The City of New York
Executive Budget
Fiscal Year 2002

Rudolph W. Giuliani, Mayor

Office of Management and Budget
Adam L. Barsky, Director

Message of the Mayor

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April 25, 2001

Message of the Mayor

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The City of New York
Office of the Mayor
New York, N.Y. 10007

April 25, 2001

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

Ladies and Gentlemen:

Since emerging from the 1990-91 recession, economic growth in the U.S. has averaged 3.8 percent a year, even accelerating in the past year to five percent. This year, however, the projected increase could be as little as one percent and we are seeing a slowdown in the growth of jobs.

The City is not immune to these national forces. Although in the near term the economy is holding up well, with employment still growing and tax receipts still on plan, we must now be cautious in the outlook for next year, for both the local economy and our expectations for revenue growth.

Fortunately, the City is in better shape going into this economic slowdown than was the case back in 1990. The choices we have made over the last seven years to reduce growth in government spending, cut taxes, improve core City services, reduce dependency and lower crime, will not only provide a foundation for economic growth long-term, but will help the City weather economic weakness in the short-term.

The strides we have made are significant. Since 1993 private sector employment has increased by 481,000 and we have regained all the jobs lost in the 1990-91 recession. The resurgence in employment has helped thousands of New Yorkers avoid reliance on government subsidies, and today the public assistance caseload is lower by more than 50 percent. Whole new areas of the City have been developed as sources of economic growth, with new developments in such areas as 125th Street in Harlem and 42nd Street in mid-town Manhattan. Lower Manhattan has been turned around as well, a result of the Commercial Revitalization Program's targeted tax incentives. Vacancy rates downtown have fallen from 20 percent in 1993 to three percent today, and lower Manhattan now contains a vibrant residential community which virtually did not exist in 1994. The future of New York City's status as the world's financial center is also assured because of our successful efforts to retain the New York Stock Exchange and NYMEX, and by bringing the Nasdaq headquarters here. Additionally, we can look to our historic investments in the City's cultural institutions as catalysts for new economic development, as well as the development which will accompany the Staten Island and Coney Island stadiums.

Tax cuts were an important contributor to the City's economic recovery. Our first reduction--the hotel tax cut--was crucial in providing evidence that targeted tax reductions can actually spur economic growth. The hotel occupancy rate, which stood at 70 percent before the imposition of the hotel tax cut, rose to 85 percent last year and visitor spending in the City is up over 40 percent. Today the tax burden is lower for both individuals and businesses; tax reductions already enacted have saved New York City's residents and businesses a cumulative $8 billion.

Finally, the City is markedly safer. Since 1993 the number of murders is down 65 percent, vehicle theft is down 68 percent and overall crime is down 52 percent.

These changes--decreasing the taxes paid by residents and businesses and increasing the quality of New York City as a business and residential location--will do much to mitigate the impacts of the weakening U.S. economy.

Despite all these successes, however, now is the time when we must be especially vigilant in maintaining the City's hard won fiscal discipline. This year, our fiscal strategy of maintaining discipline in spending has helped generate a $2.8 billion surplus. Next year, the proposed budget actually lowers spending 2.8 percent while maintaining investments in core services and funding a collective bargaining agreement with an historic provision for merit pay. The budget also continues to make tax cuts a priority and lowers the cost of government for residents and businesses by making further reductions in the personal income tax surcharge and by continuing the reductions in the commercial rent tax which we began in 1995.

Our efforts over the last seven years to reduce the municipal bureaucracy, lower taxes and improve City services have made this City a better place to live and work. The choices we make with this budget can mean continuing that progress.

Sincerely,

Rudolph W. Giuliani
Mayor

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The City of New York

April 25, 2001

Statement Pursuant to Section 243 of the City Charter regarding the Operating Budget of the New York City Council

Section 243 of the City Charter provides that the City Council:

> shall approve and submit to the mayor detailed itemized estimates of the financial needs of the council for the ensuing fiscal year. Such estimates shall be comprised of at least one personal service unit of appropriation and at least one other than personal service unit of appropriation for each standing committee of the council and for each organizational unit established [by the council]. The mayor shall include such estimates in the executive budget without revision, but with such recommendations as the mayor may deem proper.

The City Council approved and submitted its operating budget, and pursuant to the City Charter, it has been included in the Executive Budget. Set forth herein are my recommendations regarding the Council's operating budget.

The Council has proposed a three-percent increase in its operating budget. Despite my efforts to reduce the City's budget, the Council's submission this year continues its historic practice of increasing its own expenditures while fewer resources are provided to other Elected Officials and City agencies. Since 1994, the City Council's operating budget has grown by over 51 percent, including a 32 percent increase since 1999.

