $10.5 million in funding to implement new Environmental Health and Safety policies and procedures within its Bureau of Wastewater Treatment.

- the Department will continue to address health and safety concerns for DEP employees with an increase of $1.1 million and five positions to enhance this function within the Bureau of Water Supply.

- funding increases of $15.4 million for Agency-wide energy needs and $11.4 million for taxes on City-owned watershed property.

Restructuring and Streamlining

- the Department will contract out for sewer dragging services to alleviate the accumulation of debris and silt ($77,000 in 2007 and $350,000 in 2008). The sewers to be cleaned are located beneath Jewel, Provost and Huron Streets in Brooklyn, as well as Prince Street and 35th Avenue in Queens.

- DEP will invest in infrastructure to improve the water and sewer computer billing system. This includes contracting for improvements to the Interactive Voice Response system.

Summary of Agency Financial Data

The following table compares the 2007 Executive Budget with the 2007 Preliminary Budget, the 2006 forecast and actual expenditures for 2005, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2005 Actual	2006 Forecast	2007 Preliminary Budget	2007 Executive Budget	Increase/(Decrease) 2006 Forecast	Increase/(Decrease) 2007 Preliminary Budget
Expenditures						
Salary and Wages	$354,893	$357,640	$358,444	$372,255	$14,615	$13,811
Fringe Benefits	46	2,324	2,269	2,269	(55)	—
OTPS	400,645	459,853	433,861	507,172	47,319	73,311
Total	$755,584	$819,817	$794,574	$881,696	$61,879	$87,122
Funding						
City	$704,929	$763,153	$744,891	$830,374	$67,221	$85,483
Other Categorical Grants	—	—	—	—	—	—
IFA	48,189	48,717	48,717	50,293	1,576	1,576
State	1,213	1,905	—	—	(1,905)	—
Federal CD	—	—	—	—	—	—
Federal Other	289	5,076	—	—	(5,076)	—
Intra-City Other	964	966	966	1,029	63	63
Total	$755,584	$819,817	$794,574	$881,696	$61,879	$87,122
Additional Costs Centrally Funded						
Personal Services (PS) .						
Fringe Benefits	$103,691	$121,692	$129,696	$130,048	$8,356	$352
Pensions	21,693	25,202	37,211	36,569	11,367	(642)
Other Than Personal Service (OTPS)						
Legal Services	8,304	7,785	6,764	7,698	(87)	934
Judgments and Claims	6,773	17,451	25,056	19,512	2,061	(5,544)
Debt Service	68,028	67,823	83,319	92,422	24,599	9,103
Total Additional Costs	$208,489	$239,953	$282,046	$286,249	$46,296	$4,203
Funding						
City	205,816	232,589	277,738	277,629	45,040	(109)
Non-City	2,673	7,364	4,308	8,620	1,256	4,312
Total Agency Costs (including Central Accounts)						
Salary and Wages	$354,893	$357,640	$358,444	$372,255	$14,615	$13,811
Fringe Benefits	103,737	124,016	131,965	132,317	8,301	352
Pensions	21,693	25,202	37,211	36,569	11,367	(642)
Total PS	$480,323	$506,858	$527,620	$541,141	$34,283	$13,521
OTPS	$400,645	$459,853	$433,861	$507,172	$47,319	$73,311
Legal Services	8,304	7,785	6,764	7,698	(87)	934
Judgments and Claims	6,773	17,451	25,056	19,512	2,061	(5,544)
Debt Service	68,028	67,823	83,319	92,422	24,599	9,103
Total OTPS	$483,750	$552,912	$549,000	$626,804	$73,892	$77,804
Total Agency Costs	$964,073	$1,059,770	$1,076,620	$1,167,945	$108,175	$91,325
Less Intra-City	$964	$966	$966	$1,029	$63	$63
Net Agency Cost	$963,109	$1,058,804	$1,075,654	$1,166,916	$108,112	$91,262
Funding						
City	910,745	995,742	1,022,629	1,108,003	112,261	85,374
Non-City	52,364	63,062	53,025	58,913	(4,149)	5,888
Personnel (includes FTEs at fiscal year-end)						
City	431	432	434	437	5	3
Non-City	5,558	5,847	5,856	6,008	161	152
Total	5,989	6,279	6,290	6,445	166	155

Programmatic Review

Water Supply Strategies

The New York City Water System consists of 18 collecting reservoirs and three controlled lakes located within the 2,000 square miles of the Croton, Catskill and Delaware watersheds. The Croton Watershed provides 10 percent of the City's water supply and is located north of the City in Westchester, Putnam and Dutchess Counties. The Catskill Watershed provides 40 percent of the City's water supply and is located 100 miles north of the City in the central and eastern portions of the Catskill Mountains. The Delaware Watershed provides 50 percent of the City's Water Supply and is located approximately 125 miles northwest of the City along the branches of the Delaware River.

The Department will continue the implementation of programs related to the Filtration Avoidance Determination (FAD) for the City's Catskill and Delaware water supplies, which currently meet or exceed all Federal and State drinking water quality standards. The FAD, which is a regulatory determination issued by the Federal Environmental Protection Agency (EPA), provides the City with a waiver for filtering the Catskill and Delaware water supplies through 2007 and is based on DEP's ongoing long-term watershed protection program. DEP submitted a report to the EPA on March 31, 2006 with FAD program status updates and water quality assessments that will link program achievements to improvements in water quality. This report will initiate negotiations with the EPA for a renewed FAD in 2007. Additionally, the FAD requires DEP to build an ultraviolet light disinfection facility to further purify water from the Catskill and Delaware watersheds.

Wastewater Treatment Initiatives

The New York City Wastewater Treatment System is comprised of a vast, elaborate and comprehensive network of sewers, water pollution control plants, pump stations and laboratories. Each day, the City's 14 water pollution control plants clean and treat approximately 1.3 billion gallons of captured sewage to standards established by State and Federal law before releasing the effluent into the adjacent waterways. Ongoing DEP initiatives to better cleanse wastewater have significantly improved the condition of New York City waterways, as evidenced through water quality ratings that have reached levels not experienced since the early 1900s.

According to recent Harbor Surveys issued by the Department, water quality in the Harbor and surrounding waters continues to improve. Coliform bacterial counts, which are indicators of sewage pollution, continue to decline at unprecedented levels. Improvements have also been realized in the measure of dissolved oxygen (DO), as concentration levels in most Harbor areas have been notably higher in recent years. These advancements are attributed to the following DEP initiatives: continued reconstruction and upgrades of City water pollution control plants; the abatement of illegal discharges; improved sewer maintenance; decreased water consumption and increased capture of wet weather flows.

The Department's Bureau of Wastewater Treatment has augmented and strengthened its Environmental Health and Safety policies and initiatives. To this end, the Bureau will provide extensive and continuous training of its employees to ensure compliance with Federal, State and Local environmental health and safety regulations. In addition, a more aggressive preventative maintenance and corrective repair program has been put in place.

Customer Services Programs

As required by the New York State Department of Environmental Conservation, the Department is progressing towards its goal of universally metering all properties. The major objectives of universal metering include water conservation, improved water supply system management and rate equity. DEP services approximately 824,000 water and sewer customer accounts-794,000 metered and 30,000 un-metered. Of the metered accounts, DEP bills 763,000 for water and sewer services based upon actual consumption and the remaining 31,000 are billed using an annual flat-rate system. Under this billing method, customers are charged flat rates during a transition period which allows owners to install water saving devices and conduct water leak audits. Owners of 11,500 properties that have not taken steps to have meters installed receive surcharges to their annual flat rate bills. The remaining accounts are pending meter installation by DEP.

The Department's outreach efforts offer communities the opportunity to learn about billing policies and water conservation programs. DEP has improved payment convenience by entering into agreements with privately operated Neighborhood Payment Centers (NPCs). Such an arrangement permits customers to pay water and sewer bills by cash, check, or money order at any of the over 400 NPC locations.

DEP has enhanced the capabilities of its Interactive Voice Response (IVR) system. Customers using this feature can access account information over the telephone, including current balance, payment confirmation and past meter readings. In addition, online services via the City's NYCServ Website enable customers to view current water and sewer charges, make payments, and examine past bills.

The Department's conservation programs will conduct 25,000 annual surveys, at a cost of approximately $1.0 million, to investigate water leaks on customer properties and supply, at no cost, low-flow showerheads and faucet aerators. 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; monitors emissions and environmental impacts from alternative fuel vehicles; maintains a database of facilities known to contain hazardous materials; reviews and inspects asbestos abatement projects; investigates air quality and noise complaints; maintains four air monitoring stations on Staten Island and assists environmental economic development.

The Bureau's Asbestos Control Program certifies asbestos handlers; provides telephone response service to contractors and the public; conducts laboratory analysis of asbestos materials and inspects asbestos remediation projects.

Capital Review

Overview

In total, the Four-Year Capital Plan provides $7.1 billion from the following sources: $6.9 billion in Water Finance Authority Funds; $43.0 million in City funds; and $209.7 million in non-City funds.

The major elements of the Four-Year Capital Plan include:

- continuing the construction of the Croton Water Filtration Plant and related projects, including Parks Department projects in the Bronx ($1.3 billion).

- construction of an ultraviolet light water disinfection plant for water from the Catskill and Delaware Watersheds ($615.8 million) beginning in 2009. This facility along with other elements of the FAD will enable DEP to avoid having to construct a conventional filtration plant estimated to cost between $4.0 and $6.0 billion.

- reconstruction of upstate dams, roads and bridges ($387.9 million), including $180.0 million for the reconstruction of the Gilboa Dam in the Catskill Watershed.

- continued construction of Stage Two of City Water Tunnel Number 3 ($33.7 million). Work on this stage of tunnel construction will be primarily in Manhattan.

- replacing and extending approximately 178 miles of trunk and distribution water mains ($404.2 million).

- extending and reconstructing approximately 233 miles of sewers ($630.6 million).

- continued upgrading of the Newtown Creek WPCP to achieve secondary treatment and citywide effluent limits ($723.0 million).

- ensuring compliance with mandated permit requirements by stabilizing in-City WPCPs, including: Bowery Bay ($167.7 million), Hunts Point ($222.8 million), Jamaica ($94.5 million), North River ($31.0 million), Rockaway ($42.0 million), Port Richmond & Oakwood Beach ($12.6 million), Ward's Island ($26.1 million) and 26th Ward ($96.6 million).

- implementing initiatives addressing water quality problems attributed to combined sewer overflow (CSO) discharges into the City's surrounding waterways during rainstorms. ($235.5 million).

- continued water conservation programs including the installation of water meters ($83.3 million).

Major projects scheduled for 2007 include:

- construction of the Croton Water Filtration Plant ($980.0 million).

- upgrading portions of the Newtown Creek WPCP ($307.2 million).

- reconstruction of four WPCPs that discharge into the Upper East River, in order to reduce nitrogen levels ($67.7 million).

- implementing various Environmental Health and Safety initiatives ($48.0 million).

- continued in-City water main construction ($113.1 million).

- reconstruction and augmentation of the City's sewer system ($177.7 million).

- reconstruction of the Croton Falls and Diverting Dams ($82.5 million).

- evaluation and preparation for the eventual repair of the Delaware Aqueduct leak ($124.3 million).

- initiating the remediation of the Brookfield Avenue Landfill in Staten Island ($111.5 million).

The table below shows the capital commitments by program area over the 2005-2010 period.

Capital Commitments

($000's)

	2005 Actual		2006 Plan		2007 Plan		2008 Plan		2009 Plan		2010 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	886,987	887,487	1,125,055	1,190,242	612,264	637,264	615,929	640,929	499,713	524,713	566,805	591,805
Water Mains	532,586	531,570	740,810	743,510	1,580,024	1,580,024	774,164	774,164	718,739	718,739	127,400	127,400
Sewers	223,516	224,252	246,277	246,748	177,749	177,749	180,491	180,491	78,422	78,422	193,955	193,955
Water Supply	775,665	775,665	33,172	33,172	21,900	21,900	157,485	157,485	161,233	161,233	0	0
Equipment	72,456	73,366	122,376	167,088	244,749	348,476	65,174	68,174	67,152	70,152	89,695	89,695
Total	2,491,211	2,492,340	2,267,690	2,380,760	2,636,686	2,765,413	1,793,243	1,821,243	1,525,259	1,553,259	977,855	1,002,855

The 2007-2010 Capital Plan provides $7.1 billion in funding. The major elements of the Four-Year Plan are described below in the context of the four major program areas.

Water Supply

DEP provides water for the City and many upstate communities by maintaining 18 reservoirs and three controlled lakes in three watersheds, with a storage capacity of about 550 billion gallons. A network of three aqueducts, three City water tunnels, 106,312 hydrants, 94,358 valves and 6,794 miles of water mains are or will be used to convey water from upstate to the City and several upstate communities.

The Four-Year Plan includes approximately $3.5 billion for the protection and upkeep of the City's source water supply and water distribution systems. The highlights include the construction of the Catskill/Delaware Ultraviolet Light Disinfection Facility, the construction of the Croton Filtration Plant, the initiation of new Water Conveyance Measures, Stage Two of City Tunnel Number 3, various improvements to the water supply system upstate, and the replacement and construction of City distribution and trunk water mains.

The Department forecasts $1.4 billion within this Four-Year Plan for improvements to the City's upstate watershed. This includes the continuation of various Filtration Avoidance Measures totaling $48.3 million; the reconstructions of upstate dams, roads and bridges totaling $387.9 million; and the construction of an Ultraviolet Light Water Disinfection Facility for the Catskill and Delaware watersheds totaling $615.8 million.

The Four-Year Plan provides $1.3 billion for the construction of the Croton Filtration Plant and related projects. The City is required under a Federal court consent decree to design and construct a filtration plant for its Croton water supply. In September 2004, a notice to proceed was issued for the first phase of construction of the plant at the preferred site for the facility, the Mosholu Golf Course located at Van Cortlandt Park in the Bronx.

The Four-Year Plan also includes $158.8 million for Water Conveyance Measures. This program will allow the City to turn off major components of the water supply system for inspection and repair without affecting the quantity or quality of water delivered to DEP customers. The Four-Year Plan forecasts $33.7 million for the completion of Stage Two of City Tunnel Number 3. The bulk of this amount will be committed to the activation of the Brooklyn and Queens portion of the tunnel.

The Four-Year Plan also provides $404.2 million to replace and extend in-City distribution water mains. In addition, DEP has forecasted $110.6 million over the next four years for the construction of a groundwater treatment facility for the well system located in Southeast Queens.

Sewers

The Department operates and maintains over 6,600 miles of sanitary, storm and combined sewers which carry storm and wastewater to the City's 14 WPCPs. The sewage collection system, designed to prevent flooding and sewer backups, is divided into 14 drainage areas, 131,243 catch basins and approximately 5,000 seepage basins. The Four-Year Capital Plan allocates $630.6 million for the replacement, construction and expansion of the City's sewer system.

The Four-Year Plan provides $98.0 million for the replacement and augmentation of sewers to enhance capacity for areas experiencing population increases and economic development projects. Over $238.0 million is allocated for the replacement of chronically malfunctioning sewers that may cause flooding or potential health hazards. The Department plans to commit $280.2 million to extend the sewer system into areas currently underserved, primarily in Queens and Staten Island. In addition, DEP has forecast $43.2 million over the next four years for the acquisition of land as part of the Staten Island Bluebelt program. This project sets aside streams, ponds and other wetland areas for the conveyance and storage of stormwater in lieu of more costly conventional trunk storm sewers.

Wastewater Treatment

DEP's Bureau of Wastewater Treatment operates 14 WPCPs, one storm-overflow retention facility, 89 wastewater pumping stations, nine laboratories, eight sludge dewatering facilities and three inner-harbor sludge transport vessels. On average, these facilities treat approximately 1.3 billion gallons of dry-weather sewage and handle 1,200 wet-tons of sludge each day. The Four-Year Plan for Wastewater Treatment projects totals $2.3 billion, including $100.0 million in non-City funds.

The Four-Year Plan includes $513.2 million for consent decree upgrading and construction projects designed to reduce nitrogen discharge levels at the Upper East River and Jamaica Bay WPCPs. Capital plan improvements total $167.7 million at Bowery Bay, $222.8 million at Hunts Point, $26.1 million at Ward's Island and $96.6 million at 26th Ward.

DEP will allocate $723.0 million during the Four-Year Plan to continue the multi-phase upgrade of the Newtown Creek WPCP, which is designed to improve process effectiveness and treatment facility reliability. This project is mandated by the New York State Department of Environmental Conservation, which requires an effluent enhancement program to achieve citywide effluent limits, and secondary treatment levels.

The Four-Year Plan allocates $572.7 million for equipment purchases and 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 WPCPs.

During some wet-weather events the City's combined sewers, which are approximately 70 percent of the City's sewer system and carry both sanitary waste and stormwater drainage, may overflow and result in untreated discharges of sewage into local waterways. Portions of the City's water bodies have been negatively impacted by these combined sewer overflow (CSO) discharges. The Four-Year Plan provides $235.5 million for the study, design and implementation of CSO abatement projects for Flushing Bay, Alley Creek and Jamaica Bay in Queens; Newtown Creek, Paerdegat Basin and the Gowanus Canal in Brooklyn; and Hunts Point in the Bronx.

Equipment

The Four-Year Plan totals $562.5 million for this category, funded as follows: $43.0 million in City General Obligation bonds, $95.7 million in State funds and $423.8 million from the Water Authority. The plan includes the remediation of closed landfills, water meter installation, facility reconstruction, the relocation of utility gas mains for sewer and water main projects and the purchase of vehicles and computer equipment.

DEP will continue upgrading and consolidating its facilities over the Four-Year Plan at a cost of $150.4 million. This includes $37.9 million for the reconstruction of the Maspeth Water and Sewer Operations facility in Queens and $35.7 million for construction of the Clove Road Consolidated Maintenance Facility for Water and Sewer Operations in Staten Island.

The Four-Year Plan provides funding for water conservation efforts at a cost of $83.3 million. This includes $59.3 million for water meter replacements and $24.0 million for the plumbing retrofit program.

DEP will continue to remediate certain landfills previously operated by the Department of Sanitation. These landfills have been placed on the State's list of inactive hazardous waste sites due to past illegal dumping activities. DEP will supervise the remediation of Brookfield Avenue Landfill in Staten Island, which will require a disposal system, cap, gas collection and a stormwater management system. Remediation, scheduled for 2007, will cost $111.5 million, of which $25.3 million will be funded by City General Obligation (G. O.) bonds and $86.3 million by State funds. The remediation of the Pennsylvania/Fountain Avenue Landfill in Brooklyn will continue in 2007 with the final commitments of $18.2 million of City G. O. funds and $9.4 million of State funds.

DEPARTMENT OF TRANSPORTATION

The Department of Transportation (DOT) maintains, operates and reconstructs City bridges, maintains and resurfaces streets and arterial highways within the five boroughs, plans and funds street reconstruction, operates the Staten Island Ferry, manages the streetlighting system and traffic signal network, maintains and collects revenue from parking meters, operates parking facilities, helps regulate traffic flow, coordinates transportation planning, oversees subsidized bus and private ferry operations, and manages street use franchises.

Financial Review

The Department's 2007 Executive Budget provides for operating expenses of $537.0 million, a decrease of $108.1 million from the amount forecast for 2006. This decrease is primarily the result of the transfer of Pre-Kindergarten Bus Transportation contracts to the Department of Education. In addition, some Federal and State grant funding in 2006 has not yet been allocated to the Department's 2007 operating budget. Capital commitments of approximately $1.7 billion are also provided in 2007, including $312.1 million in Federal and State funding.

Revenue Forecast

The Department of Transportation collects revenue from parking meters and parking garages, franchises, concessions, and street opening permits. In 2007, the Department will collect $210.0 million in revenue, compared to $201.2 million in 2006. The 2007 increase includes additional revenue from the new Street Furniture Franchise, managed by the Department, which will coordinate the placement and maintenance of structures (bus stop shelters, newsstands, and public toilets) on the City's sidewalks.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- an allocation of $106.3 million for the resurfacing of 900 lane miles of streets and the repair of approximately 230,000 street defects (potholes).
- funding of $98.7 million for streetlights and traffic signals, including $58.2 million to energize all streetlights and traffic signals throughout the City, and $40.5 million for the maintenance of approximately 11,800 traffic signalized intersections and over 334,000 streetlights City-wide.
- funding of $77.9 million for the operation of the Staten Island Ferry and overseeing private ferry service.
- funding of $15.4 million for preventive maintenance, cleaning, and painting of City bridges.
- approximately $11.5 million in 2007 for the maintenance and cleaning of arterial highways located throughout the five boroughs.
- an allocation of $15.1 million to repair hazardous or potentially hazardous safety and structural conditions on bridges, also known as "flags."

Restructuring and Streamlining

- an increase of $2.5 million and 25 positions to enhance enforcement of street cuts and use regulations.
- an additional $1.0 million and 10 positions to address roadway ponding conditions.

- an increase of $0.8 million and 19 positions to manage the Street Furniture Franchise, which will coordinate the placement and maintenance of structures (bus stop shelters, newsstands, and public toilets) on the City's sidewalks.

- an enhancement of $2.1 million and 18 positions to provide additional Staten Island Ferry service on weekends.

- an increase of $6.2 million and 22 positions for improved boat maintenance, cleaning services for the Staten Island Ferry terminals as well as additional canine detection teams and guards for security.

- an additional $0.7 million and 17 positions for the continued expansion of the Commercial Parking Program to improve traffic flow, resulting in an increase of $4.3 million in revenue for 2007 and subsequent years.

- the provision of $0.6 million and four positions for safety initiatives. This includes a new Retaining Wall Assessment Unit responsible for monitoring approximately 700 DOT-owned retaining walls and a study to evaluate and propose pedestrian safety improvements at limited access roadways.

Summary of Agency Financial Data

The following table compares the 2007 Executive Budget with the 2007 Preliminary Budget, the 2006 forecast and actual expenditures for 2005, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2005 Actual	2006 Forecast	2007 Preliminary Budget	2007 Executive Budget	Increase/(Decrease) 2006 Forecast	Increase/(Decrease) 2007 Preliminary Budget
Expenditures						
Salary and Wages	$265,354	$278,784	$254,763	$262,074	($16,710)	$7,311
Fringe Benefits	252	7,913	3,480	3,430	(4,483)	(50)
OTPS	287,985	358,435	302,756	271,505	(86,930)	(31,251)
Total	$553,591	$645,132	$560,999	$537,009	($108,123)	($23,990)
Funding						
City	$294,472	$346,360	$341,110	$359,561	$13,201	$18,451
Other Categorical Grants	4,688	1,535	—	—	(1,535)	—
IFA	104,055	115,277	107,321	120,831	5,554	13,510
State	60,776	63,580	41,447	41,447	(22,133)	—
Federal CD	114	384	—	—	(384)	—
Federal Other	31,216	50,731	11,788	13,747	(36,984)	1,959
Intra-City Other	58,270	67,265	59,333	1,423	(65,842)	(57,910)
Total	$553,591	$645,132	$560,999	$537,009	($108,123)	($23,990)
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$84,055	$102,807	$108,548	$106,018	$3,211	($2,530)
Pensions	16,233	19,439	25,979	25,889	6,450	(90)
Other Than Personal Service (OTPS)						
Legal Services	25,201	20,998	17,930	20,355	(643)	2,425
Judgments and Claims	114,204	120,623	139,606	134,871	14,248	(4,735)
Debt Service	323,867	322,890	396,664	523,841	200,951	127,177
Total Additional Costs	$563,560	$586,757	$688,727	$810,974	$224,217	$122,247
Funding						
City	555,014	554,593	672,278	767,155	212,562	94,877
Non-City	8,546	32,164	16,449	43,819	11,655	27,370
Total Agency Costs (including Central Accounts)						
Salary and Wages	$265,354	$278,784	$254,763	$262,074	($16,710)	$7,311
Fringe Benefits	84,307	110,720	112,028	109,448	(1,272)	(2,580)
Pensions	16,233	19,439	25,979	25,889	6,450	(90)
Total PS	$365,894	$408,943	$392,770	$397,411	($11,532)	$4,641
OTPS	$287,985	$358,435	$302,756	$271,505	($86,930)	($31,251)
Legal Services	25,201	20,998	17,930	20,355	(643)	2,425
Judgments and Claims	114,204	120,623	139,606	134,871	14,248	(4,735)
Debt Service	323,867	322,890	396,664	523,841	200,951	127,177
Total OTPS	$751,257	$822,946	$856,956	$950,572	$127,626	$93,616
Total Agency Costs	$1,117,151	$1,231,889	$1,249,726	$1,347,983	$116,094	$98,257
Less Intra-City	$58,270	$67,265	$59,333	$1,423	($65,842)	($57,910)
Net Agency Cost	$1,058,881	$1,164,624	$1,190,393	$1,346,560	$181,936	$156,167
Funding						
City	849,486	900,953	1,013,388	1,126,716	225,763	113,328
Non-City	209,395	263,671	177,005	219,844	(43,827)	42,839
Personnel (includes FTEs at fiscal year-end)						
City	2,127	2,289	2,329	2,288	(1)	(41)
Non-City	2,327	2,683	2,066	2,137	(546)	71
Total	4,454	4,972	4,395	4,425	(547)	30

Programmatic Review

Bridges

The Bureau of Bridges is responsible for the reconstruction, repair, maintenance and operation of approximately 800 bridge and tunnel structures. In 2007, the Bureau of Bridges will be staffed with 793 positions and have an operating budget of $63.7 million, a decrease of $9.0 million from the amount forecast for 2006. This reduction is primarily due to Federal and State grants expiring at the end of 2006. A number of these grants are expected to be renewed during 2007.

The Bridge program in the 2007 Executive Budget continues the City's commitment to preserve and maintain its infrastructure, including $36.8 million for "Flag" Repair ($15.1 million), Corrective Repair ($6.3 million) and Preventive Maintenance ($15.4 million) programs.

The Bridge "Flag" Repair program corrects structural ("red" and "yellow" flags, in descending order of priority) and safety deficiencies on bridges by using both in-house and contract forces. The Executive Budget provides 179 positions in 2007 for the "Flag" Repair program. Of the $15.1 million budgeted, approximately $2.1 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. Flag Repair is also performed by the Department's capital budget contractors doing large-scale reconstruction work on the East River Bridges and other bridges. As a result of these combined strategies, more serious flags are treated expeditiously.

In addition, 30 positions are provided in 2007 for the Corrective Repair program, which primarily oversees mechanical and electrical systems on the City's 25 movable bridges. Furthermore, the Preventive Maintenance program will have a workforce of 145 positions for the oiling, sweeping, cleaning, washing, electrical maintenance and spot and salt splash zone painting of the City's bridges. Operating in conjunction with these expense-funded programs, the Capital Budget also funds large-scale bridge protective coating programs.

To complement the City's commitment to the Bridges program, the Federal government will extend grants for preventive maintenance on the Manhattan, Williamsburg, Queensboro and Brooklyn Bridges while these four bridges are under capital reconstruction.

This continuing commitment to the City's Bridges program, in conjunction with a Four-Year Capital Plan of approximately $2.6 billion, will result in an extensive bridge system in good condition, with lower future capital reconstruction costs, fewer emergency repairs, and a more cost effective maintenance and repair program.

Highway Operations

The Roadway Repair and Maintenance Division is responsible for maintaining approximately 5,700 linear miles of streets and arterial highways within the five boroughs. The Permits Management and Construction Control programs are responsible for regulating the excavation and various other uses of City streets and sidewalks. In 2007, Highway Operations will be staffed by approximately 1,054 full-time and approximately 220 seasonal positions with a budget totaling $133.8 million, a decrease of $2.1 million over the 2006 agency forecast. This reduction is primarily due to Federal and State grants expiring at the end of 2006. A number of these grants are expected to be renewed during 2007.

The City continues to dedicate significant resources to its in-house resurfacing program, with 274 linear miles (900 lane miles) to be resurfaced in 2007. The City will repair approximately 230,000 small street defects (potholes) in 2007, in addition to other street defects addressed in the resurfacing program. Currently, 70 percent of the City's 5,700 linear miles of street surfaces are rated in good condition.

In an effort to maintain the arterial highways within the City, and increase community participation, the Department will continue its successful Adopt-a-Highway Program. This program enables sponsors to adopt up to 362 miles of highway and contribute funding for the cleaning and maintenance of the roadside. Additionally, the Department utilizes available State aid to perform both road maintenance and repair activities. Currently, the Department annually cleans and maintains 1,175 lane miles of arterial highway and 2,525 acres of landscaped areas and shoulders with a staff of approximately 239.

Traffic Operations

The Bureau of Traffic Operations maintains and collects revenue from approximately 77,900 metered spaces and operates 49 municipal parking facilities. It also installs and maintains an estimated 1.3 million traffic signs, approximately 11,800 signalized intersections and over 334,000 streetlights. The 2007 Executive Budget for the Bureau of Traffic provides for 1,090 positions and $204.2 million, a decrease of $25.6 million from the amount forecast for 2006. This reduction is primarily due to Federal and State grants expiring at the end of 2006. A number of these grants are expected to be renewed during 2007. The Department's Budget has also been reduced by $4.1 million due to the transfer of the Parking Control Unit to the Police Department, in an effort to centralize traffic and parking enforcement under one agency and allow for better coordination and training of staff. The 2007 Executive Budget includes $40.5 million for the continued maintenance of streetlights and traffic signals.

The Red Light Camera program is designed to promote safe, responsible driving by photographing and fining vehicles "running" red lights. Given the success of this program in reducing red light violations at busy intersections, DOT is proposing to expand the current program from 50 to 100 cameras citywide. The expansion of the Red Light Camera Program requires the approval of the New York State Legislature which is currently considering DOT's proposal. The 2007 Executive Budget includes $7.9 million for the operation of this program.

Under the Safe Routes to School program, the Bureau has completed collecting traffic safety data on the City's 1,359 elementary and middle schools and has identified the 135 schools with the greatest traffic safety risks. In 2007, long-term improvement projects will continue at 32 of these schools.

The Bureau will continue the successful Commercial Parking Program in the central business district of Manhattan. In 2007, the Commercial Parking Program will expand to include streets from 23rd Street to 33rd Street and from 2nd Avenue to 9th Avenue. The program has alleviated some of the traffic congestion in midtown by creating expanded traffic corridors, reducing double parking, improving timely parking space turnover, and expediting cross-town traffic flow.

Transit Operations

DOT operates and maintains the Staten Island Ferry and its terminals, regulates private ferry operations, and oversees subsidies to the MTA Bus Company (MTABC). The 2007 Executive Budget provides for 701 positions and an operating budget of $77.9 million, a decrease of $74.7 million from the amount forecast for 2006. This decrease is primarily the result of the transfer of the Pre-Kindergarten Bus Transportation contracts to the Department of Education so that one agency will now be accountable for the entire program. In addition, the budget reduction also reflects Federal and State grants expiring at the end of 2006. A number of these grants are expected to be renewed during 2007. DOT also oversees operating subsidies to the MTABC. These bus subsidies are paid from the City's Miscellaneous Budget.

The Staten Island Ferry is expected to carry approximately 20 million passengers and the Department anticipates that the Ferry program will achieve an on-time performance rate of 90 percent. On-time performance in 2006 dropped from 2005 due to a rise in Maritime Security levels, especially after the July bombings in London. DOT currently estimates that annual ridership on privately operated commuter ferries is approximately 10 million passengers. Prior to September 11, 2001, only about eight million passengers per year were transported on privately operated commuter ferries. Ridership peaked at approximately 15 million passengers per year in 2002 and 2003, before the restoration of the WTC PATH service in November 2003.

In 2006, the City finalized the transition of service formerly provided by private franchise bus companies to the MTABC. The program had provided subsidized private local and express service in areas generally not covered by New York City Transit's bus network in The Bronx, Brooklyn and Queens. This system carried approximately 100 million passengers annually. DOT had also provided financial management and administration support for the capital program for the subsidized franchise bus program. The MTBC, an MTA subsidiary, now operates in the areas served by all of the seven former private bus companies. In addition, the City continues to manage and monitor selected private express bus service to southern Staten Island.

The City currently owns three bus depots, located in Yonkers, Southeast Brooklyn, and College Point, Queens, two of which are equipped to fuel and maintain Compressed Natural Gas (CNG) buses. Currently, 353 of over 1,100 buses are fueled by CNG. In addition, the City leases five other facilities from private owners. All of these facilities are provided to the MTABC for their operations. The MTABC has also begun to provide its riders with new buses purchased by the City and is bringing the operation of these lines up to the service standards of New York City Transit.

Capital Review

The Department's 2007-2010 Four-Year Capital Commitment Plan totals $4.9 billion for the reconstruction of transportation infrastructure, of which approximately 78 percent is City-funded. The table below shows commitments by program area over the 2007-2010 period.

Capital Commitments

($000's)

	2005 Actual		2006 Plan		2007 Plan		2008 Plan		2009 Plan		2010 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	$224,385	$245,785	$403,905	$441,716	$413,961	$507,791	$361,408	$371,960	$393,598	$460,358	$325,887	$339,539
Highway Bridges	90,776	90,776	260,633	270,090	471,933	474,550	579,332	970,831	164,971	200,261	125,177	128,613
Waterway Bridges	2,738	175,390	-6,715	2,957	341,492	483,010	33,652	33,652	182,308	331,826	9,788	9,788
Traffic	36,176	65,595	52,099	102,280	75,353	136,868	70,513	102,534	44,681	66,004	38,497	55,819
Vehicles/Equipment	6,772	6,772	7,216	8,631	38,238	46,280	25,433	32,339	6,000	6,000	5,000	5,000
Ferries	-7,537	68,913	54,987	90,564	50,532	55,082	41,440	59,090	36,300	36,300	500	500
Franchise Transit	4,265	4,878	39	391	0	0	0	0	0	0	0	0
Total	$357,574	$658,106	$772,164	$916,629	$1,391,509	$1,703,581	$1,111,778	$1,570,406	$827,858	$1,100,749	$504,849	$539,259

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 68 other bridge structures, including 15 pedestrian bridges. The Plan also includes programs to resurface bridge decks, replace expansion joints and other bridge components, and apply protective coating treatments to prolong the useful life of City bridges ($2.6 billion in 2007-2010).

- the reconstruction and/or resurfacing of approximately 1,190 linear miles (3,921 lane miles) of City streets to maintain and improve their condition. In addition, it provides for the installation of pedestrian ramps at approximately 30,800 corners to increase accessibility for the disabled, the reconstruction of 22.8 million square feet of sidewalk to reduce defects, and the reconstruction of approximately eight retaining walls ($1.7 billion in 2007-2010).

- the modernization and expansion of the City's computerized traffic signal network to improve traffic flow, the upgrading of the streetlighting system, the installation of pavement markings, and the reconstruction of municipal parking facilities ($361.2 in 2007-2010).

- the reconstruction and improvement of various ferry vessels and facilities, including the reconstruction of Pier 7 at St. George and Americans with Disabilities Act (ADA) improvements to various private ferry landings ($151.0 million in 2007-2010).

- the replacement of vehicles for field forces and the upgrading of computer equipment ($89.6 million in 2007-2010).

Bridges

The Four-Year Plan for the Bureau of Bridges totals $2.6 billion, of which 73 percent is City-funded. The Plan includes $457.5 million for the continuing reconstruction of the East River Bridges, including $286.1 million for the reconstruction of the Brooklyn Bridge, $122.4 million for the Manhattan Bridge, $35.6 million for the Williamsburg Bridge and $13.4 million for the Queensboro Bridge. The Four-Year Plan will complete the commitment for major reconstruction of all four East River Bridges.

Another $1.6 billion is provided in the Four-Year Plan to reconstruct four "poor" bridge structures, including the Roosevelt Island Bridge over the East River Channel, 51 "fair" bridge structures, including the Willis Avenue Bridge over the Harlem River, and six Belt Parkway bridges, including the reconstruction of Belt Parkway Bridge over Gerritsen Inlet. The Bridge Life Extension program, designed to address the capital needs of bridges before total capital reconstruction becomes necessary, will rehabilitate 13 bridge structures at a total cost of $489.8 million. All bridge structures currently rated "poor" will be committed for reconstruction by 2008. In addition, $101.6 million is provided to apply protective coating treatments to various highway and waterway bridges to preserve and enhance their condition.

The 2007 Capital Plan for Bridges totals $957.6 million, including $388.8 million for the reconstruction of the Willis Avenue Bridge over the Harlem River and $85.0 million for the construction of the new East 153rd Street Bridge over Metro-North Railroad. Additionally, the Plan includes $551.0 million for the reconstruction of 22 "fair" rated bridge structures, including the Woodside Avenue Bridge over the Long Island Rail Road.

Highways

The Four-Year Plan for Highways totals $1.7 billion and is 89 percent City funded. The Plan provides $844.9 million for street reconstruction of 108 linear miles (371 lane miles), and $456.8 million for street and arterial resurfacing of 1,082 linear miles (3,550 lane miles). The Plan also provides $47.7 million for the reconstruction of approximately eight retaining walls throughout the City and $82.4 million for the installation of pedestrian ramps at 30,800 corners. Another $158.4 million is allocated for the replacement of 22.8 million square feet of sidewalk City-wide.

The 2007 Capital Plan for Highways totals $507.8 million and includes $373.6 million for the reconstruction or resurfacing of 294 linear miles (973 lane miles) of streets and $33.0 million for the reconstruction of retaining walls City-wide. Planned reconstruction projects include Almeda Avenue in Queens, Ely Avenue in The Bronx, Eastern Parkway in Brooklyn, improvements to Forest Hill Road in Staten Island, and Times Square in Manhattan.

Traffic

The Four-Year Plan for Traffic totals $361.2 million, of which 63 percent is City-funded. The Plan provides $119.6 million for signal installations and maintenance, as well as the computerization and modernization of signalized intersections to improve the flow of traffic. The Plan includes $120.3 million for the upgrade and replacement of lampposts and luminaires for lighting and safety, $57.0 million for signal and streetlight work associated with the highway and bridge reconstruction programs, $11.3 million for the installation of approximately 24 million linear feet of thermoplastic markings for traffic control, and $21.1 million for the replacement of 400,000 linear feet of electrical distribution systems along the City's streets. In addition, the Plan includes $31.9 million for the rehabilitation of an estimated 16 municipal parking garages and parking lots and the purchase of muni-meters.

The 2007 Capital Plan for Traffic totals $137.1 million. This includes $16 million for the replacement of incandescent light bulbs in city streetlights with more energy-efficient bulbs and reflectors which will result in a annual energy cost savings to the City. The Plan also includes $10.6 million for the computerization of the traffic signal network in The Bronx, Brooklyn and Queens.

Transit

The Four-Year Plan for Transit totals $151.2 million for Ferries. All funding related to the former Franchise Bus Transit program has been transferred to the MTA Bus Company budget. The Plan for Ferries, which is 85 percent City-funded, includes $73.5 million for the reconstruction and replacement of ferry boats including $5.2 million for the replacement of the Cosgrove Ferry boat and $16.8 for the replacement of various floating equipment, including derricks and oil barges. The Plan also includes $72.4 million for ferry terminal and facility improvements, including $16 million for the reconstruction of Pier 7 Ferry Maintenance Facility and $16 million for ADA improvements at the East River ferry landings.

The 2007 Capital Plan for Ferries totals $55.3 million, including $10.5 million in operations, security, and safety enhancements recommended by the Global Maritime and Transportation School (GMATS) and the US Coast Guard for the Staten Island Ferry Program. An additional $20.7 million is included in 2006 for security enhancements at the St. George Ferry Terminal. The Plan also includes $13 million for dry-docking and maintenance of the Staten Island Ferry fleet.

HOUSING PRESERVATION AND DEVELOPMENT

The Department of Housing Preservation and Development (HPD) is responsible for the preservation, rehabilitation and expansion of New York City's housing stock. HPD serves as a catalyst for private investment in communities with the greatest need. As reflected in the 2007 Executive Budget, the agency will work towards the preservation and development of affordable housing using a variety of financial assistance tools. The budget supports implementation of the New Housing Marketplace Plan, a ten year, $7.5 billion initiative that includes a number of new initiatives as well as an expansion of existing affordable housing development programs. The goal of this initiative is to create or preserve more than 165,000 homes and apartments citywide from 2004 to 2013.

HPD continues to enforce compliance with housing quality standards and maximize neighborhood ownership and management of housing by soliciting local participation in its disposition and development programs. The Office of Housing Operations, the Office of Preservation Services and the Office of Development manage the majority of HPD's programs.

The Office of Legal Affairs, the Office of the Special Counsel, the Office of Community Partnerships and the Office of Intergovernmental Affairs provide support for all agency programs.

Financial Review

The Department of Housing Preservation and Development 2007 Executive Budget provides for operating expenses of $490 million. The budgeted headcount of 2,810 positions is funded at $138 million, $39 million of which is City funds. Funding for other than personal services amounts to $352 million, $25 million of which is City funds. Capital commitments of $515 million are also provided, an increase of $114 million above the 2006 Plan amount.

Revenue Forecast

HPD collects fees for processing tax abatement and exemption applications, multiple dwelling registrations, document searches, and administrative fees. HPD also collects revenue from residential and commercial tenants occupying *in rem* buildings and from the sale of *in rem* buildings to the private sector. The Department will generate $35.0 million in 2007, $21.6 million less than the amount for 2006. The 2007 decrease is primarily attributable to non-recurring revenue from negotiated land sales and the one-time collection of application fees in 2006.

Expense Budget Highlights

Providing Core Services

The agency will maintain its core services in 2007 including the reduction of lead hazards, enforcement of the housing maintenance code, development of new affordable housing, the preservation of privately owned housing, and the management of *in rem* property.

- HPD will continue implementation of Local Law 1 of 2004 to reduce lead hazards within the City's housing stock and within the private housing market.

- Community Development Block Grant (CDBG) funding is maintained for HPD's Emergency Repair Program (ERP) to remove hazardous conditions in private buildings where landlords have been negligent in correcting violations detrimental to life, health and safety.

- HPD administers a portion of New York City's allotment of Federal Section 8 subsidies to eligible New Yorkers. Over $234 million worth of subsidy payments, serving over 29,000 households, are planned in 2007.

- HPD continues to maintain services for the City's stock of occupied *in rem* dwelling units, including repairs, fuel, utilities, and handypersons.

Summary of Agency Financial Data
($ in 000's)

	2005 Actual	2006 Forecast	2007 Preliminary Budget	2007 Executive Budget	Increase/(Decrease) 2006 Forecast	Increase/(Decrease) 2007 Preliminary Budget
Expenditures						
Salary and Wages	$128,761	$134,036	$130,079	$137,622	$3,586	$7,543
Fringe Benefits	128	—	—	—	—	—
OTPS	344,983	445,480	357,466	352,068	(93,412)	(5,398)
Total	$473,872	$579,516	$487,545	$489,690	($89,826)	$2,145
Funding						
City	$53,362	$69,139	$62,336	$64,022	($5,117)	$1,686
Other Categorical Grants	—	—	—	410	410	410
IFA	13,162	14,495	14,493	14,495	—	2
State	918	893	893	893	—	—
Federal CD	132,040	151,472	146,529	146,582	(4,890)	53
Federal Other	263,934	333,997	253,913	253,913	(80,084)	—
Intra-City Other	10,456	9,520	9,381	9,375	(145)	(6)
Total	$473,872	$579,516	$487,545	$489,690	($89,826)	$2,145
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$42,561	$51,395	$54,534	$54,045	$2,650	($489)
Pensions	7,878	9,440	13,296	13,279	3,839	(17)
Other Than Personal Service (OTPS)						
Legal Services	5,118	4,905	4,400	4,708	(197)	308
Judgments and Claims	14,420	20,531	25,593	22,957	2,426	(2,636)
Debt Service	362,975	361,885	443,149	422,083	60,198	(21,066)
Total Additional Costs	$432,952	$448,156	$540,972	$517,072	$68,916	($23,900)
Funding						
City	403,018	388,891	500,700	457,691	68,800	(43,009)
Non-City	29,934	59,265	40,272	59,381	116	19,109
Total Agency Costs (including Central Accounts)						
Salary and Wages	$128,761	$134,036	$130,079	$137,622	$3,586	$7,543
Fringe Benefits	42,689	51,395	54,534	54,045	2,650	(489)
Pensions	7,878	9,440	13,296	13,279	3,839	(17)
Total PS	$179,328	$194,871	$197,909	$204,946	$10,075	$7,037
OTPS	$344,983	$445,480	$357,466	$352,068	($93,412)	($5,398)
Legal Services	5,118	4,905	4,400	4,708	(197)	308
Judgments and Claims	14,420	20,531	25,593	22,957	2,426	(2,636)
Debt Service	362,975	361,885	443,149	422,083	60,198	(21,066)
Total OTPS	$727,496	$832,801	$830,608	$801,816	($30,985)	($28,792)
Total Agency Costs	$906,824	$1,027,672	$1,028,517	$1,006,762	($20,910)	($20,755)
Less Intra-City	$10,456	$9,520	$9,381	$9,375	($145)	($6)
Net Agency Cost	$896,368	$1,018,152	$1,019,136	$997,387	($20,765)	($21,749)
Funding						
City	456,380	458,030	563,036	521,713	63,683	(41,323)
Non-City	439,988	560,122	456,100	475,674	(84,448)	19,574
Personnel (includes FTEs at fiscal year-end)						
City	621	753	754	777	24	23
Non-City	2,063	2,137	2,133	2,134	(3)	1
Total	2,684	2,890	2,887	2,911	21	24

Programmatic Review

Housing Operations

The Division of Property Management manages City-owned (*in rem*) residential and commercial properties until they can be returned to responsible private ownership. In 2007, the Division will maintain an average of approximately 709 *in rem* residential units in occupied multiple dwellings and one- and two-family homes.

The Division of Alternative Management Programs (DAMP) promotes the rehabilitation, management and ownership of occupied City owned buildings by tenant, not-for-profit, and for-profit housing organizations. DAMP also administers the Article 7A Program, which manages and funds necessary repairs for privately owned buildings that have been all but abandoned.

The Division of Tenant Resources develops and coordinates programs designed to enhance the economic self sufficiency of tenants of City-owned and City assisted housing. This Division also provides permanent housing assistance to households that have been displaced by fires or emergency vacate orders. The Rent Subsidies unit provides approximately 29,000 low income households with housing made affordable through the use of Federal Section 8 funding that subsidizes monthly rental payments.

The Division of Architecture, Construction and Engineering (DACE) provides design and construction support services to HPD housing and development projects. DACE provides the architectural design for publicly owned property and reviews the designs of private architects to ensure conformance to project standards including zoning and building codes. DACE also monitors new construction and rehabilitation projects to ensure conformity to contract documents, construction techniques and codes.

Preservation Services

The Division of Code Enforcement ensures compliance with the City's Housing Maintenance Code and the New York State Multiple Dwelling Law by responding to complaints concerning possible housing violations such as the lack of heat, hot water or electricity. The Division of Maintenance performs emergency repairs in privately-owned buildings in response to emergency violations (including lead paint) issued by code inspectors if the landlord fails to perform the repair. The Division also coordinates major repairs and contracts for improvements in City owned buildings, including lead hazard remediation. In addition, this division is responsible for sealing and demolishing vacant and unsafe buildings.

The Division of Anti-Abandonment conducts site assessments of buildings deemed at risk for abandonment to develop individual treatment plans to address building deficiencies. Building owners are provided information on agency loan programs and education programs. Preventing owner abandonment of privately owned housing stock constitutes a key agency initiative for maintaining affordable, livable housing.

Development

The Office of Development will undergo a reorganization designed to promote operating efficiencies in key areas such as pipeline development, project management and financial analysis. The realignment of the office into new operating divisions will mirror the major elements of the New Housing Marketplace Plan. This reorganization will facilitate the achievement of several agency priorities and goals including: managing the shift from HPD controlled property to private and other publicly controlled land sources as the City disposes of the last of the *in rem* stock, creating a new focus on financing preservation and new construction activities on privately-owned sites, facilitating implementation of new initiatives and improving organization transparency.