The vast increases the City Council annually provides for itself stand in stark contrast to the budgetary discipline exercised by other Elected Officials over the same time period. Since 1994, the Mayor's Office budget was reduced by 38 percent. Similarly, over the same period of time, nearly all other Elected Officials reduced their budgets by 4 percent or more. The efforts these officials have made to carry out their responsibilities in ways characterized by fiscal discipline collectively saved the City over $27 million. If the City Council had made similar budgetary decisions, the City would have benefited from over $7 million in additional savings.

The Council should conform its budget to the requirements set forth in the Charter. The Charter requires separate units of appropriation for each standing committee so that both the general public and the Mayor have a meaningful opportunity to review components of the Council's budget. However, the Council has refused to comply with Section 243 of the Charter by continuing its past practice of submitting a budget in which virtually the entire Council appropriation falls under the broad units of appropriation of "Council Members", "Committee Staffing" and "Council Services." Each standing committee is appropriated only $1 for each PS unit of appropriation and $1 for each OTPS unit of appropriation. To ensure accountability, the Council budget should abide by the Charter's requirements and apportion its expenses among its committees.

I reserve the right, pursuant to Section 255 (a) of the Charter, to disapprove any item included in the Council's operating budget.

Accordingly, pursuant to Section 243 of the City Charter I recommend that the City Council reduce its proposed budget to reflect spending more in line with the rate of inflation -- an increase of approximately two percent -- and restructure its units of appropriation to adhere to the Charter's requirements.

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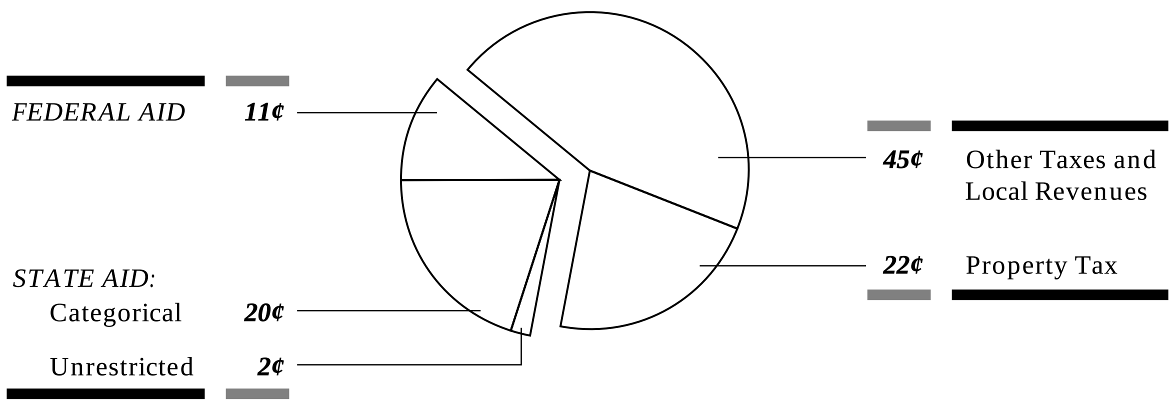
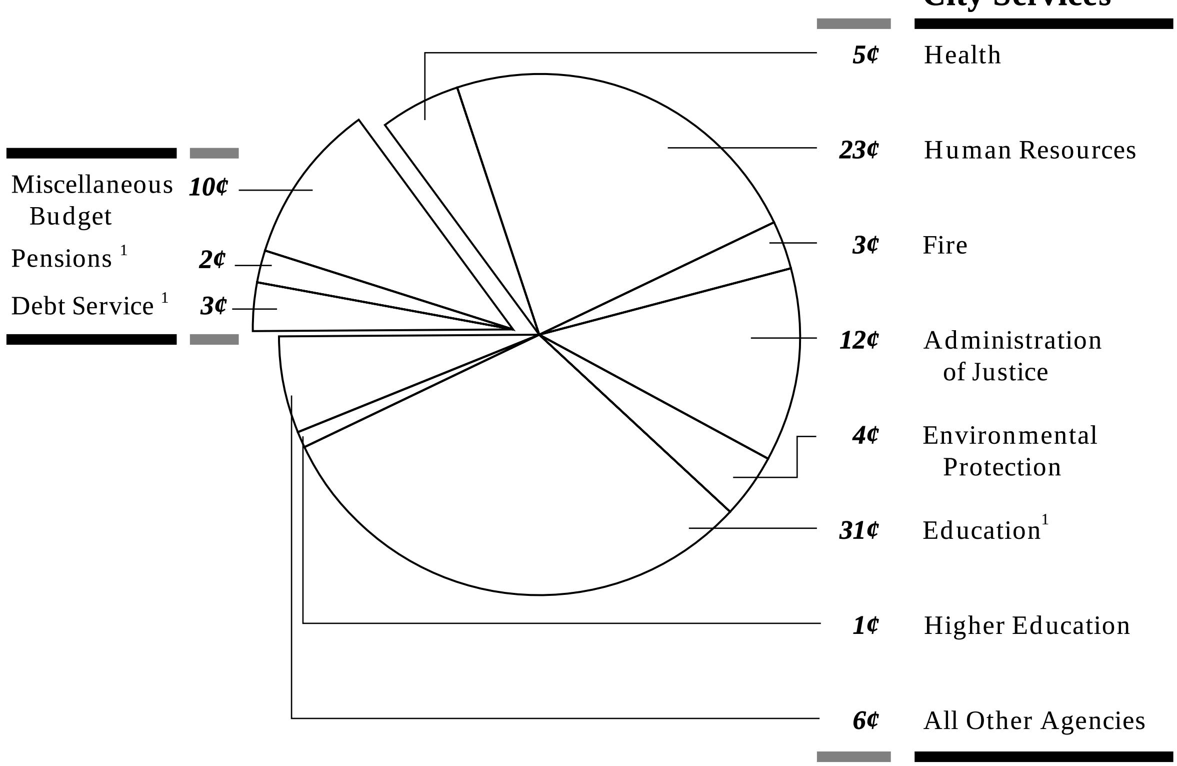