The Office of Development is responsible for HPD's housing production functions. Through various new construction, disposition and loan programs, the agency pursues its long term goal of preserving and stimulating construction of affordable housing. New Construction programs include the Cornerstone, Mixed Income Rental, Partnership New Homes and New Foundations programs. Existing city-owned homes are renovated through the HomeWorks and StoreWorks programs. HPD will also continue the development of long term, large scale projects serving both homeowners and renters in selected neighborhoods in Brooklyn, the Bronx, Manhattan and Queens. Through its disposition and loan programs, vacant City owned buildings are rehabilitated and returned to the private housing market, while loans to private owners preserves both the quality and quantity of affordable housing. This division also coordinates the financing stages of the Third Party Transfer process, which will convey approximately 3,505 units in tax delinquent buildings to responsible new owners between 2007 and 2010.

Capital Review

The 2007-2010 Four Year Capital Plan for HPD is $1.79 billion, including $1.3 billion in City funding and $459 million in other, primarily Federal, funds. The agency continues to use its City capital sources to leverage State and Federal funds as well as substantial private equity (which does not flow through the City's capital budget).

New Initiatives

As part of the New Housing Marketplace Plan, HPD will undertake several new initiatives. The agency will pursue a new middle income housing program aimed at creating 22,000 units of affordable housing during the ten year plan. In addition, HPD will partner with the Department of Housing & Urban Development (HUD) on two initiatives to preserve over 4,000 units of housing through the rehabilitation of HUD distressed properties. Lastly, the agency will partner with the New York City Housing Authority (NYCHA) to rehabilitate and develop vacant NYCHA-owned buildings and land, generating approximately 2,100 affordable units.

New initiatives to end chronic homelessness include a new New York\New York program, an expansion of community-based homelessness prevention programs, expanding permanent and transitional housing models for chronically homeless individuals and families, increasing cross-agency case conferencing to prevent system-to-shelter discharges, and strategies to redirect funds, traditionally used in shelters, to prevention and other housing solutions. HPD's Supportive Housing Loan Program is a component of the strategy to address chronic homelessness in the City of New York. A total of $241 million ($74 million in City funds) will fund over 3,298 supportive housing units to benefit low income households with special needs between 2007 and 2010.

The agency continues to work with the Comptroller and Battery Park City Authority on the creation of a New York City Housing Trust Fund, which would create an additional 4,300 affordable units under the New Housing Marketplace Plan. Following the execution of the Memorandum of Understanding (MOU) between the effected parties, HPD will utilize $130 million in Battery Park City Authority surplus revenue to target otherwise hard-to-reach income groups, at-risk properties, and land for acquisition and development.

Ongoing Programs

Under the Four Year Plan, the City will continue to pursue the "Building Blocks!" strategy through which the City rehabilitates and sells *in rem* residential buildings to responsible private owners, including tenant cooperatives, not-for-profit organizations, and local entrepreneurs. At the program's inception in 1994, there were 44,000 *in rem* dwelling units. HPD anticipates that the scheduling of the remaining *in rem* stock for the purpose of determining final disposition will be completed by the end of 2007. A total of $323 million ($299 million in City funds) is provided to fund *in rem* rehabilitation and disposition through the Tenant Interim Lease (TIL), Neighborhood Redevelopment (NRP), Neighborhood Entrepreneur (NEP), Storeworks and Neighborhood Homes programs.

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 $642 million ($549 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), as well as financing for the rehabilitation of buildings transferred through the Third Party Transfer (TPT) Program, which provides a mechanism for tax delinquent property to be transferred to responsible new owners upon conclusion of tax foreclosures without the City ever taking title. The Four Year Plan also includes funds for new construction projects to promote homeownership to families at various income levels. Neighborhood Based Initiatives and the Nehemiah program provide for the construction of one- to three-family homes. These programs form the basis for the new construction projects being built in conjunction with large scale neighborhood redevelopment programs in Brooklyn, the Bronx, Manhattan and Queens. A total of $436 million ($273 million in City funds) will fund new construction projects.

In addition, HPD works in close collaboration with the Housing Development Corporation (HDC) to meet the goals of the New Housing Marketplace Plan. HDC is a public benefit corporation created to provide both taxable and tax-exempt financing for affordable housing. Through the issuance of bonds, HDC will invest in the development of over 35,000 units towards the New Housing Marketplace goal. Low cost financing and, in some cases, direct subsidies will provide for construction of multifamily rental and cooperative housing for low and moderate income households. In addition, HDC will contribute to substantial rehabilitation, conversion, and preservation of Mitchell-Lama and other affordable housing assets.

The table below shows capital commitments by Ten Year Plan category over the 2006-2010 period, including actual commitments for 2005.

Capital Commitments

($ in 000's)

	2005 Actual		2006 Plan		2007 Plan		2008 Plan		2009 Plan		2010 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	$124,878	$212,517	$153,238	$213,712	$77,531	$101,749	$71,000	$71,000	$73,500	$73,500	$76,000	$76,000
Vacant *In-Rem* Rehab	-408	-408	2,150	2,150	1,000	1,000	0	0	0	0	0	0
New Construction	21,593	61,934	43,925	72,552	68,672	115,299	42,485	82,361	47,416	85,821	27,500	73,941
Neighborhood Based Housing investments	17,426	17,426	29,005	29,005	38,682	38,682	60,475	60,475	31,375	31,375	24,787	24,787
Assistance to Private Owners	77,638	97,095	104,530	143,984	113,659	181,968	163,358	238,208	175,221	237,675	173,482	227,900
Low-Income Housing Production	8,652	9,813	24,597	24,597	24,161	27,417	5,400	5,400	3,750	3,750	3,750	3,750
Other housing Support Investment	24,827	24,712	46,157	73,133	48,958	48,958	14,792	14,792	12,115	12,115	23,153	23,153
Total	$274,606	$423,089	$403,602	$559,133	$372,663	$515,073	$357,510	$472,236	$343,377	$444,236	$328,672	$429,531

DEPARTMENT OF CITYWIDE ADMINISTRATIVE SERVICES

The Department of Citywide Administrative Services (DCAS) is the principal administrative support agency for the City of New York providing City agencies with various services, including personnel, real estate, municipal supply, and facilities management. Services are provided by seven programmatic divisions: the Executive Division, which includes the Office of Citywide Equal Employment Opportunity (OCEEO); the Division of Citywide Personnel Services (DCPS); the Division of Real Estate Services (DRES); the Division of Facilities Management and Construction (DFMC); the Division of Municipal Supply Services (DMSS); the Division of Fiscal Management and Operations (DFMO); and the Division of Administration and Security (DAS).

Financial Review

The 2007 Executive Budget for the Department of Citywide Administrative Services provides $952.9 million, an increase of $81.3 million over the amount forecasted for 2006. This increase is primarily attributable to increases and adjustments in intra-city sales. The $393.2 million DCAS Capital Commitment Plan for 2007 includes $386.6 million for Public Buildings and $6.6 million for Real Property.

Revenue Forecast

In 2007, DCAS will collect $56.7 million in revenue, approximately $37.0 million less than the amount forecasted for 2006. The decrease is mainly attributable to one-time revenue collected from commercial rents and early mortgage satisfactions in 2006. The Division of Real Estate Services (DRES), the largest revenue generating component of DCAS, will collect $40.0 million from land sales and rents from commercial properties.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- The 2007 Executive Budget provides total funds of $952.9 million for the Department, of which $643.4 million is for goods and services that agencies purchase from DCAS through intra-city agreements including the following: utilities ($572.2 million), leases ($43.4 million), storehouse supplies ($20.4 million), maintenance and repair of facilities and vehicles ($4.4 million), personnel training ($0.8 million), and other services ($2.2 million).

- The 2007 Executive Budget provides a total of $831.7 million for the Division of Facilities Management and Construction (DFMC). DFMC maintains and operates 54 public buildings, including court facilities. Included in the $831.7 million are intra-city agreements for utilities ($572.2 million), leases ($43.2 million), and building maintenance ($2.5 million). Also included in the $831.7 million is $29.6 million in State funding to provide cleaning services for court facilities.

- The 2007 Executive Budget provides a total of $15.1 million for the Division of Real Estate Services (DRES).

- The 2007 Executive Budget provides a total of $10.2 million for security services in DCAS-managed buildings.

Restructuring and Streamlining

- DCAS has launched a Capital Asset Management System (CAMS), which serves as a centralized database of the agency's capital assets. CAMS is utilized to codify buildings and systems by location, building type, usage, and gross square footage, allowing DCAS to prepare cost estimates to bring buildings into a state of good repair and compare renovation costs to the overall value of the individual buildings. CAMS has enhanced the Department's multi-year capital planning capabilities by enabling DCAS to project essential renovations based on the condition of various public buildings and determine the impact of various funding strategies on the condition of the building. In 2007 the system will be used to track building work and develop the Department's Ten Year Capital Plan.

- DCAS continues to develop a Space Management System to consolidate, integrate, and update space-utilization information into a centralized database. The program will enable sophisticated planning, analysis, and reporting, allowing the Department to dynamically manage and improve space efficiencies. In 2007 the pilot phase of the project will be completed and expansion of its use to the rest of DCAS' managed buildings will commence.

- The Department is building a Computerized Testing Center, allowing DCAS to streamline the development, administration, and rating of competitive civil service examinations. The automation of the exam process will provide additional registration options, user-friendly interfaces, and unofficial results at the conclusion of the exam. The Computerized Testing Center is scheduled to commence operations in 2007.

Summary of Agency Financial Data

The following table compares the 2007 Executive Budget with the 2007 Preliminary Budget, the 2006 forecast and actual expenditures for 2005, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2005 Actual	2006 Forecast	2007 Preliminary Budget	2007 Executive Budget	Increase/(Decrease) 2006 Forecast	Increase/(Decrease) 2007 Preliminary Budget
Expenditures						
Salary and Wages	$100,530	$108,105	$105,885	$113,158	$5,053	$7,273
Fringe Benefits	179	1,431	1,431	1,431	—	—
OTPS	661,478	762,020	695,659	838,281	76,261	142,622
Total	$762,187	$871,556	$802,975	$952,870	$81,314	$149,895
Funding						
City	$150,719	$157,412	$153,942	$178,858	$21,446	$24,916
Other Categorical Grants	61,837	78,197	69,954	89,094	10,897	19,140
IFA	8,125	8,675	8,753	9,903	1,228	1,150
State	37,522	36,829	27,299	29,597	(7,232)	2,298
Federal CD	123	122	—	—	(122)	—
Federal Other	1,483	2,128	2,000	2,000	(128)	—
Intra-City Other	502,378	588,193	541,027	643,418	55,225	102,391
Total	$762,187	$871,556	$802,975	$952,870	$81,314	$149,895
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$29,777	$38,086	$40,082	$40,554	$2,468	$472
Pensions	6,155	7,585	10,966	10,898	3,313	(68)
Other Than Personal Service (OTPS)						
Legal Services	3,408	2,037	1,866	1,955	(82)	89
Judgments and Claims	139	2,595	3,520	2,902	307	(618)
Debt Service	228,040	212,858	246,799	385,616	172,758	138,817
Total Additional Costs	$267,519	$263,161	$303,233	$441,925	$178,764	$138,692
Funding						
City	249,494	238,458	278,913	399,887	161,429	120,974
Non-City	18,025	24,703	24,320	42,038	17,335	17,718
Total Agency Costs (including Central Accounts)						
Salary and Wages	$100,530	$108,105	$105,885	$113,158	$5,053	$7,273
Fringe Benefits	29,956	39,517	41,513	41,985	2,468	472
Pensions	6,155	7,585	10,966	10,898	3,313	(68)
Total PS	$136,641	$155,207	$158,364	$166,041	$10,834	$7,677
OTPS	$661,478	$762,020	$695,659	$838,281	$76,261	$142,622
Legal Services	3,408	2,037	1,866	1,955	(82)	89
Judgments and Claims	139	2,595	3,520	2,902	307	(618)
Debt Service	228,040	212,858	246,799	385,616	172,758	138,817
Total OTPS	$893,065	$979,510	$947,844	$1,228,754	$249,244	$280,910
Total Agency Costs	$1,029,706	$1,134,717	$1,106,208	$1,394,795	$260,078	$288,587
Less Intra-City	$502,378	$588,193	$541,027	$643,418	$55,225	$102,391
Net Agency Cost	$527,328	$546,524	$565,181	$751,377	$204,853	$186,196
Funding						
City	400,213	395,870	432,855	578,745	182,875	145,890
Non-City	127,115	150,654	132,326	172,632	21,978	40,306
Personnel (includes FTEs at fiscal year-end)						
City	1,304	1,401	1,390	1,427	26	37
Non-City	683	758	678	736	(22)	58
Total	1,987	2,159	2,068	2,163	4	95

Programmatic Review

DCAS provides an array of support services to City agencies through the seven divisions described below.

Executive Division

The Executive Division includes the Office of the Commissioner, Office of the First Deputy Commissioner, General Counsel, Public Affairs, Special Events, Management Information Systems, Citywide Occupational Safety and Health (COSH), and the Office of Citywide Equal Employment Opportunity (OCEEO). The Commissioner oversees all agency functions and serves on the boards of the Management Benefits Fund, Deferred Compensation, and the Citywide Blood Donation Program. The Office of the General Counsel provides legal support in areas such as real estate (leasing, acquisitions, and disposals), civil service and employment law, and procurement. COSH is responsible for the oversight of Citywide occupational safety and health issues, and provides related training in conjunction with City agency safety officers.

The Executive Division is also charged with the production and printing of official City publications such as the City Record, the Green Book, and their online counterparts. The City Record Online allows agencies to post electronic versions of their solicitations on the internet which can then be downloaded by interested vendors. In addition, vendors may elect to receive e-mail notification of new solicitations.

Office of Citywide Equal Employment Opportunity

The Office of Citywide Equal Employment Opportunity (OCEEO) monitors compliance with EEO policy. The EEO policy requires agencies to conduct specialized training programs and document workforce composition. City agencies are required to report annually to OCEEO on policy compliance. OCEEO carries out its monitoring function through training initiatives, agency site visits, and personnel interviews.

Division of Citywide Personnel Services

The Division of Citywide Personnel Services (DCPS) is responsible for civil service administration including the classification of positions and salaries, administering examinations, personnel development and training, Citywide redeployment, and other special programs such as the Employee Blood Donation Program, the Urban Fellows Program, Public Service Corps, and the Leadership Institute.

In order to simplify civil service job titles and streamline exam administration, DCPS is continuing to consolidate and reclassify titles with overlapping functions as well as eliminate vacant job titles that are no longer needed. The Division also continues its efforts to consolidate annual civil service examinations for titles that require similar knowledge and skills. DCPS has eliminated 10 competitive civil service titles thus far in 2006. 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 2007 includes 100 civil service and 68 license examinations. In 2007, DCAS will administer several police officer exams as well as the firefighter exam. The written component of the firefighter exam will be given during the winter, and the physical exam will be administered in the spring. At the request of the Administration for Children's Services, DCAS will also administer the child protective specialist exam on multiple occasions.

Division of Real Estate Services

The Division of Real Estate Services (DRES) offers real property services including broker services, site searches, lease services, and property acquisition for client agencies. This Division also provides architectural design and project management services for client agencies in both DCAS-managed and privately owned space. The Division administers approximately 36 leases for City agencies in private buildings, and also leases out City-owned commercial properties. DRES manages and disposes of City-owned commercial properties acquired through prior tax foreclosure 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 realized annual savings of $0.4 million in recoveries and credits through April of 2006.

Division of Facilities Management and Construction

The Division of Facilities Management and Construction (DFMC) is responsible for maintaining and operating 54 City-owned public buildings, including the newly built Bronx Hall of Justice, scheduled to open in September. This Division provides technical engineering along with architectural and construction management services to maintain and operate its facilities. DFMC also coordinates with the State Office of Court Administration to ensure proper maintenance of court facilities within the City.

Division of Municipal Supply Services

The Division of Municipal Supply Services (DMSS) is the City's chief procurement entity. DMSS procures, warehouses, and distributes goods and supplies necessary for City agencies to fulfill their missions. Centralized contracting enables the City to utilize economies of scale to purchase various commodities at the most favorable market price. This Division ensures the quality of goods purchased through inspections and operates the Central Storehouse which warehouses over 2,000 different items. DMSS manages the Direct Delivery Program for office supplies for various client agencies. This program delivers office supplies from the vendor directly to City agencies, thereby reducing the waiting period for the receipt of goods and associated overhead costs. This Division is also responsible for the salvaging of surplus goods and vehicles through redistribution to other City agencies and auction.

Division of Fiscal Management and Operations

The Division of Fiscal Management and Operations (DFMO) is responsible for providing the Department with the fiscal management and coordination needed to carry out its mandate. This Division includes the Office of Operations and Strategic Planning, the Capital Budget Office, and the Office of Financial Services, which includes budget control, audits and accounts, and State Court reimbursement. The Office of Energy Conservation (OEC), an office within DFMO, is the City's primary energy management entity. This office develops and reports on the City's annual energy budget and pays energy bills for City accounts, as the utility account holder of record. OEC also reviews energy billing with agencies and oversees energy conservation programs. The Office provides each agency's energy liaison with monthly agency level and account level reports on energy cost and usage, and oversees 20 to 30 energy-efficiency facility upgrades a year.

The Division is responsible for the operation of the official store of the City of New York, the CityStore. The CityStore operates a retail location in the North Lobby of the Manhattan Municipal Building.

Division of Administration and Security

The Division of Administration and Security (DAS) is responsible for internal administrative support for DCAS including human resources, payroll and timekeeping, training, disciplinary proceedings, labor relations, printing services, communication services, and records management. DAS also coordinates security within the Department for 18 DCAS-managed facilities and for some leased facilities. Security responsibilities include risk assessment, security analysis, implementation, and continued evaluation of DCAS facilities.

Capital Review

The 2007-2010 Four-Year Capital Commitment Plan for the Department is $670.9 million, with $393.2 million provided in 2007.

The Department is responsible for capital improvements to all DCAS-managed and client agencies' buildings including office space, warehouses, and courts; oversight and improvements to City-leased properties; and the sale, lease, and acquisition of City-owned 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 2005-2010 period.

Capital Commitments

($000's)

	2005 Actual		2006 Plan		2007 Plan		2008 Plan		2009 Plan		2010 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Rehabilitation of City-Owned Facilities	$13,800	$13,800	$47,409	$47,409	$137,877	$137,977	$77,074	$77,074	$31,943	$31,943	$42,744	$42,744
Renovation of Other City-Owned Facilities	12,348	12,348	24,066	26,037	2,629	2,629	0	0	0	0	0	0
Rehabilitation of Court Facility System	-1,078	-801	161	205	0	0	0	0	0	0	0	0
Legal Mandates and Correction of Unsafe Conditions	32,218	32,218	19,356	19,356	40,361	40,361	24,850	24,850	25,576	25,576	4,235	4,235
Renovation of Leased Space	7,719	7,719	6,734	6,734	50,039	50,039	12,600	12,600	2,500	2,500	2,500	2,500
Equipment and Interagency Services	2,946	2,946	21,130	21,130	9,472	9,472	1,000	1,000	1,500	1,500	750	750
Communications Equipment	2,456	2,456	1,234	1,234	600	600	0	0	0	0	0	0
Board of Elections	1,850	1,850	10,075	10,075	59,434	59,434	950	950	0	0	0	0
Miscellaneous Construction	5,733	5,733	69,730	69,730	86,072	86,072	19,000	19,000	17,000	17,000	0	0
Acquisition of Real Property	0	0	250	250	0	0	0	0	0	0	0	0
Rehabilitation of Waterfront & Non-Waterfront Properties	1,491	1,491	7,558	7,558	6,593	6,593	3,558	3,558	4,592	4,592	5,323	5,323
TOTAL	$79,482	$79,759	$207,703	$209,718	$393,077	$393,177	$139,032	$139,032	$83,111	$83,111	$55,552	$55,552

The Four-Year Capital Commitment Plan provides a total of $670.9 million, including $650.8 million for the renovation, reconstruction, and outfitting of Public Buildings and $20.1 million for Real Property.

Highlights of the Four-Year Plan include:

- reconstruction and rehabilitation of public buildings and City-owned facilities with the focus on the replacement of mechanical, electrical, plumbing and structural systems ($289.7 million), including the rehabilitation and renovation of the Manhattan Municipal Building and St. Andrew's Plaza ($21.1 million), the Brooklyn Municipal Building ($25.6 million), City Hall ($16.4 million), and Queens Borough Hall ($7.0 million), exterior renovations at the Clock Tower Building ($25.9 million) and the upgrade of electrical systems at 125 Worth Street in Manhattan ($9.0 million).

- legal mandates ($95.0 million), including the repair and replacement of petroleum underground storage tanks ($24.0 million), fire safety improvements ($16.5 million), and compliance with the Americans with Disabilities Act ($15.0 million).

- renovation of leased space ($67.6 million), including the Comptroller's Office move from One Centre Street to leased space, the relocation of the Department of Finance Bronx Business Center, and the expansion of the Department of Youth and Community Development offices at 156 William Street in Manhattan.

- equipment and interagency services ($12.7 million), including the upgrade of the Department's Management Information Systems infrastructure ($4.5 million), and the purchase of equipment for the Computerized Testing Center ($3.0 million).

- modernization of the Board of Elections ($60.4 million), including the consolidation and renovation of warehouse and office facilities for the Board of Elections ($10.4 million) as well as the purchase of electronic voting machines as required by the Help America Vote Act (HAVA) ($50.0 million).

- miscellaneous construction and the acquisition of real property ($122.1 million), including construction at Seaview Senior Housing in Staten Island ($37.5 million), Cooper Union in Manhattan ($6.5 million), the Queens Independent Living Center ($1.5 million), as well as the buildout of a new facility for WNYC ($9.8 million).

- reconstruction of waterfront properties ($18.9 million) including various pier improvements.

- reconstruction of non-waterfront properties ($1.2 million).

The 2007 Plan provides $393.2 million and includes:

- reconstruction of public buildings and City-owned facilities ($138.0 million), including the rehabilitation and renovation of the Manhattan Municipal Building and St. Andrew's Plaza ($14.2 million), City Hall ($10.3 million), exterior renovations at the Clock Tower Building ($5.2 million) and the upgrade of electrical systems at 125 Worth Street in Manhattan ($9.0 million).

- legal mandates ($40.4 million), including the repair and replacement of petroleum underground storage tanks ($22.0 million).

- renovation of leased space ($50.0 million), including the Comptroller's Office move from One Centre Street to leased space and the relocation of the Department of Finance Bronx Business Center.

- equipment and interagency services ($9.5 million), including the purchase of equipment for the Computerized Testing Center ($3.0 million).

- modernization of the Board of Elections ($59.4 million), including the consolidation and renovation of warehouse and office facilities for the Board of Elections ($9.4 million) as well as the purchase of electronic voting machines as required by the Help America Vote Act (HAVA) ($50.0 million).

- miscellaneous construction and the acquisition of real property ($86.1 million), including construction at Seaview Senior Housing in Staten Island ($12.5 million), Cooper Union in Manhattan ($4.5 million), the Queens Independent Living Center ($1.5 million), as well as the buildout of a new facility for WNYC ($9.8 million).

- reconstruction of waterfront properties ($5.7 million).

- reconstruction of non-waterfront properties ($0.9 million).

DEPARTMENT OF INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS

The Department of Information Technology and Telecommunications (DoITT) provides Citywide coordination and technical expertise in the development and use of voice, video and data technologies in City services and operations. DoITT's Commissioner directs the development of information technology (IT) strategies as the City's Chief Information Officer and the chair of the Technology Steering Committee. DoITT also provides infrastructure support for data processing and communications services to numerous City agencies, researches and manages IT projects, manages the City's television and radio networks, NYC TV Media Group, and administers the City's cable television, public pay telephone and high capacity telecommunications franchises. In addition, DoITT is the managing agency of the City's 311 Citizen Service Center.

Financial Review

DoITT's 2007 Executive Budget provides for an operating budget of $301.4 million, an increase of $65.1 million over the amount forecasted for 2006. The change is primarily attributable to additional funds allocated to the Emergency Communications Transformation Program.

Revenue Forecast

The Department collects revenue from cable television and high capacity telecommunications franchises, public pay telephone franchises, recovery of overpayments of City telephone billings, and international programming fees for use of the City's NYC TV cable television network. The Department will generate $101.5 million in revenue for 2007.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- the Department's 2007 Executive Budget includes $107.3 million for services that DoITT purchases on behalf of client agencies, including telecommunications, data and consultant services.