Where the 2002 Dollar Goes To



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

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REVIEW OF REVENUE AND EXPENSE BUDGETS

The 2002 Executive Budget is $39.5 billion, a decrease of $ 1.0 billion from the forecasted results for 2001. This is the twenty-second consecutive budget which is balanced under generally accepted accounting principles.

Financial Summary—1996-2002

($ in Millions)

	Fiscal Years Ending June 30						
	1996*	1997*	1998*	1999*	2000*	2001**	2002***
Revenues							
Taxes:							
General Property Tax	$6,954	$7,291	$7,239	$7,631	$7,850	$8,136	$8,643
Other Taxes	10,198	11,266	12,528	13,123	13,993	14,661	13,885
Tax Audit Revenues	657	651	458	536	416	399	487
Criminal Justice Fund	331	90	185	—	—	—	—
Tax Reduction Program	—	—	—	—	—	—	(494)
Miscellaneous Revenues	3,379	3,732	3,541	3,473	4,239	4,794	4,600
Unrestricted Intergovernmental Aid	621	654	621	652	631	593	706
Other Categorical Grants	343	379	412	367	431	439	392
Less: Intra-City Revenue	(644)	(683)	(705)	(780)	(1,150)	(1,381)	(1,343)
Disallowances	(40)	(36)	(15)	(39)	(5)	(15)	(15)
Sub-Total City Funds	$21,799	$23,344	$24,264	$24,963	$26,405	$27,626	26,861
Inter-Fund Revenues	244	245	252	249	240	296	301
Total City & Inter-Fund Revenues	$22,043	$23,589	$24,516	$25,212	$26,645	$27,922	$27,162
Federal Categorical Grants	4,194	4,133	4,292	4,262	4,417	4,737	4,457
State Categorical Grants	6,078	6,264	6,372	6,639	7,062	7,824	7,913
Total Revenues	$32,315	$33,986	$35,180	$36,113	$38,124	$40,483	$39,532
Expenditures							
Personal Service	$16,176	$16,495	$17,642	$18,535	$19,178	$21,176	$21,865
Other Than Personal Service	14,016	13,701	14,393	14,469	16,165	17,624	17,541
Debt Service	2,406	2,842	1,460	1,269	739	261	924
MAC Debt Service Funding	132	264	304	—	—	—	—
Budget Stabilization and Prepayments:							
Budget Stabilization	—	—	1,357	2,001	2,509	2,097	345
Debt Service	106	1,342	119	90	90	38	—
MAC Debt Service	—	—	468	386	451	488	—
Other	118	20	137	138	137	138	—
	$224	$1,362	$2,081	$2,615	$3,187	$2,761	$345
General Reserve	—	—	—	—	—	42	200
	$32,954	$34,664	$35,880	$36,888	$39,269	$41,864	$40,875
Less: Intra-City Expenditures	(644)	(683)	(705)	(780)	(1,150)	(1,381)	(1,343)
Total Expenditures	$32,310	$33,981	$35,175	$36,108	$38,119	$40,483	$39,532
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

For fiscal year 2001 an operating surplus of $2.8 billion is projected. The 2001 budget forecast provides for a budget stabilization account of $2.1 billion and prepayments of $664 million of MAC Debt Service, Lease Debt and certain Transit Authority subsidies. The 2001 forecast also provides for a general reserve of $42 million to offset any adverse changes, which may surface during the remainder of the fiscal year or during the audit of the operating results.