- the Department's 2007 Executive Budget provides $44.3 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 2007 Executive Budget provides $4.5 million for the administration of the City's five cable channels, a broadcast station, and a radio station on the NYC TV Media Group network. The City produces programming designed to inform the public on City affairs.

Restructuring and Streamlining

- the Department's 2007 Executive Budget provides $39.0 million for the 311 Citizen Service Center. The Service Center provides the public with access to non-emergency City services through one phone number, 24 hours a day, seven days a week.

Summary of Agency Financial Data

The following table compares the 2007 Executive Budget with the 2007 Preliminary Budget, the 2006 forecast and actual expenditures for 2005, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2005 Actual	2006 Forecast	2007 Preliminary Budget	2007 Executive Budget	Increase/(Decrease) 2006 Forecast	Increase/(Decrease) 2007 Preliminary Budget
Expenditures						
Salary and Wages	$49,170	$62,917	$63,598	$70,491	$7,574	$6,893
Fringe Benefits	—	25	—	—	(25)	—
OTPS	174,512	173,404	228,958	230,950	57,546	1,992
Total	$223,682	$236,346	$292,556	$301,441	$65,095	$8,885
Funding						
City	$101,330	$108,959	$177,754	$180,604	$71,645	$2,850
Other Categorical Grants	1,196	2,918	1,356	1,356	(1,562)	—
IFA	4,129	9,593	5,695	10,829	1,236	5,134
State	65	29	—	—	(29)	—
Federal CD	1,357	1,364	1,364	1,364	—	—
Federal Other	451	176	—	—	(176)	—
Intra-City Other	115,153	113,307	106,387	107,288	(6,019)	901
Total	$223,682	$236,346	$292,556	$301,441	$65,095	$8,885
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$10,947	$13,774	$14,133	$16,214	$2,440	$2,081
Pensions	3,005	4,444	6,517	6,492	2,048	(25)
Other Than Personal Service (OTPS)						
Legal Services	1,139	6,247	6,647	5,996	(251)	(651)
Judgments and Claims	—	—	—	—	—	—
Debt Service	—	—	—	—	—	—
Total Additional Costs	$15,091	$24,465	$27,297	$28,702	$4,237	$1,405
Funding						
City	13,950	23,094	25,929	27,355	4,261	1,426
Non-City	1,141	1,371	1,368	1,347	(24)	(21)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$49,170	$62,917	$63,598	$70,491	$7,574	$6,893
Fringe Benefits	10,947	13,799	14,133	16,214	2,415	2,081
Pensions	3,005	4,444	6,517	6,492	2,048	(25)
Total PS	$63,122	$81,160	$84,248	$93,197	$12,037	$8,949
OTPS	$174,512	$173,404	$228,958	$230,950	$57,546	$1,992
Legal Services	1,139	6,247	6,647	5,996	(251)	(651)
Judgments and Claims	—	—	—	—	—	—
Debt Service	—	—	—	—	—	—
Total OTPS	$175,651	$179,651	$235,605	$236,946	$57,295	$1,341
Total Agency Costs	$238,773	$260,811	$319,853	$330,143	$69,332	$10,290
Less Intra-City	$115,153	$113,307	$106,387	$107,288	($6,019)	$901
Net Agency Cost	$123,620	$147,504	$213,466	$222,855	$75,351	$9,389
Funding						
City	115,280	132,053	203,683	207,959	75,906	4,276
Non-City	8,340	15,451	9,783	14,896	(555)	5,113
Personnel (includes FTEs at fiscal year-end)						
City	785	939	958	1,012	73	54
Non-City	97	131	77	156	25	79
Total	882	1,070	1,035	1,168	98	133

Programmatic Review

DoITT is the technology services agency that oversees the City's use of existing and emerging technologies in government operations, and its delivery of services to the public. DoITT works with City agencies to align, leverage, and optimize the use of technology to meet agency and Citywide business needs. DoITT achieves this through components such as the 311 Citizen Service Center, the Emergency Communications Transformation Program (ECTP), a Citywide Broadband Mobile Wireless Network, the Channel 16 Radio Network, NYC.gov, the NYC TV Media Group, Geographic Information Systems, and various initiatives to help streamline agency operations.

311 Citizen Service Center

The 311 Citizen Service Center is the City's premier access to government information and non-emergency services via one central phone number. Trained customer service representatives are available 24 hours a day, seven days a week, and offer services in over 170 languages. DoITT continues to leverage new tools including the soon to be launched 311 Analytics project, to enhance the functionality of the 311 Citizen Service Center and improve the service delivery of City agencies. In 2007, DoITT will enhance the capability of the 311 Citizen Service Center to provide human service related information and referrals.

Emergency Communications Transformation Program

DoITT oversees the Emergency Communications Transformation Program (ECTP), an example of a major investment in improving government efficiency through technology, while also serving as a vehicle for enhancing public safety. In conjunction with the NYPD and FDNY, DoITT is working to develop an integrated 911 dispatch system that will bolster the City's critical emergency response capabilities. This project includes the development of a consolidated dispatch system, an upgraded telecommunications infrastructure, and redundant call-taking and dispatch centers. In 2007, the Department plans to begin technology outfitting and installation of call-taking and dispatch consoles at the Public Safety Answering Center (PSAC). DoITT will also begin work to upgrade and replace the City's 911 telephone network.

Citywide Broadband Mobile Wireless Network

DoITT is spearheading the City's efforts to implement a Citywide broadband mobile wireless network solution for use by public safety and public service agencies. Once established, the network will provide for the transmission of broadband applications such as video feeds, large graphics files, wireless call box alarms, traffic control signals, automatic vehicle location (AVL) data, and biological, chemical and radiological monitoring data. Access to this network will provide beneficial resources to public safety agency personnel that will greatly improve their execution of specific job functions. In 2006, a Phase I study was launched in Lower Manhattan. Results of this pilot study will be available in 2007 and will be reviewed and evaluated to determine the most effective strategy for implementing a broadband mobile wireless network.

Channel 16 Radio Network

Channel 16 will be a Citywide radio network infrastructure that completes the migration of all first responder communications onto a common frequency band and enables public safety agencies in the New York metropolitan area to communicate with each other during emergencies. Implementation began in 2006 and will continue in 2007. Once fully executed, this project will meet the Citywide mission critical communication needs of public safety agencies and enhance Citywide interoperability.

NYC.gov

NYC.gov, the City's official website, provides New Yorkers with an easy-to-use source of government services and information. In 2007, DoITT will launch on NYC.gov the Integrated Human Services System (IHSS) which will allow the public to use a secure, online pre-screening process to determine potential eligibility for a broad range of programs. DoITT will also launch Business Express, a joint project with the Department of Small Business Services intended to provide new and existing businesses with the tools required to open and expand businesses in the New York City area. The project is intended to provide businesses with the ability to manage all of their business transactions with the City in one location on the web. Other projects include generating a mobile NYC.gov site and redesigning the NYC.gov interface to make information more accessible.

NYC TV Media Group

DoITT is the managing agency of the NYC TV Media Group that includes a broadcast TV station, a broadcast radio station, and five cable channels — reaching over 7 million homes in New York, New Jersey, and Connecticut. In 2007, NYC TV will continue to produce NYC-themed original programming designed to showcase New York City neighborhoods, arts, culture, history, and diverse communities. In addition, NYC TV will provide for digital transmission of its broadcast television channel in order to be compliant with Federal Communications Commission (FCC) requirements.

Geographic Information Systems

DoITT's Citywide Geographic Information Systems (GIS) Unit develops and maintains a repository of current, accurate spatial data and applications for the City of New York. This includes NYCMap, a physical base map and planimetrics of the City derived from aerial photography. The unit also develops GIS tools and applications for use by all City agencies. The GIS internet hosting environment provides the public with a growing number of geographic-based information on NYC.gov. A major focus for 2007 and beyond is the completion of the build of the GIS intranet hosting environment, which will facilitate the sharing of GIS data among City agencies and improve the accuracy of spatial data.

Streamlining Agency Operations

DoITT will continue to leverage its data center, fiber optic network and other resources in order to provide cost savings to City agencies in need of internet access, data center hosting and management, e-mail, security and firewall solutions, disaster recovery sites, wireless solutions, and remote access. The DoITT Capital Plan for 2007-2010 includes $184.2 million for infrastructure improvements associated with these Citywide initiatives.

ECONOMIC DEVELOPMENT

Since 1992, two organizations, the Department of Small Business Services (SBS) and the Economic Development Corporation (EDC), have administered the City's economic development programs. SBS also administers the City's adult workforce development programs as a result of its merger with the Department of Employment in 2004.

SBS provides services primarily to small businesses in New York City by overseeing the City's business improvement districts, providing technical assistance in procurement, contracting and local commercial development, and increasing opportunities for minority- and women-owned businesses. SBS also assists small businesses in their interactions with other City agencies to facilitate the delivery of City services and utilities. Within the Workforce Development Division, SBS provides job training and placement services to jobseekers and businesses through its one-stop centers and contracted service providers.

EDC serves as the City's corporate attraction and retention arm. In addition, EDC undertakes financing initiatives and generates commercial and industrial projects in conjunction with private developers. Waterfront, maritime, and inter-modal transportation development are also under EDC's purview.

Financial Review

The 2007 Executive Budget for Economic Development provides \$103.2 million in operating expenses at SBS and \$11.4 million in operating expenses at EDC, with Federal funds of \$63.7 million and City funds of \$50.9 million. This represents an overall increase of \$19.5 million for SBS above the 2006 forecast. The SBS operating budget includes allocations for NYC & Company (formerly known as the New York Convention and Visitors Bureau), the NYC Empowerment Zone, the Mayor's Office of Film, Theatre and Broadcasting, and other SBS programs such as the Commercial Revitalization program and the Vendor/Micro-Enterprise Division. EDC funds the majority of its operating budget through income earned from the management of its real estate portfolio.

City funded capital commitments of \$1.37 billion are forecast in the 2007-2010 capital plan. Of this amount, \$1.28 billion reflect Mayoral commitments. The remaining \$9.0 million reflect Elected Officials commitments. The amount of total City funded capital commitments for the 2007-2010 plan represents an increase of \$140 million over the amount of commitments forecast in the 2006-2009 plan.

Revenue Forecast

The Department of Small Business Services collects revenue from the rental and sale of commercial, industrial, maritime, and market properties administered by EDC, and other miscellaneous fees. The 2007 revenue estimate for Economic Development is \$21.4 million.

Expense Budget Highlights

- the Workforce Development Division runs the City's one-stop centers in all five boroughs. In addition, the City's Business Solution Centers, some of which are co-located in the one-stop centers, provide businesses with access to skilled labor through the Customized Training Program. The 2007 budget includes \$60.3 million in Federal funds for all Adult and Dislocated Worker job training programs.

- the Economic and Financial Opportunity Division focuses on outreach and technological assistance to certify minority- and women-owned businesses for government contracts. The Executive Budget for 2007 provides \$2.3 million in City and Federal funds to run this program with a staff of 30 people.

- through a contract with SBS, NYC & Company will receive \$21 million in City funding in 2007 for its work to promote the City as the country's premier tourist destination and convention center.

- in 1995, portions of Upper Manhattan and the South Bronx were designated an Empowerment Zone (EZ), entitling the City to an additional $100 million in Federal aid over ten years. Both the City and New York State have committed funds matching the Federal investment. These funds facilitate economic development initiatives by local businesses and community-based organizations. In 2002, program funding was extended from 2005 to 2009.

Summary of Agency Financial Data

The following table compares the 2007 Executive Budget with the 2007 Preliminary Budget, the 2006 forecast and actual expenditures for 2005, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

			2007		Increase/(Decrease)	
	2005 Actual	2006 Forecast	Preliminary Budget	Executive Budget	2006 Forecast	2007 Preliminary Budget
Expenditures						
Salary and Wages	$14,482	$17,263	$15,398	$16,777	($486)	$1,379
Fringe Benefits	—	243	—	—	(243)	—
OTPS	93,794	117,115	79,744	97,869	(19,246)	18,125
Total	$108,276	$134,621	$95,142	$114,646	($19,975)	$19,504
Funding						
City	$31,075	$40,102	$31,499	$50,927	$10,825	$19,428
Other Categorical Grants	444	918	—	—	(918)	—
IFA	—	—	—	—	—	—
State	274	1,082	—	—	(1,082)	—
Federal CD	6,992	8,344	6,106	6,107	(2,237)	1
Federal Other	67,041	82,245	57,527	57,602	(24,643)	75
Intra-City Other	2,451	1,930	10	10	(1,920)	—
Total	$108,276	$134,621	$95,142	$114,646	($19,975)	$19,504
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$3,884	$5,132	$5,329	$5,270	$138	($59)
Pensions	885	1,275	1,451	1,572	297	121
Other Than Personal Service (OTPS)						
Legal Services	4,477	7,373	6,303	7,076	(297)	773
Judgments and Claims	36	10	11	11	1	—
Debt Service	57,183	58,750	165,971	222,994	164,244	57,023
Total Additional Costs	$66,465	$72,540	$179,065	$236,923	$164,383	$57,858
Funding						
City	64,968	66,548	173,635	228,171	161,623	54,536
Non-City	1,497	5,992	5,430	8,752	2,760	3,322
Total Agency Costs (including Central Accounts)						
Salary and Wages	$14,482	$17,263	$15,398	$16,777	($486)	$1,379
Fringe Benefits	3,884	5,375	5,329	5,270	(105)	(59)
Pensions	885	1,275	1,451	1,572	297	121
Total PS	$19,251	$23,913	$22,178	$23,619	($294)	$1,441
OTPS	$93,794	$117,115	$79,744	$97,869	($19,246)	$18,125
Legal Services	4,477	7,373	6,303	7,076	(297)	773
Judgments and Claims	36	10	11	11	1	—
Debt Service	57,183	58,750	165,971	222,994	164,244	57,023
Total OTPS	$155,490	$183,248	$252,029	$327,950	$144,702	$75,921
Total Agency Costs	$174,741	$207,161	$274,207	$351,569	$144,408	$77,362
Less Intra-City	$2,451	$1,930	$10	$10	($1,920)	$—
Net Agency Cost	$172,290	$205,231	$274,197	$351,559	$146,328	$77,362
Funding						
City	96,043	106,650	205,134	279,098	172,448	73,964
Non-City	76,247	98,581	69,063	72,461	(26,120)	3,398
Personnel (includes FTEs at fiscal year-end)						
City	96	119	125	128	9	3
Non-City	174	168	146	150	(18)	4
Total	270	287	271	278	(9)	7

Programmatic Review

Department of Small Business Services

The Department of Small Business Services makes it easier for companies to form, do business and grow by providing direct assistance to business owners, fostering neighborhood development in commercial districts, promoting financial and economic opportunity among minority- and women-owned businesses, preparing New Yorkers for jobs, and linking employers to a skilled and qualified workforce.

Business & District Development

- this division assists business communities in establishing and operating business improvement districts (BIDs) and by issuing commercial revitalization (CR) grants to local development corporations (LDCs) and other neighborhood organizations. In 2006, three new BIDs have formed, bringing the citywide total to 53. Collectively, the network of BIDs provide $80 million in supplemental services to clean, maintain, and enhance commercial corridors. More than $6 million in CR grants are annually contracted to over 80 LDCs throughout the five boroughs in six major project categories: business attraction & retention, BID planning; storefront improvement program; technical assistance; commercial development - real estate; commercial revitalization planning; and pilot promotion.

NYC Business Solutions

- NYC Business Solutions is the direct business assistance component of SBS, which reaches business owners and entrepreneurs through its centers, now open in the South Bronx, Upper Manhattan, Queens, Downtown Brooklyn, Lower Manhattan, and Staten Island. In 2006, NYC Business Solutions assisted over 10,000 businesses and responded to more than 17,000 service requests in the categories of start-up, financing, regulations, incentives, workforce, real estate, procurement, marketing, and others.

- through outreach and technical assistance services, the NYC Business Solutions Outreach Team, formerly known as the City Business Assistance Program and Emergency Response Unit, helps businesses interact with other City agencies and resolve obstacles to doing business efficiently. Outreach team staff advise businesses about local stoop-line, sanitation, and vending regulations. The unit coordinates graffiti removal projects and helps merchants conform to the zero-visibility rule, which prohibits sidewalk merchandise display. Additionally, the outreach team works with the Mayor's Office of Emergency Management to assist businesses affected by disasters. It provides updates on building re-openings, facilitates the resolution of matters affecting day-to-day business operations, and compiles evidence to support business claims for assistance. In 2006 the outreach team assisted more than 3,000 businesses. Since 2002, it has responded to over 100 emergencies and helped more than 900 businesses impacted by them. It also provides Business Emergency Grants to assist with recovery.

- the Business Incentives Unit coordinates the Lower Manhattan Energy Program (LMEP), which offers reduced regulated electricity costs for up to 12 years. To date, 49 office towers with approximately 1,200 commercial tenants have received LMEP benefits. The Energy Cost Savings Program, which helps businesses lower their energy costs in targeted areas around the City, approved 85 projects affecting 11,874 jobs and more than $1.7 million in annual savings in 2005.

- the Vendor/Microenterprise Unit conducted courses attended by 2,061 individuals in 2006. Classes are given in five locations around the City and offered in business basics, computer applications, and technical assistance.

Economic and Financial Opportunity

- the Economic and Financial Opportunity Division enables small, minority- and women-owned businesses to grow and actively participate in the City's procurement process. It provides personal outreach, registration, and technological assistance to connect businesses with new opportunities. In 2006, SBS certified more than 350 firms as minority- and women-owned enterprises.

Workforce Development

- the Workforce Development Division provides employment services to the City's adult private-sector workforce. Funds for these programs are provided through the Federal Workforce Investment Act (WIA). Through partnerships with private employers, SBS provides NYC Business Solutions Training Grants to upgrade the skill sets of employees in growth industries; employers cover 50 percent of the cost of these training programs. As of March 2006, SBS had awarded nine grants totaling $1.2 million which were matched by over $1.5 million in employer matches and which will provide training to over 600 workers.

- the Workforce1 system is the centerpiece of the adult workforce system. In 2006, SBS operated five Workforce1 Career Centers and opened two additional centers operated by the City University of New York at LaGuardia Community College in western Queens and CUNY on the Concourse in the Bronx. These centers provide job search, training, and placement opportunities for all New Yorkers. They also provide universal access to Individual Training Accounts (ITAs), which customers can use to pay for training at occupational schools throughout the City. During the past year, approximately 9,000 individuals were placed in jobs with over 2,000 businesses.

- training providers serve dislocated workers and special adult populations through targeted outreach and occupational skills training. These programs have served 4,100 New Yorkers in 2006.

Mayor's Office of Industrial and Manufacturing Businesses

- created in January 2005, the Mayor's Office of Industrial and Manufacturing Businesses (IMB) coordinates a series of initiatives designed to help retain and grow New York City's industrial job base. The office marshals the resources of key City agencies to address the main concerns of the industrial and manufacturing sector: protecting industrial space, lowering costs, and creating a friendlier business environment. In April 2006, IMB secured the ratification of 16 Industrial Business Zones (IBZs) throughout the City to support and protect the industrial and manufacturing sector. These IBZs will provide one-time tax credits of up to $1,000 per employee for businesses who relocated to them in addition to other business assistance services to help these companies grow.

New York City Economic Development Corporation

EDC works with the private and public sectors to revitalize businesses, create jobs, and generate revenue for the City. EDC also manages and develops City-owned commercial, industrial, and waterfront properties, including marine terminals, public markets, rail yards, and industrial parks.

The financing arm of EDC includes several small business lending, guarantee, and bond programs. The purpose of these programs is to create jobs and retain and expand businesses through financial assistance offered at market or below market rates. EDC also contracts with the New York City Industrial Development Agency (IDA) to provide financing for industrial expansion projects.

- in the first quarter of 2006, EDC (through IDA) financed over $248 million to secure business commitments representing 1,008 jobs retained.

- in August 2005, IDA approved financing assistance for seven not-for-profit organizations and five industrial companies in Queens, Brooklyn, Manhattan, and Staten Island. These projects will retain close to 1,200 jobs creating 120 new positions and encourage $134 million in private investment.

- in January 2006, EDC formed the New York City Capital Resource Corporation. This new entity will expand the pool of organizations that can benefit from tax exempt financing, especially arts and social service organizations and cultural, healthcare, and educational institutions.

Under its contract with SBS, EDC acts as a managing agent for City-sponsored projects funded primarily through the capital budget, as described below.

Capital Review

The primary goal of the Four Year Capital Plan is to encourage development in order to create and retain jobs in New York City, to bolster the City's tax base, and to maintain city-owned facilities in a state of good repair. The 2007-2010 Four-Year Plan totals $1.37 billion.

The following chart shows Capital plan commitments by major function over the 2006-2010 period. Actual commitments are provided for 2005.

Capital Commitments

($000's)

	2005 Actual		2006 Plan		2007 Plan		2008 Plan		2009 Plan		2010 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	$60,968	$63,703	$199,175	$281,919	$654,650	$654,650	$101,823	$101,823	$17,368	$17,368	$4,316	$4,316
Industrial Development . . .	11,664	11,664	73,278	73,278	61,015	61,015	51,859	51,859	27,096	27,096	4,316	4,316
Market Development	10	10	9,642	9,642	3,950	3,950	5,061	5,061	5,388	5,388	6,316	6,316
Neighborhood Revitaliz'n .	1,889	1,889	43,223	47,415	43,504	43,504	38,806	38,806	23,378	23,378	4,317	4,317
Port Development	61,576	63,677	81,537	121,506	78,892	78,892	86,093	86,093	18,903	18,903	5,316	5,316
Rail Development	42,912	44,612	25,375	43,778	0	0	0	0	0	0	0	0
Waterfront Development . .	22,916	22,916	54,968	88,665	52,990	52,990	27,360	27,360	13,032	13,032	1,317	1,317
Aviation	0	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous	4,860	6,845	52,451	57,487	15,707	18,057	13,200	13,200	200	200	200	200
Total	$206,795	$215,316	$539,649	$723,690	$910,708	$913,058	$324,202	$324,202	$105,365	$105,365	$26,098	$26,098

Highlights of the 2007-2010 Four Year Capital Plan (including uncommitted 2006 funds) are:

- expansion of the Javits Center ($350.0 million).

- rehabilitation and expansion of the City's cruise ship terminals ($219.5 million).

- redevelopment of the Farley Post Office as a commuter hub ($146.0 million).

- redevelopment of the Atlantic Yards ($107.0 million).

- redevelopment of Downtown Brooklyn ($93.5 million).

- development of the Brooklyn Academy of Music Cultural District ($75.6 million).

- redevelopment of Coney Island waterfront and neighborhood ($73.1 million).
- infrastructure improvements at Staten Island Homeport ($62.9 million).
- pre-development infrastructure at Governor's Island ($37.5 million).
- redevelopment of Bush Terminal Piers as community open space ($35.2 million).
- implementation of the Hunts Point Vision Plan in the Bronx ($29.0 million).
- improvement of intermodal transportation and neighborhood connections at Jamaica Center ($23.6 million).
- redevelopment of the 125th Street Corridor ($22.6 million).

LIBRARIES

The City of New York funds three independently operated public library systems, each administered by a distinct and separate board of trustees. The Brooklyn Public Library oversees the operation of 58 branches, a Business Library and a Central Library. The New York Public Library manages a three-borough library system: the Bronx with 34 branches, Manhattan with 39 branches and Staten Island with 12 branches. It also oversees four Research Libraries: the Humanities and Social Sciences Library, the Library for the Performing Arts at Lincoln Center, the Schomburg Center for Research in Black Culture, and the Science, Industry, and Business Library. The Queens Library is comprised of 62 branches and a Central Library.

Financial Review

The 2007 Executive Budget for Libraries provides total operating funds of $223.0 million. This is an increase of $186.5 million from the 2006 forecast of $36.5 million, due to the prepayment of $224.8 million to all three library systems in 2005 for 2006. Adjusting for the prepayment, the 2007 Executive Budget will be $38.3 million less than the 2006 forecast of $261.3 million. The Executive Budget also provides for City funded capital commitments of $155.1 million in 2007.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

The partial prepayment of the 2006 subsidy in 2005 to all three library systems increased the 2005 budget by $224.8 million and decreased the 2006 budget by a commensurate $224.8 million. The prepayment did not affect library service in 2006, but rather accelerated the receipt of 2006 subsidies to each of the library systems.

In 2007, there will be an operating subsidy totaling $223.0 million: $62.4 million to the Brooklyn Public Library, $84.0 million to the New York Public Library, $16.2 million to the New York Research Libraries and $60.4 million for the Queens Library. Including the subsidy prepayment in 2005, the 2006 forecast of $261.3 million includes $74.1 million to the Brooklyn Public Library; $96.4 million to the New York Public Library; $19.0 million to the New York Research Libraries; and $71.8 million for the Queens Library.

- days and hours of branch service remain a priority for the three Library systems: each branch currently provides at least 5 days of service per week.

- adjusting for the subsidy prepayment of $64.0 million in 2005, the City's 2007 subsidy to the Brooklyn Public Library will be $11.7 million less than the 2006 forecast of $74.1 million.

- accounting for the subsidy prepayment of $84.7 million in 2005, the City's 2007 subsidy to the New York Public Library will be $12.4 million less than the 2006 forecast of $96.4 million.

- including the subsidy prepayment of $14.1 million in 2005, the City's 2007 subsidy to the New York Research Libraries will be $2.8 million less than the 2006 forecast of $19.0 million.

- including the subsidy prepayment of $61.8 million in 2005, the City's 2007 subsidy to Queens Library will be $11.4 million less than the 2006 forecast of $71.8 million.

Summary of Agency Financial Data

The following table compares the 2007 Executive Budget with the 2007 Preliminary Budget, the 2006 forecast and actual expenditures for 2005, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2005 Actual	2006 Forecast	2007 Preliminary Budget	2007 Executive Budget	Increase/(Decrease) 2006 Forecast	Increase/(Decrease) 2007 Preliminary Budget
Expenditures						
Salary and Wages	$—	$—	$—	$—	$—	$—
Fringe Benefits	—	—	—	—	—	—
OTPS	362,310	36,483	217,377	222,996	186,513	5,619
Total	$362,310	$36,483	$217,377	$222,996	$186,513	$5,619
Funding						
City	$362,310	$36,483	$217,377	$222,996	$186,513	$5,619
Other Categorical Grants	—	—	—	—	—	—
IFA	—	—	—	—	—	—
State	—	—	—	—	—	—
Federal CD	—	—	—	—	—	—
Federal Other	—	—	—	—	—	—
Intra-City Other	—	—	—	—	—	—
Total	$362,310	$36,483	$217,377	$222,996	$186,513	$5,619
Additional Costs Centrally Funded						
Other Than Personal Service (OTPS)						
Fringe Benefits	$802	$1,795	$1,160	$2,106	$311	$946
Pensions	10,466	17,852	19,192	19,192	1,340	—
Legal Services	68	61	53	60	(1)	7
Judgments and Claims	—	54	58	60	6	2
Debt Service	23,594	23,523	28,897	31,164	7,641	2,267
Total Additional Costs	$34,930	$43,285	$49,360	$52,582	$9,297	$3,222
Funding						
City	34,424	41,036	48,251	50,048	9,012	1,797
Non-City	506	2,249	1,109	2,534	285	1,425
Total Agency Costs (including Central Accounts)						
Fringe Benefits	$802	$1,795	$1,160	$2,106	$311	$946
OTPS	362,310	36,483	217,377	222,996	186,513	5,619
Pensions	10,466	17,852	19,192	19,192	1,340	—
Legal Services	68	61	53	60	(1)	7
Judgments and Claims	—	54	58	60	6	2
Debt Service	23,594	23,523	28,897	31,164	7,641	2,267
Total OTPS	$397,240	$79,768	$266,737	$275,578	$195,810	$8,841
Total Agency Costs	$397,240	$79,768	$266,737	$275,578	$195,810	$8,841
Less Intra-City	$—	$—	$—	$—	$—	$—
Net Agency Cost	$397,240	$79,768	$266,737	$275,578	$195,810	$8,841
Funding						
City	396,734	77,519	265,628	273,044	195,525	7,416
Non-City	506	2,249	1,109	2,534	285	1,425
Personnel (includes FTEs at fiscal year-end)						
City	—	—	—	—	—	—
Non-City	—	—	—	—	—	—
Total	—	—	—	—	—	—

* *The 2007 Executive Budget provides an estimated 3,615 full-time and full-time equivalent positions, which are funded with City subsidies.*

Programmatic Review

The three library systems will continue to provide services throughout the five boroughs at existing branches and at the following recently reopened or rehabilitated libraries:

- the Bedford Branch Library in Brooklyn reopened in October 2005 following a complete rehabilitation and expansion.

- the new Bronx Library Center opened in January 2006.

- the 67th Street Branch Library reopened in December 2005 and the Columbus Branch Library reopened in November 2005, both in Manhattan, after extensive rehabilitation.

- the Port Richmond Branch Library in Staten Island will complete an extensive roof and façade rehabilitation project by June 2006.

- the Ridgewood Branch Library in Queens reopened its lower level in February 2006 following an extensive renovation and expansion of that level.

The three library systems will continue to provide a variety of community programming:

- in 2006, Brooklyn Public Library launched the Brooklyn Reads to Babies initiative. An early literacy campaign that shares the joys of reading and singing in six different languages, this program is intended to stimulate brain development in babies, while emphasizing the importance of reading to children in the early stages of life. Brooklyn Reads to Babies has been a great success, drawing thousands of new mothers, fathers, and caregivers to each of the Brooklyn Public Library's neighborhood branches.

- New York Public Library is reaching out to caregivers of very young children, introducing them to techniques to create readiness for reading, learning, and success in school. Immigrants are encouraged to visit the library through targeted cultural programs designed around themes they will find familiar, resulting in an increase in library cards issued and books borrowed.

- New York Research Libraries have begun a new education outreach project. This effort will connect New York City's public school teachers and students with the New York Public Library's world-class research collections, while working within the framework of New York State learning standards.

- Queens Library's Family Literacy initiatives are helping immigrant parents improve their English while preparing their children to succeed in school. Special programs to engage young adults and teens are showing a high rate of success in bettering school attendance and decreasing anti-social behavior. Free computer workshops in English and Spanish help New Yorkers take advantage of the best new technology, while polishing their job-related skills.

- all three library systems have well-developed computer systems that provide the public with free of charge Internet access and basic PC software applications. Wireless internet access is available in many library locations. The libraries have also implemented interactive reference services that allow patrons to search the reference database and send reference inquiries to professional librarians.

- the three library systems, with support from the Wallace Foundation, have launched a Learning in Libraries initiative to increase Out of School Time library services for children in the City. This includes increased access to homework help, fun reading programs, and enhanced library collections designed to support children in their learning. A jointly developed website, homeworkNYC.org, has homework assistance resources, including ask-a-librarian and one-on-one tutoring, that are available to all students through high school.

Capital Review

The 2007-2010 Four-Year Capital Commitment Plan totals $75.5 million, of which 100 percent is City-funded. The Four-Year Plan provides $21.2 million for the Brooklyn Public Library, $4.6 million for the New York Public Library, $16.5 million for the New York Research Libraries and $33.2 million for the Queens Library.

Capital Commitments

($000's)

	2005 Actual		2006 Plan		2007 Plan		2008 Plan		2009 Plan		2010 Plan	
Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All
Brooklyn Public Library	$16,245	$16,245	$31,670	$35,571	$17,867	$17,867	$1,554	$1,554	$835	$835	$968	$968
New York Public library	3,992	4,061	55,772	55,772	3,368	3,368	0	0	0	0	1,267	1,267
New York Research Library	10,406	10,481	26,945	27,045	16,453	16,453	0	0	0	0	0	0
Queens Public Library	10,597	10,597	40,672	40,841	27,969	27,969	3,249	3,249	876	876	1,123	1,123
Total	$41,240	$41,384	$155,059	$159,229	$65,657	$65,657	$4,803	$4,803	$1,711	$1,711	$3,358	$3,358

Several major renovations took place in 2006. Other major projects will be undertaken in 2007. Highlights of the 2007-2010 Four-Year Capital Commitment Plan include:

Brooklyn Public Library:

- extensive renovations at the Brooklyn Central Library, which include the expansion of the library mezzanine, a new front plaza, ADA-compliance work, and a new heating and cooling system ($5.1 million, in addition to $12.6 million in 2006, which includes $3.9 million of non-City funds).
- design and construction of the new Kensington Branch Library ($11.9 million).
- construction and HVAC upgrades at multiple branches in the Brooklyn Public Library system ($3.4 million).
- rehabilitation and expansion of the Kings Highway Branch Library ($648,000, in addition to $5.4 million in 2006).

New York Public Library, which includes projects in the Bronx ($775,000), Manhattan ($1.4 million), and Staten Island ($1.2 million), as well as funding for projects in all three boroughs ($1.3 million):

- renovation of the Roosevelt Island Branch Library ($1.4 million, in addition to $1.4 million in 2006).
- infrastructure improvements at multiple branches throughout the New York Public Library system ($1.3 million).
- expansion of the Woodlawn Branch Library in the Bronx ($775,000, in addition to $1.3 million in 2006).
- renovation and site acquisition of the Stapleton Branch Library in Staten Island ($500,000, in addition to $4.2 million in 2006).
- construction of a new branch at Mariner's Harbor in Staten Island ($443,000, in addition to $3.4 million in 2006).

New York Research Libraries:

- restoration and renovation of the Humanities and Social Sciences Library in Manhattan, including HVAC, façade stabilization and restoration ($15.2 million, in addition to $23.3 million in 2006).

- reconstruction of the Schomburg Center for Research in Black Culture in Manhattan ($1.3 million, in addition to $3.8 million in 2006, which includes $100,000 in non-City funds).

Queens Library:

- construction of the new Children's Library and Discovery Center at the Central Library in Jamaica, which encompasses a two-story, 14,000 square foot library for children, and includes planned interactive science exhibits and programs to develop information literacy skills ($21.4 million, in addition to $5.9 million for 2006).

- expansion of the Jackson Heights Branch Library ($5.0 million, in addition to $4.3 million in 2006).

- replacement of the Glen Oaks Branch Library ($3.9 million, in addition to $3.1 million in 2006).

- replacement of heating and air conditioning systems in multiple branches of the Queens Library system ($1.5 million, in addition to $747,000 in 2006).

- ADA-compliance renovations at multiple branches in the Queens Library system ($1.2 million, in addition to $1.5 million in 2006).

THE DEPARTMENT OF CULTURAL AFFAIRS

The Department of Cultural Affairs (DCA) is responsible for sustaining and promoting the cultural quality of life throughout the City. DCA achieves these goals by providing financial or technical support to over 1,000 museums, performing arts institutions, gardens, zoos and other cultural organizations, while also providing legal, construction, and managerial support services.

The City supports operations at 34 City-owned cultural institutions, which include world-renowned organizations such as the Metropolitan Museum of Art, the Wildlife Conservation Society, the American Museum of Natural History, the Brooklyn Academy of Music, Carnegie Hall, Lincoln Center for the Performing Arts, the Brooklyn Museum of Art, and the New York Botanical Garden. The Cultural Institutions Group (CIG) also includes a number of outstanding smaller and mid-sized institutions such as the Museum of the Moving Image, the New York Hall of Science, Wave Hill, the Museum of the City of New York, the Brooklyn Children's Museum, City Center Theater, and the Staten Island Botanical Garden. DCA supports capital construction and improvement projects at other distinguished cultural institutions, such as New Museum, the Society for the Preservation of Weeksville and Bedford-Stuyvesant History, Aaron Davis Hall, Inc./Harlem Stage, and Pregones Theater.

DCA provides program grants and support services to more than 600 arts-related organizations citywide, with recipients as diverse as the Asian American Arts Alliance, Asia Society, Bronx Arts Ensemble, Classical Theatre of Harlem, Conference House, Eyebeam Atelier, Intar, Louis Armstrong House, Mark Morris Dance Group, N.Y. Writers Coalition, Sound Portraits, Thalia Spanish Theater and the Whitney Museum.

Financial Review

The Department of Cultural Affairs' 2007 Executive Budget provides for operating expenses of $114.8 million, which is $22.8 million less than the 2006 forecast. It also provides for City funded capital commitments of $210.1 million in 2007.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- the City's 34 Cultural Institutions (CIGs) will receive operating support of $99.8 million, including $43.5 million in energy subsidies. The difference of $11.8 million from the 2006 forecast of $111.6 million is primarily due to a $14.8 million increase to the energy subsidy offset by $26.0 million in one-time adds and restorations, changes in one-time non-city funding, and other adjustments.

- various cultural organizations citywide will receive program grants totaling $11.2 million, which is $10.5 million less than the 2006 forecast of $21.7 million. This reduction is primarily due to one-time Mayoral adds; one-time City Council member items, restorations, and enhancements; and one-time non-city funding.

- the Executive Budget contains $3.8 million in operating funds for the Department of Cultural Affairs' staff, rent, supplies and equipment.

Summary of Agency Financial Data

The following table compares the 2007 Executive Budget with the 2007 Preliminary Budget, the 2006 forecast and actual expenditures for 2005, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2005 Actual	2006 Forecast	2007 Preliminary Budget	2007 Executive Budget	Increase/(Decrease) 2006 Forecast	Increase/(Decrease) 2007 Preliminary Budget
Expenditures						
Salary and Wages	$2,572	$2,960	$2,750	$2,862	($98)	$112
Fringe Benefits	—	17	—	—	(17)	—
OTPS	119,665	134,714	99,422	111,991	(22,723)	12,569
Total	$122,237	$137,691	$102,172	$114,853	($22,838)	$12,681
Funding						
City	$120,563	$134,772	$101,666	$114,347	($20,425)	$12,681
Other Categorical Grants	74	179	—	—	(179)	—
IFA	58	70	70	70	—	—
State	65	117	—	—	(117)	—
Federal CD	166	781	242	242	(539)	—
Federal Other	—	—	—	—	—	—
Intra-City Other	1,310	1,772	194	194	(1,578)	—
Total	$122,237	$137,691	$102,172	$114,853	($22,838)	$12,681
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$590	$693	$706	$713	$20	$7
Pensions	6,246	6,470	7,244	7,243	773	(1)
Other Than Personal Service (OTPS)						
Legal Services	21	67	44	64	(3)	20
Judgments and Claims	6	15	23	17	2	(6)
Debt Service	42,955	42,825	52,610	67,614	24,789	15,004
Total Additional Costs	$49,818	$50,070	$60,627	$75,651	$25,581	$15,024
Funding						
City	48,871	45,944	58,575	70,122	24,178	11,547
Non-City	947	4,126	2,052	5,529	1,403	3,477
Total Agency Costs (including Central Accounts)						
Salary and Wages	$2,572	$2,960	$2,750	$2,862	($98)	$112
Fringe Benefits	590	710	706	713	3	7
Pensions	6,246	6,470	7,244	7,243	773	(1)
Total PS	$9,408	$10,140	$10,700	$10,818	$678	$118
OTPS	$119,665	$134,714	$99,422	$111,991	($22,723)	$12,569
Legal Services	21	67	44	64	(3)	20
Judgments and Claims	6	15	23	17	2	(6)
Debt Service	42,955	42,825	52,610	67,614	24,789	15,004
Total OTPS	$162,647	$177,621	$152,099	$179,686	$2,065	$27,587
Total Agency Costs	$172,055	$187,761	$162,799	$190,504	$2,743	$27,705
Less Intra-City	$1,310	$1,772	$194	$194	($1,578)	$—
Net Agency Cost	$170,745	$185,989	$162,605	$190,310	$4,321	$27,705
Funding						
City	169,434	180,716	160,241	184,469	3,753	24,228
Non-City	1,311	5,273	2,364	5,841	568	3,477
Personnel (includes FTEs at fiscal year-end)						
City	48	52	46	46	(6)	—
Non-City	4	3	3	3	—	—
Total	52	55	49	49	(6)	—

* *The 2007 Executive Budget provides an estimated 1,366 full-time and full-time equivalent positions, which are funded with City subsidies.*

Programmatic Review

- Celebrating its 30th anniversary this year, DCA continues to work toward strengthening non-profit cultural organizations and increasing the visibility of the cultural field as a whole. Over the past year, the agency has spearheaded a number of highly popular seminars aimed at helping cultural groups improve management, plan for capital projects, and develop marketing strategies. Moreover, in collaboration with the Mayor's Office of Film Theatre and Broadcasting, the Department of Parks & Recreation, and the Department of Records and Information Services, DCA has created a unique partnership between the City and 96.3 FM WQXR, New York's classical radio station, to regularly promote cultural organizations and events in all five boroughs.

- the Cultural Development Fund (CDF) awards program grants on a competitive basis. In 2006, 418 groups received awards averaging $4,638. In 2007, $1.5 million is allocated for the CDF.

- DCA's innovative and highly popular program, Materials for the Arts (MFTA), is flourishing. So far in 2006, 537 tons of materials valued at $3.6 million have been distributed to more than 1,226 groups throughout the City, ranging from arts organizations, social service organizations, and public schools.

- the Community Arts Development Program awards federal grants to arts groups serving low- and moderate-income neighborhoods. In 2007, more than $241,000 will be available in Federal funding.

- DCA administers the Percent for Art program which oversees commissions for public works of art as part of City construction projects. The agency recently reinforced its commitment to promoting public art and good design with the first comprehensive documentation of the City's Percent for Art program — the critically acclaimed book entitled *City Art* — and an accompanying exhibition at the Center for Architecture.

Capital Review

The 2007-2010 Capital Commitment Plan for the Department of Cultural Affairs totals $311.8 million, of which 99 percent is City-funded, for 172 different cultural organizations in all five boroughs.

Capital Commitments

($000's)

	2005 Actual		2006 Plan		2007 Plan		2008 Plan		2009 Plan		2010 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	$140,069	$140,069	$508,524	$524,332	$210,093	$211,711	$77,887	$77,887	$7,886	$7,886	$14,350	$14,350
Total	$140,069	$140,069	$508,524	$524,332	$210,093	$211,711	$77,887	$77,887	$7,886	$7,886	$14,350	$14,350

Highlights of the 2007-2010 Capital Commitment Plan include:

- funding for redevelopment projects at Lincoln Center for the Performing Arts ($76.6 million in 2007-2010, in addition to $41.4 million in 2006).

- expansion of the Queens Museum of Art ($25.4 million in 2007-2010, in addition to $5.3 million in 2006).

- funding for capital improvements at various cultural organizations in the Fourth Arts Block, including Rod Rodgers, Duo Theater, IATI, Teatro Circulo, Choices, Downtown Art/Alpha Omega, New York Theater Workshop, and La Mama ($1.8 million in 2007-2010, in addition to $1.1 million in 2006).

- reconstruction of the music hall, implementation of a site-wide circulation plan, and completion of various infrastructure improvements at the Snug Harbor Cultural Center ($13.3 million in 2007-2010, in addition to $8.6 million in 2006).

- renovation of the shark exhibit and other upgrades at the New York Aquarium ($12.7 million in 2007-2010, in addition to $29.5 million in 2006).

- funding for various cultural organizations in Clinton Green ($12.4 million in 2007-2010).

- funding for Master Plan and climate control projects at the Brooklyn Museum of Art ($10.1 million in 2007-2010, in addition to $11.7 million in 2006).

- assorted projects at the New York Botanical Garden ($5.0 million in 2007, in addition to $25.6 million in 2006), including improvements to parking areas and roads ($7.5 million added to $11.0 million in 2006).

- reconstruction and expansion of the Museum of the Moving Image ($9.0 million in 2007-2010, in addition to $8.2 million in 2006).

- expansion of the Museum of the City of New York ($6.3 million in 2007-2010, in addition to $17.5 million in 2006).

- reconstruction of Buildings A and B for the Staten Island Institute for Arts and Sciences ($6.2 million in 2007-2010, in addition to $1.2 million in 2006).

- construction of an entry pavilion and gallery climate control at the Isamu Noguchi Museum ($3.7 million in 2007-2010, in addition to $4.6 million in 2006).

CITY UNIVERSITY OF NEW YORK

The City University of New York (CUNY) includes ten senior colleges, six community colleges, one technical school, the Graduate Center, a law school, and an affiliated medical school. CUNY also sponsors Hunter Campus Schools. The CUNY colleges, some of which date back to the nineteenth century, were federated in 1961. The University is governed by a 17-member Board of Trustees. Ten members are appointed by the Governor with the advice and consent of the New York State Senate, five are appointed by the Mayor, and two (the chairpersons of the Faculty and Student Senates) serve as ex-officio members.

CUNY is the largest municipal university system in the United States and ranks third in number of students among the public university systems in the nation. In 2006 CUNY will serve approximately 221,000 students in degree programs with approximately 148,000 in the senior colleges and 73,000 in the community colleges. In addition, CUNY will serve approximately 255,000 non-degree students. Similar levels of enrollment are anticipated in 2007.

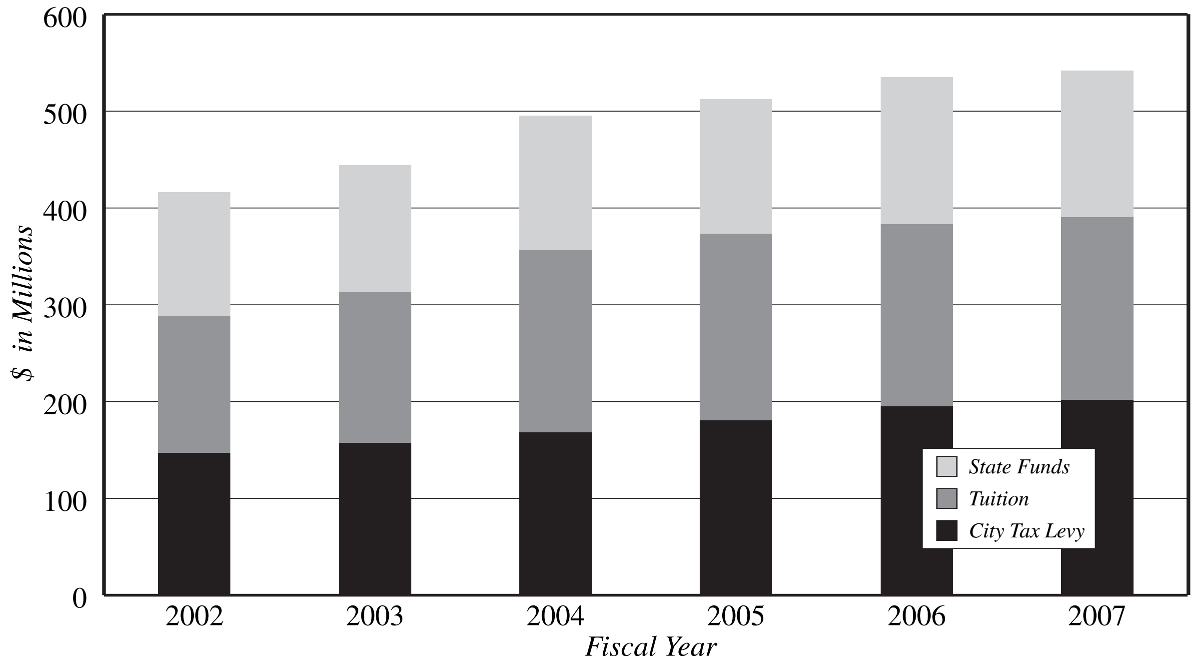
Financial Review

The City University of New York's 2007 Executive Budget is $541.7 million, a net decrease of $100.1 million from the 2006 forecast of $641.8 million. This decrease reflects a decline in two major funding sources: a decline in City Funds of $54.2 million from $396.6 million to $342.4 million and a decline in of $45.7 million in Intra-City funds from $54 million to $8.3 million. The change also includes a decrease of $300,000 in Federal-Other funds and a increase of under $200,000 in Other Categorical funds. State aid in 2007 is unchanged from its 2006 level of $188.2 million pending finalization of the State budget adoption process. The community college share of these changes is a $88.9 million decrease, from $583.7 million in 2006 to $494.8 million in 2007. Funding for Hunter Campus Schools remained unchanged at $11.9 million. Funding for the Senior and Community College Merit Scholarship Program as well as other funded initiatives in 2006 have not been base lined in 2007.