The following table details changes to the 2001 budget since adoption, indicating sources and uses of funds and the allocation of the operating surplus.

FY 2001 Changes Since Adoption
($ in millions)

Additional Sources of Funds	
• Revenues	$ 1,519
• Agency Programs	527
• Tax Reductions Not Enacted	331
• Prior Payables	264
• General Reserve	158
Total Sources	**$2,799**
Additional Uses of Funds	
• Collective Bargaining	$ (389)
• Pension Costs	(79)
• Medicaid	(140)
• Police	(166)
• All Other Spending	(169)
Total Uses	**$(943)**
Adopted Budget Stabilization Account	$ 905
Operating Surplus	**$ 2,761**
Allocation of Operating Surplus	
• FY 2001 Budget Stabilization Account	$2,097
• Prepayments of MAC Debt, Lease Debt & Transit Authority Subsidies	664
Total Operating Surplus	**$2,761**

The 2002 budget provides for a budget stabilization account of $345 million and a general reserve of $200 million, which is double the $100 million that is mandated by the Financial Emergency Act at the beginning of a fiscal year. A new tax reduction program in 2002 valued at $494 million, growing to $1.3 billion by 2005, has been designed to continue to provide economic stimulus and to improve the City's long-term economic competitiveness. The following table details changes to the 2002 budget since the 2001 budget was adopted.

FY 2002 Changes Since Adoption
($ in millions)

Additional Sources of Funds		
• FY 2001 Budget Stabilization Account		$ 2,761
• Agency Programs		846
• Revenue Forecast		285
• Debt Service		150
• OTB Privatization		250
• Reimbursement for Landfill Closure Costs		225
• State and Federal Actions		150
Total Additional Sources of Funds		**$ 4,667**
		======
Additional Uses of Funds		
• FY 2002 Gap Reduction		$ (2,652)
• Collective Bargaining		(505)
• Targeted Spending		(671)
• Public Safety	(197)	
• Health & Welfare	(186)	
• Energy	(59)	
• Campaign Finance Board	(58)	
• Environmental Protection	(31)	
• City Council	(11)	
• All Other (net)	(129)	
• Additional Tax Reduction Program		(494)
• Fund FY 2002 Budget Stabilization Account		(345)
Total Uses of Additional Funds		**$ (4,667)**
		======

Summary of Financial Plan

The City's financial plan sets forth projected operations on a GAAP basis for the 2002 through 2005 fiscal years. In accordance with the City Charter a four-year financial plan is to be included in the Executive Budget submission. The financial plan will also be submitted to the Financial Control Board in accordance with the Financial Emergency Act. The assumptions, upon which the four-year plan revenue and expenditure estimates are based, are summarized in the Appendix section of this Mayor's Message.

As indicated, a budget stabilization account of $345 million is included in 2002 and a general reserve of $200 million is included for every year of the plan. The tax reduction program is valued at $494 million in 2002, $719 million in 2003, $ 1.0 billion in 2004 and $1.3 billion in 2005.

Four-Year Financial Plan
($ in Millions)

	2002	2003	2004	2005
Revenues				
Taxes:				
General Property Tax	$8,643	$9,100	$9,536	$9,970
Other Taxes	13,885	14,584	15,282	16,071
Tax Audit Revenues	487	426	427	427
Tax Reduction Program	(494)	(719)	(1,041)	(1,264)
Miscellaneous Revenues	4,600	3,979	4,046	4,032
Unrestricted Intergovernmental Aid	706	632	632	632
Other Categorical Grants	392	360	352	344
Less: Intra-City Revenues	(1,343)	(1,301)	(1,256)	(1,256)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)
Sub-Total City Funds	$26,861	$27,046	$27,963	$28,941
Inter-Fund Revenues	301	297	297	297
Total City & Inter-Fund Revenues	$27,162	$27,343	$28,260	$29,238
Federal Categorical Grants	4,457	4,131	4,105	4,104
State Categorical Grants	7,913	8,012	8,101	8,179
Total Revenues	$39,532	$39,486	$40,466	$41,521
Expenditures				
Personal Service	$21,865	$22,375	$22,693	$23,129
Other Than Personal Service	17,391	17,389	17,687	17,976
Pay-As-You-Go Capital	150	150	150	120
Debt Service	924	2,964	3,401	3,583
Budget Stabilization Account	345	0	0	0
MAC Debt Service	0	490	489	490
General Reserve	200	200	200	200
	$40,875	$43,568	$44,620	$45,498
Less: Intra-City Expenses	(1,343)	(1,301)	(1,256)	(1,256)
Total Expenditures	$39,532	$42,267	$43,364	$44,242
Gap To Be Closed	**$0**	**$(2,781)**	**$(2,898)**	**$(2,721)**