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 2007 Executive Budget appropriates for CUNY $188.2 million in State aid and $185.8 million in tuition, fees and miscellaneous income. Both major sources of income are at the same funding level as the 2006 forecast. However, State aid will be subject to the finalization of the State budget adoption process and tuition income may be subject to enrollment changes. The 2007 Executive Budget, including pension contributions and labor reserve allocations budgeted separately, provides $215.3 million of City tax levy funds. This is $39.9 million less than the 2006 Forecast of $255.2 million. Other Categorical funds, which consist of non-governmental grants, are $2.8 million in 2007 and show an increase of under $200,000 from the funding of $2.6 million forecast for 2006. These funds were previously included in City funds along with tuition and miscellaneous fees. Intra-City funding is $8.3 million in 2007 a decrease of $45.7 million from approximately $54.0 million in 2006. Federal – Other funds, supporting the Invest program, decreased by $300,000 due to the elimination of this 2006 funding source from the 2007 budget.

COMMUNITY COLLEGE FUNDING 2002-2007



* *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 and Collective Bargaining, Medicare Part B and Stabilization Fund contributions which are budgeted in the Miscellaneous Agency. Tuition includes Tuition and Fees, Miscellaneous Revenues, Adult Continuing Education fees and Other Categorical funds. The 2006 amounts are as per the Executive forecast.*

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- an increase of $11.7 million in tax levy for anticipated additional collective bargaining needs housed in the labor reserve.
- an increase of $3.3 million in tax levy for anticipated energy needs at the CUNY community colleges and Hunter Campus Schools.
- an increase of approximately $260,000 for rent cost increases at Borough of Manhattan Community College and Hostos Community College.

Summary of Agency Financial Data

The following table compares the 2007 Executive Budget with the 2007 Preliminary Budget, the 2006 forecast and actual expenditures for 2005, including costs budgeted centrally for fringe benefits, pensions, judgments and claims, legal services and debt service.

Summary of Agency Financial Data
($ in 000's)

	2005 Actual	2006 Forecast	2007 Preliminary Budget	2007 Executive Budget	Increase/(Decrease) 2006 Forecast	Increase/(Decrease) 2007 Preliminary Budget
Expenditures						
Salary and Wages	$314,514	$334,663	$310,458	$311,362	($23,301)	$904
Fringe Benefits	64,985	54,028	47,274	47,274	(6,754)	—
OTPS	196,086	253,084	177,928	183,082	(70,002)	5,154
Total	$575,585	$641,775	$535,660	$541,718	($100,057)	$6,058
Funding						
City	$374,457	$396,562	$337,605	$342,371	($54,191)	$4,766
Other Categorical Grants	3,694	2,670	2,839	2,839	169	—
IFA	—	—	—	—	—	—
State	140,432	188,200	188,200	188,200	—	—
Federal CD	—	—	—	—	—	—
Federal Other	482	300	—	—	(300)	—
Intra-City Other	56,520	54,043	7,016	8,308	(45,735)	1,292
Total	$575,585	$641,775	$535,660	$541,718	($100,057)	$6,058
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$7,228	$22,536	$31,072	$22,775	$239	($8,297)
Pensions	25,898	29,873	31,272	33,272	3,399	2,000
Other Than Personal Service (OTPS)						
Legal Services	346	521	521	500	(21)	(21)
Judgments and Claims	168	1,000	1,000	1,000	—	—
Debt Service	39,894	44,999	44,185	43,613	(1,386)	(572)
Total Additional Costs	$73,534	$98,929	$108,050	$101,160	$2,231	($6,890)
Funding						
City	73,363	98,201	107,688	100,455	2,254	(7,233)
Non-City	171	728	362	705	(23)	343
Total Agency Costs (including Central Accounts)						
Salary and Wages	$314,514	$334,663	$310,458	$311,362	($23,301)	$904
Fringe Benefits	72,213	76,564	78,346	70,049	(6,515)	(8,297)
Pensions	25,898	29,873	31,272	33,272	3,399	2,000
Total PS	$412,625	$441,100	$420,076	$414,683	($26,417)	($5,393)
OTPS	$196,086	$253,084	$177,928	$183,082	($70,002)	$5,154
Legal Services	346	521	521	500	(21)	(21)
Judgments and Claims	168	1,000	1,000	1,000	—	—
Debt Service	39,894	44,999	44,185	43,613	(1,386)	(572)
Total OTPS	$236,494	$299,604	$223,634	$228,195	($71,409)	$4,561
Total Agency Costs	$649,119	$740,704	$643,710	$642,878	($97,826)	($832)
Less Intra-City	$56,520	$54,043	$7,016	$8,308	($45,735)	$1,292
Net Agency Cost	$592,599	$686,661	$636,694	$634,570	($52,091)	($2,124)
Funding						
City	447,820	494,763	445,293	442,826	(51,937)	(2,467)
Non-City	144,779	191,898	191,401	191,744	(154)	343
Personnel (includes FTEs at fiscal year-end)						
City	6,575	6,626	6,605	6,605	(21)	—
Non-City	7	—	—	—	—	—
Total	6,582	6,626	6,605	6,605	(21)	—

Programmatic Review

The Executive Budget continues City support for CUNY's efforts to raise and maintain high standards and to create a flagship academic environment. Assisted by revenues, generated through enrollment, State aid for the community colleges as well as continuous efforts to promote efficiency from within, CUNY will continue to recruit more full-time faculty to improve disciplinary strength and increase the ratio of full-time to adjunct faculty in its schools. Also, CUNY will continue to improve its facilities and incorporate advanced technology and communications to support its curriculum. In the 2006 Executive budget the City matched all State capital appropriations affording CUNY an unprecedented opportunity to enhance its facilities. This effort will be rolled over at the end of 2006 into 2007. Included in this effort are funds to rebuild Fiterman Hall at the Borough of Manhattan Community College, funds for the Academic Building I at Medgar Evers College, funds for the North Instructional Building at the Bronx Community College, funds to renovate, rehabilitate and preserve CUNY facilities including Health and Safety projects, a CUNY Business Incubator Network, the upgrade of electrical and mechanical equipment as well as the purchase of new computer and laboratory equipment.

CUNY continues its initiative to attract the City's brightest high school graduates for their college education through its CUNY-wide Honors College. This program seeks to attract students with a record of academic achievement and high SAT test scores. Selected students receive free tuition, a laptop computer and up to a $7,500 academic spending account. These students work with CUNY's most distinguished faculty and receive special attention and academic support throughout their college careers.

Program Highlights

CUNY is expected to engage in numerous independent and collaborative programs, including:

- CUNY/Department of Education Partnerships – CUNY maintains a number of successful collaborative programs with the New York City Department of Education. The College Now/College Tomorrow program expects to register over 57,000 students in approximately 40,000 separate activities (including college credit courses, skill development courses and workshops and various enrichment activities). This program operates in all seventeen undergraduate colleges and instructs students at high schools and in the colleges, helping ninth through twelfth graders acquire skills necessary to graduate, pass Regents and college entrance examinations, and ultimately succeed in college. In addition, the University's campuses are home to the Middle College High School Program, which operates thirteen affiliated high schools at Brooklyn, City, Lehman, York and Medgar Evers colleges, and Hostos, Bronx, LaGuardia, and Kingsborough community colleges. The program operates alternative high schools within college settings for especially talented students as well as for students identified as being at high risk of dropping out.

- Language Immersion Program – This program provides up to 900 hours of classroom work over three or four annual cycles to immigrant students who require better knowledge of English to be more effective students. The program serves over 17,000 immigrants at nine locations.

- Workforce Development Initiative (WDI) – This program promotes and supports small businesses by retraining and upgrading employee skills, meeting qualified teacher shortages, preparing undergraduates for skill-shortage occupations, creating jobs, providing for economic development, and performing labor market research, planning and coordination.

- Adult Literacy Program – This program is budgeted at $3.0 million in 2007. It will help approximately 10,000 students meet program and employment requirements in the labor market, including English-as-a-Second-Language education.

- Child Care – This program provides child care in 17 centers throughout CUNY. The program serves approximately 2,400 children and provides early child care, infant/toddler care, training for families and early childhood education.

Capital Review

The City University of New York's 2007-2010 Four-Year Capital Plan totals $165.3 million ($150.8 million in City funds and $14.5 million in State funds) and is a decrease of $122.2 million over the previous Four-Year Capital Plan. The City provided higher than usual funding during the last Four-Year Capital Plan in order to fully match State appropriations for the community college thus allowing CUNY an unprecedented opportunity to enhance its facilities. Although the majority of this funding was put in FY 2006, over $200 million will be rolled to FY 2007 during the September Capital Commitment Plan.

All community college capital projects approved by the City are eligible for an equal amount of State matching funds. The State provides its 50 percent share for such projects either through its annual State budget appropriation or the sale of bonds by the New York State Dormitory Authority. State matching funds from annual budget appropriations are reflected in the City's capital plan, however, any State match provided through the independent sale of DASNY bonds is not represented in the City's capital plan.

The major elements of the Four-Year Capital Plan include:

- design and construction of new buildings ($38.9 million); including North Instructional Building at Bronx Community College ($29.7 million) and Instructional Building at Queensborough Community College ($8.3 million).

- renovation and rehabilitation of Center III at LaGuardia Community College ($21.3 million).

- health and safety, facilities preservation and ADA compliance projects ($21.2 million).

- purchase of new computer, laboratory and other equipment to replace obsolete ones and to furnish new classrooms and laboratories ($15.9 million).

- emergency first response program at Borough of Manhattan Community College ($10.7 million).

- CUNY Small Business Incubator Network ($7.5 million).

The table below shows capital commitments by program area over the 2005-2010 period. In addition to the 2007-2010 Four-Year Capital Plan program listed above, this table includes significant projects funded in 2006. These 2006 projects total $259.1 million and include the following: $80.0 million for the replacement of Fiterman Hall and $3.8 million for the student lounge expansion at Borough of Manhattan Community College, $59.7 million for the Academic Building I and $5.2 for the library expansion at Medgar Evers College, $9.6 million for the Center III renovations at LaGuardia Community College and $8.5 million for the North Instructional Building at Bronx Community College.

Capital Commitments

($ in 000's)

	2005 Actual		2006 Plan		2007 Plan		2008 Plan		2009 Plan		2010 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
New School Construction	$6,571	$6,641	$156,883	$157,121	$94	$188	$35,349	$35,349	$2,899	$3,129	$119	$238
Renovation/Rehabilitation of Roofs, Classrooms, etc.	7,200	7,306	59,233	61,381	35,322	37,608	21,923	24,215	23,964	26,402	1,907	3,852
Purchase & Installation of EDP and Other Equipment	5,772	5,917	31,836	32,511	2,600	2,600	455	455	11,455	11,455	1,401	1,401
Electrical, Mechanical & HVAC	0	0	3,957	4,141	1,287	2,574	1,656	2,312	2,468	2,899	727	1,454
Other Projects	76	81	3,704	3,915	1,388	1,876	2,323	3,131	3,021	3,547	465	591
Total	$19,619	$19,945	$255,613	$259,069	$40,691	$44,846	$61,706	$65,462	$43,807	$47,432	$4,619	$7,536

PENSIONS AND OTHER FRINGE BENEFITS

Pension Overview

The Executive Budget for 2007 provides for $4,891 million in City pension contributions, an increase of $873 million from the amount forecast for 2006. As listed on the table below, of the total amount for 2007, $4,788 million represents contributions to the City's five actuarial retirement systems, $60 million represents contributions to pension systems covering certain non-City employees of the City University, the library system, day care centers, and certain cultural institutions, and $43 million represents, primarily, supplemental payments to widows and widowers of uniformed employees who were killed in the line of duty.

Pension Expenditures and Funding Sources
($000's)

	2005 Actual	2006 Forecast	2007 Preliminary Budget	2007 Executive Budget	Increase/(Decrease) 2006 Forecast	Increase/(Decrease) Preliminary Budget
Expenditures						
Personal Service						
• City Actuarial	$3,283,576	$3,919,169	$4,785,608	$4,787,928	$868,759	$2,320
• Non-City Systems	44,699	57,257	57,597	59,597	2,340	2,000
• Non-Actuarial	41,557	41,485	43,096	43,096	1,611	—
Total	$3,369,832	$4,017,911	$4,886,301	$4,890,621	$872,710	$4,320
Funding						
City	$3,194,123	$3,839,049	$4,705,827	$4,710,147	$871,098	$4,320
State	37,179	40,332	41,944	41,944	1,612	—
Federal	2,525	2,525	2,525	2,525	—	—
Intra-City Other	136,005	136,005	136,005	136,005	—	—
Total	$3,369,832	$4,017,911	$4,886,301	$4,890,621	$872,710	$4,320

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 2005 these systems covered approximately 625,000 employees, retirees and beneficiaries of the City, the Department of Education, and certain independent agencies. Each system is governed by a board of trustees and functions in accordance with applicable state and local laws. Required contributions are made on a statutory basis based on actuarial valuations of liabilities and assets. The funding assumptions have been approved by the trustees as recommended by the City Actuary, and the statutory interest rate assumption for all five systems is eight percent.

These systems provide defined retirement benefits (as well as death and disability benefits) to members based on, or defined by, final pay times years of service. Benefit formulas vary by system and by entry date of pension membership, better known as tiers. Benefit payments are financed with employee and employer contributions, as well as pension asset investment income. In defined benefit plans, employer contributions make up for shortfalls in investment income, while excess investment returns reduce employer contributions.

Starting in the mid 1970s the State legislature instituted new tiers that were expected to provide less costly benefits than provided for under Tier 1. A notable feature of Tier 1 is that it provides civilian employees at age

55 having 25 years of service, a retirement benefit of 55 percent of final pay. Commencing in 1973 with Tier 2, benefits were reduced for new members. Tier 2 members could still retire at age 55, but their benefits would be subject to statutory reductions. Following Tier 2 was Tier 3 in 1976. However, in 1983, Tier 4 virtually replaced Tier 3. Tier 4 provided unreduced pensions which would only begin at age 62, as opposed to the earlier age 55 under Tier 1. Reforms also came to uniformed police and fire pensions under Tier 2 which provided for, among other things, a 20 year service, half-pay pension based on a final three year average pay, as opposed to the Tier 1 final year salary basis.

Throughout the 1980s, the 1990s and up to the present, there have been numerous and significant benefit improvements enacted through state legislation. For example, in 1998, the vesting period for civilians was reduced from 10 years to 5 years (Chapter 389), and the service fraction was raised to two percent at 20 years of service as opposed to waiting until 25 years of service (Chapter 266). In 2000, associated with ratified labor settlements, civilian Tier 1 and 2 members receive an additional two years of service credit (Chapter 126), and employee contributions were completely removed for basic Tier 3 and 4 members having 10 years of membership service. Also, in 2000, Tier 4 members were enabled to retire prior to age 62, but not before age 55, provided they have met the minimum service requirements. Their benefits, like in Tier 2, would be subject to statutory reductions (Chapter 553). Tier 1 police and fire members will receive additional Increased Take Home Pay (Chapter 373), while Tier 2 police and fire members will have their pensions based on a final one year average salary; an improvement from a final three year average (Chapter 372).

In addition to a number of other ad-hoc legislative efforts to increase certain retirees' benefits to be more in line with inflation, in 2000, under Chapter 125, significant upward cost of living adjustments (COLAs) were granted to the pensions of existing retirees. Also the legislation built in permanent annual automatic COLAs to be based on actual future inflation.

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 Workers' Compensation, the City provides statutory wage-replacement and medical benefits to employees who sustain on the job injuries, and under Unemployment Benefits, provides up to 26 weeks of wage-replacement benefits, up to statutory maximum levels. The City also separately provides medical benefits to uniformed employees of the Police, Fire and Sanitation departments who are injured in the line of duty.

In general, the City's Miscellaneous Expense Budget contains the fringe benefit appropriations on behalf of employees and retirees of the mayoral agencies. Separate allocations are included in the Department of Education, the City University system, the Health and Hospitals Corporation, and the various other covered organizations, libraries and cultural institutions, for the fringe benefit costs of their active and retired employees.

Retiree Health Benefits Trust Fund

The Government Accounting Standards Board (GASB) has issued rules requiring state and local governments to actuarially calculate and report their existing liability and on-going costs of benefits, other than pensions, provided to current and future retirees, in a manner similar to current accounting for pension obligations. These other post employment benefits (OPEB) are currently paid and reported by the City on a purely "pay as you go" basis, with the City now expending approximately $1.4 billion per year on health insurance and supplemental welfare benefits for current retirees. The actuarial valuation of the existing liability and annual accrual for post employment benefits earned each year by current employees is in the early stages.

Although the City will not be required to budget or advance-fund this future obligation, the City is establishing a New York common law trust, for the benefit of its current and future retirees, to fund a portion of the OPEB liability. Deposits into the trust are irrevocable, and all amounts on deposit in the trust must be used only to pay the costs of retiree benefits. The City intends to deposit $1 billion into the trust in each fiscal year 2006 and fiscal year 2007.

The following table sets forth the fringe benefit amounts carried in the Miscellaneous Budget for 2006 and 2007.

Fringe Benefits

($ 000's)

	2006 Forecast	2007 Executive	Increase/ (Decrease)
Workers' Compensation	$ 122,196	$ 131,896	$ 9,700
Health Insurance Plans	1,782,138	1,968,635	186,497
Social Security Contributions	748,856	766,709	17,853
Unemployment Insurance Benefits	33,500	34,000	500
Supplementary Employee Welfare Benefits	474,842	468,953	(5,889)
Workers' Compensation - Other	45,000	49,300	4,300
Subtotal	$3,206,532	$3,419,493	$212,961
Retiree Health Benefits Trust Fund	1,000,000	1,000,000	—
Total	$4,206,532	$4,419,493	$212,961
Funding			
City	$4,032,150	$4,242,560	$210,410
Other Categorical	25,950	36,706	10,756
State	42,518	42,021	(497)
Interfund Agreements	2,450	2,450	—
Federal	103,464	95,756	(7,708)
• CD	28,000	27,200	(800)
• Other	75,464	68,556	(6,908)
Total	$4,206,532	$4,419,493	$212,961

JUDGMENTS AND CLAIMS

The Executive Budget for 2007 provides an appropriation of $632 million for Judgments and Claims. These expenditures represent the City's costs for tort and contract liability and are projected to reach $778 million by 2010. Tort expenditures cover both personal injury and property damage claims, and account for approximately 98 percent of total costs. These projections incorporate a substantial amount of claims cost attributed to the Health and Hospitals Corporation for which the Corporation will reimburse the City. These amounts are estimated at $190 million in 2007 through 2010.

The Office of Management and Budget (OMB) employs various statistical methods and financial models to estimate claims costs. In addition, OMB consults the Law Department to provide cost estimates for cases that are expected to settle for $1 million or greater. These are mainly serious personal injury cases that have been in litigation or on appeal for a considerable period of time. These cases represent a significant portion of total tort costs, but their relatively small volumes do not lend themselves to statistical analysis. Historical claim data contained on the Comptroller's Omnibus Automated Image Storage and Information System (OAISIS) are analyzed to determine annual settlement volumes and average cost per claim. Total costs are the product of the volume and average cost projections.

Analysis of Agency Budgets: Covered Organizations

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION

The New York City Health and Hospitals Corporation (HHC) provides comprehensive medical, mental health, and substance abuse services to New York City residents, regardless of their ability to pay. Through its seven regional health care networks, HHC operates eleven acute care hospitals, four long-term care facilities, six diagnostic and treatment centers, a certified home health program, and more than 80 community-based health clinics throughout the five boroughs. In addition, MetroPlus, the wholly-owned HHC health maintenance organization, provides care to more than 240,000 New Yorkers. HHC also provides emergency and inpatient services to New York City's correctional facilities' inmate population and conducts mental health evaluations for the family courts in the Bronx, Brooklyn, Queens, and Manhattan.

HHC is the nation's largest public hospital system operating 4,592 inpatient beds and 2,831 nursing facility beds. In 2005, at HHC facilities, there were more than 219,000 patient discharges, 4,812,000 clinic visits and more than 822,000 emergency room visits. In 2005, HHC facilities served more than 1.3 million people, of which more than 430,000 lacked any form of health insurance.

Financial Review

The 2005 combined operating and capital ending cash balance was $442 million as reported in the New York City Financial Plan; an $874 million combined operating and capital ending cash balance is projected for 2006. The closing cash balance includes HHC's receipt of $1.2 billion in 2006 of City and Federally funded Upper Payment Limit and Disproportionate Share funds. HHC, as a public hospital and by providing care to a significant number of uninsured patients, was able to receive this funding. Total expenses in the 2007 Executive Budget are projected at $5.1 billion, and total revenue is projected at $4.3 billion. The Corporation has cost containment and revenue enhancement initiatives of $282 million that will substantially reduce the operating deficit. Revenue derived from third party payors is projected to be $3.7 billion. City support for HHC in 2007, excluding the City portion of Medicaid, is anticipated to be $164 million. This funding provides for the treatment of prisoners and uniformed services personnel at HHC facilities, care for the uninsured and all payments associated with intra-city agreements with City agencies. The City will make payments of $786 million for the local share of HHC's Medicaid collections and bad debt and charity care pool payments.

Expense Budget Highlights

HHC's commitment to provide quality care to all regardless of ability to pay remains at the core of its mission but also presents ongoing financial challenges. Caring for 1.3 million New Yorkers, including 430,000 uninsured, is costly. In order to meet this financial challenge, HHC is:

- attempting to ensure full reimbursement for care provided. HHC's facilities continue to focus on improving their revenue cycle and maximizing legitimate third party payor collections.

- achieving savings by increasing patient volume, reducing malpractice costs and consolidating services and operations.

- enhancing revenues by settling outstanding retroactive rate appeals and evaluating facility fiscal operations to implement new revenue enhancement projects and improve existing processes.

- continuing to implement an initiative to upgrade and centralize dietary operations to achieve operating efficiencies.

- seeking new revenue and expense reduction opportunities.

Medical Initiatives and Quality Reviews

HHC continues to focus on making the public hospital system safe, effective, efficient and patient-centered. Providing high quality medical care, improving patient outcomes through the development of effective treatment protocols and improving the health outcomes of communities through public health awareness initiatives demonstrate HHC's commitment to providing the highest level of medical care possible. HHC has increased awareness about and the availability of critical health screening and disease prevention services.

- HHC has undertaken an intensive campaign to enhance colon cancer screening efforts. As a result, HHC has increased the number of screening colonoscopies from 908 in 2002 to 11,836 in 2005.

- in 2005, HHC performed more than 75,000 mammograms and more than 180,000 cervical cancer screenings.

- smoking cessation clinics have helped thousands of patients quit smoking, significantly reducing their risk of cancer, heart disease and stroke.

- the Corporation is in the process of developing disease specific patient registries to manage care more effectively. A patient registry is a key element of modern chronic illness management. It provides timely data support to patient care teams responsible for the health outcomes of their patients. In addition, the registry's management tools allow facilities to review thousands of medical files to identify individuals in need of clinical interventions.

- more than 28,000 diabetic patients have been registered into the electronic disease registry. HHC has a target of enrolling 45,000 diabetics by June 2006.

- clinical teams are working to advance patient safety in the hospitals' intensive care units and operating rooms by reducing the number of preventable infections arising from central venous catheters, ventilator dependency and surgery.

- HHC was one of the first hospital systems in New York State to implement a comprehensive electronic medical record and continues to add state-of-the-art features, including a new chronic disease registry and a medication administration feature.

- Corporation clinics will implement a depression screening tool and asthma action plan. These tools are integrated into the patient's electronic medical record, allowing clinicians to develop a longitudinal record of patients' responses and treatment.

- HHC's work to consistently implement effective, evidence-based clinical practices as a means to raise overall quality of care and improve patient outcomes is being recognized in objective quality ratings. According to recent Federal and State quality rankings for the optimum treatment of pneumonia, heart attack and heart failure, five out of the ten top ranked hospitals in New York City in each of these three categories are HHC hospitals. In addition, five HHC facilities are among the top six hospitals in New York City ranked by the State Department of Health as best in the prevention of surgical site infection.

Access to Care

HHC continues to maintain its commitment to providing high quality health care to all patients. The Corporation is making significant progress towards increasing patients' timely access to affordable care, while simultaneously improving hospital operations.

- HHC's ambulatory care redesign teams have dramatically reduced the time required for patients to complete a visit in a primary care clinic from a previous average of nearly two and one-half hours to a present average of slightly more than 60 minutes.

- In a related effort, HHC is now re-engineering its primary care appointment scheduling processes so that it can offer each patient more timely appointments while simultaneously keeping the patient linked to his or her own primary care provider.

- for individuals not eligible for public health insurance, HHC developed HHC Options, a financial assistance program. HHC Options fee-scales patient charges to a level commensurate with a patient's ability to pay.

Capital Projects

The City funded 2007-2010 Four-Year Capital Strategy totals $569.8 million. During the past year, HHC achieved several milestones in its campaign to modernize its infrastructure. New and renovated facilities ensure patient care is provided in an optimally therapeutic environment and HHC remains competitive in the marketplace. Four newly rebuilt facilities were opened, including the ambulatory care pavilion at Bellevue Hospital; a 341-bed, acute-care pavilion at Jacobi Medical Center; a 212-bed inpatient pavilion at Coney Island Hospital; and a pediatric emergency department pavilion at Elmhurst Hospital Center.

Other major modernization projects are in progress. These include an ambulatory care pavilion at Jacobi Medical Center; an ambulatory care pavilion at Queens Hospital Center; the modernization of Harlem Hospital Center; and continued campus-wide modernization of Kings County Hospital.

HHC's capital program also features other important initiatives, including:

- construction of new MRI centers. All 11 of HHC's acute-care hospitals now have this diagnostic tool.

- new or expanded cardiac catheterization centers have been constructed at five facilities: Bellevue Hospital, Coney Island Hospital, Elmhurst Hospital, Harlem Hospital and Jacobi Medical Center. In addition, $4 million has been committed for a new cardiac catheterization center at Kings County Hospital Center, anticipated to be operational in early 2007.

- Elmhurst Hospital's Cancer Care Center will be complete by December 2006 and another cancer care center is under development at Kings County Hospital.

- as part of HHC's corporate-wide initiative to improve family planning and other services for women, Bellevue Hospital completed renovation of its Women's Options Center in February. This January, $6 million was allocated for Women's Options Centers at Elmhurst Hospital Center, Lincoln Medical & Mental Health Center and Jacobi Medical Center.

NEW YORK CITY TRANSIT

New York City Transit (NYCT) operates the most extensive public transportation system in the nation, serving approximately 2.2 billion subway and bus passengers in calendar year 2005 with over 1.4 billion passengers riding the subway system. NYCT has been a component of the Metropolitan Transportation Authority (MTA) since the Authority's inception in 1968. The MTA is a New York State public authority responsible for coordinating and implementing a mass transportation program for New York City and the seven adjacent counties. The MTA Board also oversees the development of NYCT's operating budget and coordinates its capital expenditures. Other components of MTA serving New York City are the Staten Island Railway (SIR) the MTA Bus Company (MTABC), created in 2005 to operate in areas previously served by New York City's Franchise Bus System.

The NYCT's subway system operates 24 hours a day, 7 days a week, on 685 miles of track extending over 238 directional route-miles, serving 468 stations throughout the Bronx, Brooklyn, Manhattan, and Queens. The NYCT bus system consists of a fleet of over 4,700 buses on 207 local and 36 express routes in all five boroughs. System expansions currently planned by NYCT include the long-awaited Second Avenue Subway and the westward extension of the #7 train to the Jacob Javits Convention Center. New York City has provided $60 million towards the design of the No. 7 Line Extension in FY05. If completed, these would be the most significant system expansions since the completion of the IND subway lines in the mid-1940s.

SIR operates a 14-mile rapid transit line which links 23 communities on Staten Island and provides a vital and convenient connection to the Staten Island Ferry. SIR serves approximately 3.5 million passengers per year.

The MTABC operates an extensive public bus transportation system throughout New York City, primarily in The Bronx, Brooklyn, and Queens. Over 100 million passengers are carried annually on local and express routes. The MTABC was created in 2005 as a subsidiary of the Metropolitan Transportation Authority to provide a more unified and uniform mass transportation system. The MTABC provides service in areas previously provided by seven private bus companies franchised by New York City Department of Transportation. The MTABC assumed responsibility over routes from Liberty Lines, Queens Surface Corporation and New York Bus Tours in 2005 and from Command Bus Company, Green Bus Lines, Jamaica Bus Lines, and Triboro Coach Corporation in 2006. The transfer of Triboro Coach Corporation routes in February 2006 completed the transition of the routes from all former franchised bus companies to the MTABC. The MTABC is primarily funded through City subsidies.

The MTABC currently operates over 1,100 buses owned by the City, of which 353 are fueled by Compressed Natural Gas (CNG). Service on over 80 routes is available 24 hours a day, 7 days a week. Since beginning operations, the MTABC has acquired over 300 new buses, and approximately 400 more buses are in the process of being purchased, to be used for both local and express service. These new buses are expected to improve the average life of the fleet from over 12 years to less than 6 years. The MTABC has also made other service improvements since assuming control of the system, and the City expects the MTABC to continue making improvements to all facets of its operations, bringing service levels up to MTA's standards.

Financial Review

The City's financial plan includes $261 million for NYCT in fiscal year 2007. As NYCT operates on a calendar year (CY) basis, the financial plan below is presented in that format. The plan for CY 2006 incorporates the following key elements:

- CY 2006 fare revenue is projected to be $2.8 billion, a 5 percent increase over the CY 2005 total. This change includes the annualized effect of the NYCT subway and bus fare increase that took place on February 27, 2005. In addition, NYCT projects that CY 2006 ridership will increase by 2.2 percent.

- tax revenues dedicated for NYCT's use are projected to total $1.7 billion; $808.5 million from the regional Metropolitan Mass Transportation Operating Assistance Account (MMTOA), $526.4 million from the State "Lock Box" Petroleum Business Tax, $327.5 million from the Urban Mass Transportation Operating Assistance Account (Urban Account), and $26.7 million from Mortgage Recording Tax transfers (MRT).

- the City's contribution to NYCT's operating budget for CY 2006 totals $256.9 million, including $158.2 million in operating assistance, $45.0 million for student fare discounts, $35.6 million for the Paratransit program, $13.8 million for elderly and disabled fare discounts and $4.4 million for Transit Police.

Based on recent financial reports, NYCT closed CY 2005 with a cash surplus of $432.8 million, after adjusting for a decrease of $200 million in Mortgage Recording Tax-2 (MRT-2), and a $204.6 million decrease in other tax subsidies both of which were transferred to the Pension Reserve Fund, now reflected under the MTA Headquarters financial statements. Despite this, NYCT has projected substantial budget shortfalls over the next four years, which are expected to be offset by gap-closing actions.

New York City Transit Financial Plan

($ in millions)

	Calendar Years (1)				
	2005A	2006E	2007E	2008E	2009E
REVENUES					
Subway / Bus Fare Revenue	$2,618.8	$2,762.9	$2,787.1	$2,813.2	$2,818.8
Other Operating Revenue	155.1	140.5	144.8	148.0	150.3
Transit Tax Revenue	1,544.1	1,685.4	1,772.0	1,756.0	1,772.0
City Subsidies	250.3	257.0	264.0	273.0	283.0
State Subsidies	203.2	203.2	203.2	203.2	203.2
TBTA Surplus Transfer	189.1	160.5	144.3	135.0	120.4
Capital Reimbursement	753.3	790.7	745.6	757.8	761.7
TOTAL REVENUES	$5,713.9	$6,000.2	$6,061.0	$6,086.2	$6,109.4
EXPENSES					
Salaries & Wages	$2,625.1	$2,695.2	$2,742.8	$2,826.8	$2,895.4
Fringes	1,070.7	1,209.2	1,290.8	1,362.3	1,432.7
OTPS	863.1	925.3	933.7	926.5	943.1
Paratransit Expenses	158.2	192.3	223.4	260.3	304.0
Transit Police	3.7	4.3	4.3	4.4	4.4
Capital Expenses	753.3	790.7	745.6	757.8	761.7
Debt Service	441.7	568.6	648.2	743.0	869.6
Depreciation (2)	954.5	1,074.5	1,228.1	1,381.7	1,535.3
TOTAL EXPENSES	$6,870.3	$7,460.1	$7,816.9	$8,262.8	$8,746.2
OTHER ACTIONS					
Balance before Adjustments	$(1,156.4)	$(1,459.8)	$(1,755.9)	$(2,176.6)	$(2,636.8)
Gap-Closing Actions (3)	0.0	18.3	298.7	749.7	1,055.1
Cash Flow Adjustments (4)	268.7	95.5	67.8	45.2	46.4
Depreciation Adjustment	954.5	1,074.5	1,228.1	1,381.7	1,535.3
Net Cash from Prior Year	366.0	432.8	161.2	0.0	0.0
SURPLUS/(DEFICIT)	$432.8	$161.2	$0.0	$0.0	$0.0

(1) All Financial Plan figures were provided by NYCT in February 2006 and April 2006. Because the MTA operates on a Calendar Year basis (January-December) that is not directly comparable to the City's Fiscal Year (July-June), this table shows CY 2005 Actuals and CY 2006-2009 estimates (E).

(2) As of February 2004, NYCT now includes Depreciation in its Financial Plan.

(3) Gap-closing actions include items available to offset out-year expense gaps, including use of cash reserves, expense reductions, fare increases and increased subsidies,.

(4) Cash flow adjustments include Operating, Subsidy and Debt Service Cash Flow adjustments.

City Subsidies

The City's contribution to New York City Transit's operating budget for CY 2006 will total $256.9 million. The City continues to provide $45.0 million to subsidize the transport of school children. The City also subsidizes the elderly and disabled reduced-fare program ($13.8 million) and the paratransit program ($35.6 million). In addition, the City match of State "18b" operating assistance, in the amount of $158.2 million, supports a portion of NYCT's overall operating costs and another $4.3 million is used to fund costs associated with the Transit Police. In CY 2006, the City is also providing approximately $76.8 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 2006:

City Subsidies to NYCT, CY 2006
($ in millions)

• Elderly and Disabled Subsidy	$13.8
• School Fare Subsidy	45.0
• Operating Assistance	158.2
• Police Reimbursement	4.3
• Paratransit	35.6
TOTAL	$256.9

Capital Review

The City's four-year Capital Plan totals $548.1 million, including $330.2 million for NYCT, and $2.8 million for Staten Island Railway. These funds will be used to support NYCT's most essential work: bringing the entire mass transit system to a state of good repair, maintaining that level on a normal replacement cycle, and helping expand the transit system. City capital funds are used in conjunction with other sources (Federal, State, and Private) towards NYCT's Capital Program. In addition to the City's contribution to NYCT and SIR, $215.1 million is provided primarily for bus purchases for the MTABC. To supplement that, the MTA has reallocated $322 million from its 2000-2004 Capital Program to provide additional funding for MTABC bus purchases.

The City's 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, $170.2 million.

- funds for NYCT trackwork, $140.0 million.

- funds 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, $2.8 million.

- funds for MTABC's bus purchases and other improvements, $215.1 million.

The table below outlines the City's Capital Commitments to NYCT and SIR for the 2007-2010 period:

Capital Commitments

($000's)

	2005 Actual		2006 Plan		2007 Plan		2008 Plan		2009 Plan		2010 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Infrastructure	$62,747	$62,747	$34,365	$34,365	$35,553	$35,553	$40,560	$40,560	$44,558	$44,558	$49,500	$49,500
Trackwork	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000
Revolving Fund	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
SIRTOA	961	961	755	755	1,447	1,447	440	440	442	442	500	500
Miscellaneous	16,414	16,414	12,694	12,694	0	0	0	0	0	0	0	0
No. 7 Line Extension	59,713	59,713	0	0	0	0	0	0	0	0	0	0
MTABC	0	0	0	0	20,155	206,172	1,073	8,926	0	0	0	0
Total	$179,835	$179,835	$87,814	$87,814	$97,155	$283,172	$82,073	$89,926	$85,000	$85,000	$90,000	$90,000

Appendix

EXHIBIT 1
EXPENDITURE ASSUMPTIONS

Personal Service

The expenditures for personal services in the Executive Budget for 2007 and the three-year projections are as follows:

($ in millions)

	2007	2008	2009	2010
Salaries and Wages	$18,558	$18,438	$18,348	$18,281
Pensions	4,891	5,614	5,859	5,724
Other Fringe Benefits	6,937	6,271	6,582	6,835
Reserve for Collective Bargaining				
Department of Education	24	24	24	24
Other	516	777	960	1,206
Reserve Subtotal	540	801	984	1,230
Total	$30,926	$31,124	$31,773	$32,070

Salaries and Wages

The baseline projections for salaries and wages reflect all personnel costs associated with current and projected headcount levels. Excluded from these projections is the cost of collective bargaining for unsettled unions which is contained in the Reserve for Collective Bargaining.

Pensions and Other Fringe Benefits

Pension expenses for 2007 through 2010 are based on actuarial valuation projections prepared by the Office of the Actuary. These projections are based on a revised set of actuarial assumptions as recommended by the Chief Actuary and approved by the trustees of the City's retirement systems. Certain components of the recommendations will require enabling state legislation.

The key new elements of the Actuary's recommendations include the recognition of certain new liabilities as identified in a recent experience study, as well as the introduction of new funding techniques such as a one-year lag and a revised asset smoothing method. Also included is the elimination of the current 10-year phase-in period for funding retiree cost of living adjustments ("COLA").

Total pension expenses for the four years are as follows:

($ in millions)

	2007	2008	2009	2010
City Actuarial Systems	$4,788	$5,508	$5,751	$5,615
Non-City Systems	60	62	62	63
Non-Actuarial	43	44	46	46
Total	$4,891	$5,614	$5,859	$5,724

Social Security cost estimates reflect the projected tax rates and wage ceilings issued by the Social Security Administration as well as planned payroll adjustments. Unemployment Insurance costs are consistent with the statutory maximum weekly benefit levels and planned payroll adjustments. Workers' Compensation costs are consistent with the compensation rate schedule mandated by State law and the projected growth in medical costs. Health Insurance estimates reflect current levels of coverage based on the latest population and premium data available from the City health insurance providers. Out-year projections reflect anticipated increases in hospital and medical trends.

Reserve for Collective Bargaining

The Reserve for Collective Bargaining contains funding for a portion of the cost of collective bargaining for the 2002-2006 time period, as well as small amounts for the 2000-2002 round. For each unsettled group, funding is contained in the labor reserve to pay the cost associated with that group's unsettled portion of the pattern settlements. In the case of the uniformed forces, for those with no settlement for this period this means 5 percent, 5 percent, 3 percent, and 3.15 percent (offset by 4.24 percent in productivity increases). For those uniformed groups with 2 year settlements in place this means 3 percent and 3.15 percent. For civilians that have 3-year settlements the reserve contains 3.15 percent.

The reserve also contains City funds for a 1.25 percent wage increase for employees in the years beyond the current (2002-2006) round(s) of bargaining.

Other Than Personal Service

($ in millions)

	2007	2008	2009	2010
Administrative OTPS	$12,603	$12,738	$12,948	$13,169
Public Assistance	2,198	2,202	2,202	2,202
Medical Assistance	4,935	5,083	5,222	5,376
Health & Hospitals Corporation	150	181	267	269
Covered Agency Support & Other Subsidies	2,039	2,249	2,332	2,425
City and MAC Debt Service	660	4,338	4,693	5,066
Pay-As-You-Go Capital	200	200	200	200
General Reserve	300	300	300	300
Total	$23,085	$27,291	$28,164	$29,007

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 2008 through 2010, the financial plan includes a Citywide appropriation to provide for an increase in OTPS costs resulting from inflation. The inflation adjustment represents a yearly 2.5 percent increase from 2008 through 2010.

Energy

The financial plan includes a Citywide appropriation to provide for the changing cost of energy for 2008 through 2010. Energy costs in each agency, with the exception of HPD, are held constant for 2007 through 2010. Price and usage changes for HPD's *In-Rem*/DAMP Programs are budgeted in HPD's four-year plan.

As reflected in the following table, energy costs have increased in 2006 and are expected to increase further in 2007. The increase is mainly due to price increases for crude oil and natural gas, NYPA's production charges, and Con Edison's transmission and delivery charges.

Energy Cost Comparison
($ in millions)

Estimate as of:	2006	2007	2008	2009
2006 Adopted Budget	$715	$724	$711	$706
2007 Executive Budget	798	886	888	874
Difference	$83	$162	$177	$168

The cost of gasoline and fuel oil is expected to increase in 2007, then decrease by $9 million by 2010. The cost of heat, light and power is expected to increase in 2007 and remain at elevated levels through 2010. The annual cost projections are as follows:

Energy Costs
($ in millions)

	2006	2007	2008	2009	2010
Gasoline	$74	$78	$78	$76	$75
Fuel Oil	80	85	82	80	79
HPD-*In Rem*/DAMP	12	9	9	7	7
HPD-Emergency Repair	2	2	2	—	—
Heat, Light and Power	630	712	717	711	717
Total	$798	$886	$888	$874	$878

Leases

In each agency the cost of leases is budgeted at a constant level from 2007 through 2010. A citywide adjustment for 2008 through 2010 provides for the increasing cost of leases based on a three percent annual inflator and the annualization of 2007 adjustments, as well as known future leases, where applicable.

In total the four-year plan includes $605 million for leases in 2007, $623 million in 2008, $642 million in 2009 and $661 million in 2010. Of these amounts the citywide adjustment is $18 million, $37 million, and $56 million respectively in 2008 through 2010.

Public Assistance

In 2007, an average of 402,281 persons are projected to receive public assistance, a decrease of 6,530 from the projected 2006 average.

Medical Assistance

The financial plan for Medical Assistance assumes growth of 3.3 percent in 2007 and 2.8 percent is expected for 2008. Growth rates exclude one-time budget savings associated with the New York State cap on localities' annual Medicaid expenditures.

Health and Hospitals Corporation

Revenue and expenditure projections for 2007 through 2010 include assumptions related to actual collections experience, the impact of rates by third party payors, and collections performance through a variety of revenue enhancement efforts. Corporation revenue increases are reliant on Medicaid receipts, which continue to grow steadily. Expenditure increases are driven by growth in pension and health insurance costs.

Covered Agency Support and Other Subsidies

Included in this category are the contributions made by the City to the Transit Authority, Housing Authority, Libraries, and various Cultural Institutions. Also included in this category are the estimated projections for the cost of Judgments and Claims.

General Reserve

The general reserve is projected at $300 million for 2007 through 2010 to provide for uncontrollable increases in expenditures as well as shortfalls in revenues. To allow for any further uncertainties which may occur in the future, the general reserve has been increased above the mandated amount of $100 million.

Debt Service

Debt Service projections cover payments of debt service on currently outstanding City and Conduit debt as well as future issuances in accordance with the 2006-2010 financing program (See Financing Program). Actual debt service payments in these years will be affected by the timing of bond sales and by market conditions. Estimates of City debt service costs on debt to be issued are based on estimates of the periods of probable usefulness of the capital assets for which the debt will be issued.

In November 2004, the Sales Tax Asset Receivable Corporation sold $1.8 billion of tax exempt fixed rate bonds and $682 million of taxable fixed rate bonds. The end result is the relief from approximately $500 million of annual MAC debt service expense from 2004 through 2008. However, City debt service estimates below includes State oversight charges retained by MAC.

Below are the detailed estimates for debt service for 2006-2010 after prepayments:

($ in millions)

	2006	2007	2008	2009	2010
Long-Term Funded Debt	$1,080	$292	$3,869	$4,237	$4,632
Short-Term Debt	—	33	75	75	75
Conduit Debt	207	325	385	382	360
Budget Stabilization Account[1]	3,265	—	—	—	—
Total City Debt Service	$4,552	$650	$4,328	$4,693	$5,066
MAC Funding	5	10	10	—	—
Total Debt Service	$4,557	$660	$4,338	$4,693	$5,066

(1) Amounts in the Budget Stabilization Account are used to prepay the succeeding year's debt service.

EXHIBIT 2

FISCAL YEAR 2007 EXECUTIVE BUDGET AND PROJECTIONS, FISCAL YEAR 2007 THROUGH FISCAL YEAR 2010

($ in thousands)

			Fiscal Year 2006						
Dept. No.	Agency	FY 2005 Actual Expenditures	Executive Budget	8 Month Actuals July-Feb.	Forecast	FY 2007 Executive Budget	FY 2008 Estimate	FY 2009 Estimate	FY 2010 Estimate
002	Mayoralty	$75,306	$73,840	$48,775	$86,467	$82,376	$80,914	$80,914	$80,870
003	Board of Elections.	59,789	77,884	52,331	70,323	80,119	80,119	79,919	72,869
004	Campaign Finance Board	5,356	74,997	38,703	42,927	13,889	8,171	8,171	8,171
008	Office of the Actuary.	4,117	4,731	3,116	5,377	5,323	5,123	5,123	5,123
010	President,Borough of Manhattan	3,889	3,343	2,621	4,360	3,657	3,215	3,215	3,215
011	President,Borough of the Bronx	5,342	4,757	3,413	5,926	5,332	4,626	4,626	4,626
012	President,Borough of Brooklyn	5,136	4,379	3,189	5,542	4,961	4,034	4,034	4,034
013	President,Borough of Queens	4,888	4,106	3,182	4,951	4,567	3,737	3,737	3,737
014	President,Borough of S.I.	3,922	3,265	2,354	4,056	3,497	3,227	3,227	3,227
015	Office of the Comptroller	56,616	60,950	35,595	62,865	62,239	70,853	70,561	70,561
017	Dept. of Emergency Management	9,104	4,798	7,910	27,684	7,892	7,437	7,437	7,437
021	Tax Commission	2,318	2,325	1,451	2,385	2,543	2,443	2,443	2,443
025	Law Department	118,910	116,352	79,231	125,076	120,491	117,824	115,937	115,937
030	Department of City Planning	20,969	19,817	13,428	24,743	24,808	21,505	21,505	21,505
032	Department of Investigation	19,753	19,742	14,431	22,892	21,421	20,421	20,421	20,421
035	NY Public Library - Research.	24,210	4,989	1,163	4,863	16,193	16,194	16,194	16,194
037	New York Public Library	136,694	26,558	2,713	11,666	84,048	84,088	84,088	84,088
038	Brooklyn Public Library	102,625	20,183	1,321	10,035	62,363	62,397	62,397	62,397
039	Queens Borough Public Library	98,781	20,147	1,567	9,919	60,392	60,475	60,475	60,475
040	Department of Education	13,871,183	14,071,459	8,783,288	14,872,482	15,322,334	15,450,763	15,631,328	15,764,281
042	City University	575,585	533,069	336,038	641,775	541,718	541,517	541,549	541,565
054	Civilian Complaint Review Bd.	9,776	8,897	6,598	10,212	9,192	9,192	9,192	9,192
056	Police Department.	3,904,880	3,516,174	2,466,425	3,871,735	3,798,869	3,794,704	3,769,784	3,748,021
057	Fire Department	1,226,512	1,180,071	1,018,994	1,432,432	1,349,813	1,344,308	1,332,867	1,325,430
068	Admin. for Children Services	2,283,646	2,154,654	1,867,171	2,310,040	2,444,991	2,445,643	2,445,643	2,445,643
069	Department of Social Services	7,204,061	7,205,601	4,818,439	6,835,333	7,008,716	7,160,737	7,307,613	7,443,504
071	Dept. of Homeless Services	722,639	706,284	607,747	766,910	695,798	697,361	692,327	692,327
072	Department of Correction	819,961	800,004	565,022	884,301	868,646	859,108	856,442	852,051
073	Board of Correction	857	853	558	941	868	868	868	868
095	Citywide Pension Contributions	3,369,831	4,761,617	2,668,747	4,017,910	4,890,621	5,613,905	5,859,132	5,724,145
098	Miscellaneous	7,528,748	5,572,872	2,526,908	6,225,272	6,656,185	6,367,690	6,879,952	7,482,350
099	Debt Service	4,022,518	1,575,886	670,519	4,551,872	650,094	4,328,282	4,693,322	5,065,866
100	M.A.C. Debt Service.	110,772	10,000	10,000	5,000	10,000	10,000	—	—
101	Public Advocate	3,110	1,897	1,720	2,939	1,833	1,833	1,833	1,833
102	City Council	47,428	47,411	32,200	49,551	50,799	47,424	47,424	47,424
103	City Clerk	3,019	3,040	1,786	3,194	3,677	3,657	3,657	3,657
125	Department for the Aging	231,264	218,762	243,576	273,799	236,231	225,558	225,558	225,558
126	Department of Cultural Affairs	122,238	105,364	113,468	137,691	114,853	114,796	114,796	114,796
127	Financial Info. Serv. Agency.	37,277	48,971	32,855	47,384	53,840	47,818	45,221	45,221
130	Department of Juvenile Justice	95,827	99,345	50,898	107,241	106,791	106,495	106,495	106,495
131	Office of Payroll Admin..	9,714	11,749	6,291	10,878	12,231	11,066	11,066	11,066
132	Independent Budget Office	2,518	2,776	1,786	2,905	3,005	2,975	2,975	2,975
133	Equal Employment Practices Com	538	711	469	766	737	737	737	737
134	Civil Service Commission	483	597	275	590	569	610	610	610
136	Landmarks Preservation Comm..	3,329	3,571	2,322	4,287	3,769	3,769	3,769	3,769

EXHIBIT 2

FISCAL YEAR 2007 EXECUTIVE BUDGET AND PROJECTIONS, FISCAL YEAR 2007 THROUGH FISCAL YEAR 2010

($ in thousands)

Dept. No.	Agency	FY 2005 Actual Expenditures	Fiscal Year 2006 Executive Budget	Fiscal Year 2006 8 Month Actuals July-Feb.	Fiscal Year 2006 Forecast	FY 2007 Executive Budget	FY 2008 Estimate	FY 2009 Estimate	FY 2010 Estimate
156	Taxi & Limousine Commission	24,847	25,989	17,763	27,437	28,382	25,830	25,830	25,830
226	Commission on Human Rights	6,680	6,804	4,556	6,973	6,917	6,917	6,917	6,917
260	Youth & Community Development	246,168	228,998	220,392	305,867	233,942	234,198	234,198	234,198
312	Conflicts of Interest Board	1,423	1,351	936	1,521	1,764	1,764	1,764	1,764
313	Office of Collective Barg.	1,612	1,626	1,167	1,709	1,749	1,749	1,749	1,749
499	Community Boards (All)	12,312	12,633	8,183	13,344	13,222	13,222	13,222	13,222
781	Department of Probation	78,409	79,526	52,963	83,086	79,871	79,871	79,871	79,871
801	Dept. Small Business Services	108,277	92,925	105,783	134,621	114,646	108,613	108,603	91,075
806	Housing Preservation & Dev.	473,873	525,914	405,996	579,516	489,690	489,994	487,676	487,069
810	Department of Buildings	64,273	77,931	47,830	84,575	82,921	77,812	77,157	77,054
816	Dept Health & Mental Hygiene	1,443,466	1,527,183	1,238,621	1,574,393	1,492,381	1,505,758	1,521,524	1,520,301
819	Health and Hospitals Corp.	1,138,127	878,363	504,422	1,410,373	935,930	963,806	1,042,671	1,062,716
826	Dept of Environmental Prot.	755,585	809,533	550,040	819,817	881,696	858,739	850,209	848,575
827	Department of Sanitation	1,034,946	1,071,064	893,266	1,127,095	1,194,853	1,205,882	1,201,722	1,197,444
829	Business Integrity Commission	4,815	5,561	3,501	5,370	5,370	5,370	5,370	5,370
836	Department of Finance	202,147	199,990	136,581	203,690	203,795	203,905	203,914	203,914
841	Department of Transportation	553,590	545,245	445,287	645,132	537,009	528,562	528,562	528,632
846	Dept of Parks and Recreation	287,086	266,772	204,080	311,315	284,495	281,520	278,749	277,675
850	Dept. of Design & Construction	85,060	100,268	68,914	102,448	100,413	95,668	89,668	89,668
856	Dept of Citywide Admin Srvces	762,188	804,023	716,495	871,556	952,870	947,186	947,179	947,179
858	D.O.I.T.T.	223,681	269,180	160,287	236,346	301,441	298,734	295,499	295,499
860	Dept of Records & Info Serv.	4,329	3,956	3,197	4,693	4,716	4,306	4,291	4,291
866	Department of Consumer Affairs	15,386	14,120	9,897	15,364	15,825	15,773	15,773	15,656
901	District Attorney - N.Y.	79,272	68,341	51,866	84,646	71,392	67,233	67,233	67,233
902	District Attorney - Bronx	44,219	40,309	28,345	45,085	42,190	39,717	39,717	39,717
903	District Attorney - Kings	72,682	68,067	45,120	75,622	70,703	67,125	67,125	67,125
904	District Attorney - Queens	39,299	35,450	27,608	41,849	37,306	39,747	39,747	39,747
905	District Attorney - Richmond	6,977	6,054	4,018	6,946	6,607	6,235	6,235	6,235
906	Off. of Prosec. & Spec. Narc.	15,433	13,862	9,700	16,051	14,692	14,401	14,401	14,401
941	Public Administrator - N.Y.	1,031	1,020	829	1,134	1,107	1,107	1,107	1,107
942	Public Administrator - Bronx	308	338	215	398	345	345	345	345
943	Public Administrator- Brooklyn	356	465	275	526	473	473	473	473
944	Public Administrator - Queens	350	363	255	424	371	371	371	371
945	Public Administrator -Richmond	269	282	210	345	292	292	292	292
	Prior Payable Adjustment	—	—	—	(400,000)	—	—	—	—
	General Reserve	—	—	—	40,000	300,000	300,000	300,000	300,000
	Energy Adjustment	—	—	—	—	—	3,072	(7,127)	(3,821)
	Lease Adjustment	—	—	—	—	—	18,148	36,841	56,095
	OTPS Inflation Adjustment	—	—	—	—	—	54,165	109,684	165,203
	TOTAL EXPENDITURES	$54,753,915	$50,972,304	$33,119,192	$56,078,764	$54,011,667	$58,415,229	$59,937,146	$61,076,906
	LESS: INTRA-CITY EXPENDITURES	1,279,239	1,248,409	493,321	1,431,639	1,307,254	1,305,112	1,306,927	1,306,927
	NET TOTAL EXPENDITURES	$53,474,676	$49,723,895	$32,625,871	$54,647,125	$52,704,413	$57,110,117	$58,630,219	$59,769,979

EXHIBIT 3

ACTUAL REVENUE
($ in Millions)

	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005
Taxes:				
Real Property	$8,761	$10,063	$11,582	$11,616
Personal Income	4,539	4,463	5,984	6,638
General Corporation	1,330	1,237	1,540	1,994
Banking Corporation	320	213	415	601
Unincorporated Business	790	832	908	1,116
Sales and Use	3,360	3,535	4,018	4,355
Commercial Rent	380	397	426	445
Real Property Transfer	425	513	767	1,055
Mortgage Recording	477	526	817	1,250
Utility	258	295	291	340
Cigarette	27	158	138	125
Hotel	184	192	216	257
All Other	382	365	487	474
Tax Audit Revenue	485	571	576	600
Total Taxes	21,718	23,360	28,165	30,866
Miscellaneous Revenues:				
Licenses, Franchises, Etc.	356	357	374	395
Interest Income	81	43	30	149
Charges for Services	461	501	592	614
Water and Sewer Charges	858	846	885	899
Rental Income	115	109	108	944
Fines and Forfeitures	485	548	697	745
Miscellaneous	1,383	2,244	684	1,328
Intra-City Revenue	1,390	1,110	1,213	1,279
Total Miscellaneous	5,129	5,758	4,583	6,353
Unrestricted Intergovernmental Aid:				
Federal Revenue Sharing	—	—	—	—
N.Y. State Per Capita Aid	328	400	327	327
Other Federal and State Aid	338	1,043	636	276
Total Unrestricted Intergovernmental Aid	666	1,443	963	603
Provision for Disallowance of Categorical Grants	—	(47)	(27)	(87)
Less Intra-City Revenue	(1,390)	(1,110)	(1,213)	(1,279)
Sub Total City Funds	26,123	29,404	32,471	36,456
Other Categorical Grants	615	1,006	956	862
Transfers from Capital Fund:				
Inter Fund Agreements	305	301	328	346
Total City Funds & Inter-Fund Revenues	27,043	30,711	33,755	37,664
Federal Categorical Grants:				
Community Development	281	226	240	268
Social Services	2,541	2,550	2,448	2,405
Education	1,364	1,595	1,770	1,909
Other	1,911	1,247	957	2,072
Total Federal Grants	6,097	5,618	5,415	6,654
State Categorical Grants:				
Social Services	1,585	1,576	1,724	1,741
Education	5,592	5,834	5,873	6,177
Higher Education	129	133	139	140
Department of Health and Mental Hygiene	434	416	377	393
Other	290	358	342	372
Total State Grants	8,030	8,317	8,455	8,823
Total Revenues	$41,170	$44,646	$47,625	$53,141

EXHIBIT 4
REVENUE ESTIMATES
($ in Millions)

	Fiscal Year 2006 8 Months Actuals	Fiscal Year 2006 Forecast	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010
Taxes:						
Real Property	$11,557	$12,437	$12,972	$13,832	$14,488	$15,165
Personal Income	4,702	6,744	6,039	6,113	6,255	6,663
General Corporation	1,015	2,294	2,408	2,372	2,443	2,529
Banking Corporation	320	575	525	508	537	566
Unincorporated Business	627	1,221	1,209	1,188	1,231	1,306
Sale and Use	2,841	4,427	4,508	4,570	4,797	5,032
Commercial Rent	233	478	502	520	536	553
Real Property Transfer	802	1,240	863	822	825	854
Mortgage Recording	907	1,361	882	727	720	740
Utility	234	400	359	353	352	341
Cigarette	74	121	118	115	112	110
Hotel	153	294	309	317	330	342
All Other	152	452	385	389	389	396
Tax Audit Revenue	286	712	509	509	509	510
Tax Reduction Program	—	—	—	(256)	(256)	(256)
State Tax Relief Program	562	857	836	877	899	927
Total Taxes	24,465	33,613	32,424	32,956	34,167	35,778
Miscellaneous Revenue:						
Licenses, Franchises, Etc.	283	408	403	399	398	398
Interest Income	208	335	245	133	140	146
Charges for Services	319	592	551	532	533	532
Water and Sewer Charges	723	992	1,080	1,074	1,086	1,102
Rental Income	124	193	181	174	172	171
Fines and Forfeitures	471	721	723	724	724	724
Miscellaneous	292	488	317	806	375	377
Intra-City Revenue	434	1,432	1,307	1,305	1,307	1,307
Total Miscellaneous	2,854	5,161	4,807	5,147	4,735	4,757
Unrestricted Intergovernmental Aid:						
N.Y. State Per Capita Aid	—	327	327	327	327	327
Other Federal and State Aid	166	163	13	13	13	13
Total Unrestricted Intergovernmental Aid:	166	490	340	340	340	340
Anticipated Federal and State Aid:						
Anticipated Federal Aid	—	—	50	—	—	—
Anticipated State Aid	—	—	—	—	—	—
Total Anticipated Aid	—	—	50	—	—	—
Reserve for Disallowance of Categorical Grants	—	(90)	(15)	(15)	(15)	(15)
Less: Intra-City Revenue	(434)	(1,432)	(1,307)	(1,305)	(1,307)	(1,307)
Sub Total City Funds	27,051	37,742	36,299	37,123	37,920	39,553

REVENUE ESTIMATES
($ in Millions)

	Fiscal Year 2006 8 Months Actuals	Fiscal Year 2006 Forecast	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010
Other Categorical Grants	292	1,138	1,111	972	987	992
Inter Fund Agreements	57	380	395	373	365	365
Total City Funds & Capital Budget Transfers	$27,400	$39,260	$37,805	$38,468	$39,272	$40,910
Federal Categorical Grants:						
Community Development	$141	$285	$249	$249	$249	$249
Social Services	737	2,296	2,264	2,306	2,306	2,306
Education	427	1,889	1,748	1,748	1,748	1,748
Other	384	1,315	834	791	787	787
Total Federal Grants	1,689	5,785	5,095	5,094	5,090	5,090
State Categorical Grants:						
Social Services	800	1,877	1,757	1,758	1,749	1,749
Education	3,497	6,673	7,106	7,278	7,385	7,506
Higher Education	38	188	188	188	188	188
Department of Health and Mental Hygiene	179	417	410	410	409	404
Other	162	447	343	335	335	335
Total State Grants	4,676	9,602	9,804	9,969	10,066	10,182
TOTAL REVENUE	$33,765	$54,647	$52,704	$53,531	$54,428	$56,182

EXHIBIT 5
FULL-TIME and PART-TIME POSITIONS (FTEs)
City Funds

	12/31/01 Actual [1][5]	3/31/06 Actual	6/30/07 Executive Budget
MAYORAL AGENCIES:			
Uniformed Forces:			
Police -Uniform [2]	39,297	36,275	35,624
-Civilian	14,166	14,697	15,745
Fire -Uniform	11,113	11,431	11,211
-Civilian	4,491	4,510	4,623
Sanitation -Uniform	7,810	7,633	7,612
-Civilian	2,053	1,808	2,067
Correction -Uniform	9,874	8,645	8,734
-Civilian	1,488	1,272	1,426
Subtotal	*90,292*	*86,271*	*87,042*
Health and Welfare:			
Social Services	13,293	11,042	11,688
Admin. for Children's Services	8,232	6,125	7,106
Homeless Services	2,081	2,214	2,317
Health & Mental Hygiene	4,398	4,449	4,863
Subtotal	*28,004*	*23,830*	*25,974*
Other Mayoral:			
Housing Preservation and Development	645	604	777
Environmental Protection	376	413	437
Finance	2,685	2,191	2,394
Transportation	2,498	2,166	2,288
Parks	6,231	5,210	5,404
Citywide Administrative Services	1,296	1,273	1,427
All Other Mayoral	13,776	13,420	14,357
Subtotal	*27,507*	*25,277*	*27,084*
EDUCATION:			
Dept. of Education -Pedagogical	95,407	88,917	89,782
-Non-Pedagogical	22,174	23,149	22,148
City University -Pedagogical	4,273	4,422	4,168
-Non-Pedagogical	2,299	2,440	2,437
Sub-Total	*124,153*	*118,928*	*118,535*
Total	269,956	254,306	258,635
COVERED ORGANIZATION AND NON-CITY EMPLOYEES SUBSTANTIALLY BY CITY SUBSIDIES [3]:			
Health and Hospital Corp	37,941	38,580	37,945
Housing Authority	—	—	—
Libraries	4,428	4,196	3,615
Cultural Institutions [4]	1,728	1,924	1,366
School Construction Authority	933	504	453
New York City Employees Retirement System	368	374	377
Economic Development Corporation	344	375	388
Teachers Retirement System	308	367	404
Police Pension Fund	66	126	136
All Other	155	173	180
Sub-total	*46,271*	*46,619*	*44,864*
Total	316,227	300,925	303,499

[1] Adjusted for transfers.
[2] Police Department uniform headcount will be at 37,838 with the swearing in of attrition replacement recruit classes July 1, 2006 and January 1, 2007.
[3] Includes non-city employees substantially paid by city subsidies. For these agencies the December 2001 data reflects staffing as of February 2002.
[4] Includes only those employees of the Cultural Institutions Group paid by city fund subsidies.
[5] Includes restatements for positions formerly funded under vendor contracts and for Education part-time positions not previously included in the city headcount.

EXHIBIT 5A
FULL-TIME and PART-TIME POSITIONS (FTEs)
Total Funds

	12/31/01 Actual [1][5]	3/31/06 Actual	6/30/07 Executive Budget
MAYORAL AGENCIES:			
Uniformed Forces:			
Police -Uniform [2]	39,297	36,275	35,624
-Civilian	14,779	14,791	16,172
Fire -Uniform	11,120	11,442	11,222
-Civilian	4,495	4,522	4,643
Sanitation -Uniform	7,957	7,786	7,765
-Civilian	2,265	1,985	2,304
Correction -Uniform	10,617	9,383	9,470
-Civilian	1,603	1,406	1,541
Subtotal	*92,133*	*87,590*	*88,741*
Health and Welfare:			
Social Services	16,836	14,321	15,578
Admin. for Children's Services	8,286	6,507	7,323
Homeless Services	2,090	2,250	2,318
Health & Mental Hygiene	5,442	5,793	5,897
Subtotal	*32,654*	*28,871*	*31,116*
Other Mayoral:			
Housing Preservation and Development	2,720	2,656	2,911
Environmental Protection	5,760	5,870	6,445
Finance	2,685	2,191	2,406
Transportation	4,415	4,319	4,425
Parks	6,630	5,640	5,895
Citywide Administrative Services	1,879	1,922	2,163
All Other Mayoral	18,103	17,585	18,394
Subtotal	*42,192*	*40,183*	*42,639*
EDUCATION:			
Dept. of Education -Pedagogical	112,810	110,650	110,911
-Non-Pedagogical	25,442	26,030	25,346
City University -Pedagogical	4,273	4,429	4,168
-Non-Pedagogical	2,300	2,441	2,437
Sub-Total	*144,825*	*143,550*	*142,862*
Total	311,804	300,194	305,358
COVERED ORGANIZATION AND NON-CITY EMPLOYEES SUBSTANTIALLY BY CITY SUBSIDIES [3]:			
Health and Hospital Corp.	37,941	38,580	37,945
Housing Authority	14,863	12,976	13,125
Libraries	4,428	4,196	3,615
Cultural Institutions[4]	1,728	1,924	1,366
School Construction Authority	933	504	453
New York City Employees Retirement System	368	374	377
Economic Development Corporation	344	375	388
Teachers Retirement System	308	367	404
Police Pension Fund	66	126	136
All Other	155	178	185
Sub-total	*61,134*	*59,600*	*57,994*
Total	372,938	359,794	363,352

[1] Adjusted for transfers.
[2] Police Department uniform headcount will be at 37,838 with the swearing in of attrition replacement recruit classes July 1, 2006 and January 1, 2007.
[3] Includes non-city employees substantially paid by city subsidies. For these agencies the December 2001 data reflects staffing as of February 2002.
[4] Includes only those employees of the Cultural Institutions Group paid by city fund subsidies.
[5] Includes restatements for positions formerly funded under vendor contracts and for Education part-time positions not previously included in the city headcount.

EXHIBIT 6

FY 2007 EXECUTIVE BUDGET
CITY GAP CLOSING PROGRAM - 5 YEAR VALUE
(City $ in 000's)

	2006	2007	2008	2009	2010
MAYORAL AGENCIES:					
Uniformed Forces:					
Police	$29,641	$66,193	$36,397	$36,397	$36,397
Fire	21,824	28,568	14,563	14,657	14,896
Correction	7,954	4,235	4,256	4,290	4,290
Sanitation	9,664	25,760	2,925	2,925	2,925
Health and Welfare:					
Admin. for Children's Services	—	—	—	—	—
Social Services	30,748	3,876	5,110	6,285	7,167
Homeless Services	6,260	13,672	13,618	8,487	8,487
Health & Mental Hygiene	25,513	8,482	15,954	18,913	18,948
Youth & Community Dev.	687	5,119	5,119	5,119	5,119
Other Mayoral:					
Housing Preservation & Dev.	17,630	7,395	7,388	7,409	7,409
Finance	19,050	11,000	6,000	6,000	6,000
Transportation	10,092	28,713	19,127	19,127	14,210
Parks & Recreation	4,358	6,163	4,594	4,594	4,594
Citywide Admin. Services	14,076	1,923	1,923	1,923	1,923
Other	46,048	29,342	24,469	24,345	24,468
MAJOR ORGANIZATIONS:					
Department of Education	—	—	—	—	—
Health and Hospitals Corp.	—	—	—	—	—
CUNY	—	—	—	—	—
OTHER:					
Miscellaneous	10,643	5,927	6,066	5,982	5,893
Procurement Savings	—	52,842	52,842	52,842	52,842
Subtotal Agency Programs	**$254,188**	**$299,210**	**$220,351**	**$219,295**	**$215,568**
CITYWIDE INITIATIVES:					
Federal Actions	—	50,000	—	—	—
Extend Property Tax Rebate	—	—	(256,000)	(256,000)	(256,000)
Total Program	**$254,188**	**$349,210**	**$(35,649)**	**$(36,705)**	**$(40,432)**

Technical Note: 1) Gap closing program includes initiatives from the May 4, 2006 Executive Budget and the January 31, 2006 Financial Plan.

EXHIBIT 6A

FY 2007 EXECUTIVE BUDGET
CITY GAP CLOSING PROGRAM - 5 YEAR VALUE
(City $ in 000's)

	2006	2007	2008	2009	2010
OTHER:					
Mayoralty	$4,511	$250	$—	$—	$—
Campaign Finance Board	150	—	—	—	—
Office of the Actuary	250	70	70	70	70
Emergency Management	538	—	—	—	—
Tax Commission	34	4	4	4	4
Law Department	15,390	86	—	—	—
City Planning	250	475	190	190	190
Investigation	1,200	—	—	—	—
New York Research Library	—	559	559	559	559
New York Public Library	4,304	2,966	2,966	2,966	2,966
Brooklyn Public Library	—	2,216	2,216	2,216	2,216
Queens Borough Public Library	—	2,135	2,135	2,135	2,135
Board of Correction	31	—	—	—	—
Pensions	—	—	—	(124)	(124)
Department for the Aging	500	2,901	4,074	4,074	4,074
Cultural Affairs	2,190	3,683	3,683	3,683	3,683
FISA	4,067	329	—	—	—
Juvenile Justice	2,404	4,455	4,455	4,455	4,455
Payroll Administration	986	100	—	—	—
Equal Employment Practices	50	—	—	—	—
Civil Service Commission	20	41	—	—	—
Human Rights	89	—	—	—	—
Conflicts of Interest	51	—	—	—	—
Collective Bargaining	21	21	21	21	21
Probation	426	1,024	1,024	1,024	1,024
Small Business Services	113	1,072	1,072	1,072	1,195
Environmental Protection	1,425	2,000	2,000	2,000	2,000
Business Integrity Commission	203	455	—	—	—
Design and Construction	346	—	—	—	—
DOITT	6,369	4,500	—	—	—
Subtotal	$45,918	$29,342	$24,469	$24,345	$24,468
OTHER ELECTED:					
Comptroller	$130	$—	$—	$—	$—
Subtotal	$130	$—	$—	$—	$—
Total Other	**$46,048**	**$29,342**	**$24,469**	**$24,345**	**$24,468**

Technical Note: 1) Gap closing program includes initiatives from the May 4, 2006 Executive Budget and the January 31, 2006 Financial Plan.

EXHIBIT 6B

FY 2007 EXECUTIVE BUDGET
CITY GAP CLOSING PROGRAM - BY EXPENSE AND REVENUE

(City $ in 000's)

	Expense	Revenue	Total
MAYORAL AGENCIES:			
Uniformed Forces:			
Police Department	$37,562	$28,631	$66,193
Fire Department	19,218	9,350	28,568
Department of Correction	4,231	4	4,235
Department of Sanitation	11,106	14,654	25,760
Health & Welfare:			
Admin. For Children's Services	—	—	—
Department of Social Services	3,876	—	3,876
Department of Homeless Services	13,672	—	13,672
Department of Health and Mental Hygiene	7,455	1,027	8,482
Department of Youth and Community Development	5,119	—	5,119
Other Mayoral:			
Housing Preservation and Development	3,800	3,595	7,395
Department of Finance	—	11,000	11,000
Department of Transportation	8,413	20,300	28,713
Department of Parks and Recreation	3,569	2,594	6,163
Department of Citywide Administrative Services	1,923	—	1,923
Other	25,085	4,257	29,342
MAJOR ORGANIZATIONS:			
Department of Education	—	—	—
Health and Hospitals Corporation	—	—	—
City University	—	—	—
OTHER:			
Miscellaneous	5,927	—	5,927
Procurement Savings	52,842	—	52,842
Subtotal Agency Programs	**$203,798**	**$95,412**	**$299,210**
CITYWIDE INITIATIVES:			
Federal Actions	—	50,000	50,000
Total Program	**$203,798**	**$145,412**	**$349,210**

Technical Note: 1) Gap closing program includes initiatives from the May 4, 2006 Executive Budget and the January 31, 2006 Financial Plan.