A comparison of the gaps in this financial plan to the gaps that existed when the 2001 budget was adopted and a revised out-year gap closing program for 2003 through 2005 follow.

FINANCIAL PLAN UPDATE

($ in Millions)

	2001	2002	2003	2004	2005
FY 2001 Adopted Budget (Gap)/Surplus - Restated	**$1,236**	**$(2,652)**	**$(2,374)**	**$(1,752)**	**$(1,752)**
Revenue Changes					
Tax Revenue Forecast	$1,367	$676	$811	$985	$2,207
Delay of Airport Arbitration	—	(350)	(35)	175	210
Other Revenues	152	(41)	(106)	(103)	(150)
Total Revenue Changes	$1,519	$285	$670	$1,057	$2,267
Collective Bargaining	$(389)	$(505)	$(744)	$(802)	$(902)
Expenditure Changes					
Pension Funding Changes	$(79)	$(287)	$(463)	$(630)	$(825)
Police	(166)	(176)	(46)	(59)	(56)
Debt Service	(20)	150	(80)	(39)	(224)
Campaign Finance Board	—	(58)	—	—	—
Other Spending	(289)	(150)	72	(168)	(498)
Prior Payables	264	—	—	—	—
General Reserve	158	—	—	—	—
Total Other Expenditure Changes	$(132)	$(521)	$(517)	$(896)	$(1,603)
Budget Stabilization Account & Prepayments					
FY 2001	**$(2,761)**	**$2,761**	**$ —**	**$ —**	**$ —**
FY 2002	**—**	**(345)**	**345**	**—**	**—**
Total Budget Stabilization & Prepayments	**$(2,761)**	**$2,416**	**$345**	**$ —**	**$ —**
Gap to Be Closed - Executive Budget	**$(527)**	**$(977)**	**$(2,620)**	**$(2,393)**	**$(1,990)**
Gap Closing Program					
Agency Programs	$527	$846	$408	$386	$383
Privatization of OTB	—	250	—	—	—
Reimbursement of Landfill Closure Costs	—	225	—	—	—
State and Federal Actions	—	150	150	150	150
Total Gap Closing Program	$527	$1,471	$558	$536	$533
Surplus/(Gap) Prior to New Tax Reduction Plan	$ —	$494	$(2,062)	$(1,857)	$(1,457)
Tax Reduction Program	—	$(494)	$(719)	$(1,041)	$(1,264)
Remaining (Gap)	**$ —**	**$ —**	**$(2,781)**	**$(2,898)**	**$(2,721)**
Out-Year Gap Closing Actions					
Agency Programs	$ —	$ —	$1,681	$1,798	$1,621
State Actions	—	—	450	450	450
Federal Actions	—	—	550	550	550
Roll General Reserve	—	—	100	100	100
Total Out-Year Gap Closing Plan	$ —	$ —	$2,781	$2,898	$2,721
Remaining Surplus Out-Year (Gap)/Surplus	$ —	$ —	$ —	$ —	$ —

Employment Levels

Between 1993 and 2001 city funded staffing levels have been significantly reduced, while during the same time City resources were redirected to significantly increase staffing in vital areas. By June 2001 over 13,000 new City funded employees will have been added to Education and Police, while City funded staff levels will have been reduced by over 20,000 in other areas.

The 2002 Executive Budget continues these staffing priorities. Education and Police staffing levels are maintained, while staffing levels in other areas will be further reduced.

The following table illustrates the changes in City planned staffing levels from 1993 through 2002.

Changes in City Funded Staffing Levels

	Education (ped). & Police (unif.)	All Other Employees	Total
December 31, 1993 Actual (Restated*)	105,342	117,494	222,836
Projected Staffing June 30, 2002	118,702	96,643	215,345
Projected Change December 1993 to June 2002	13,360	(20,851)	(7,491)
% Change	12.7%	(17.7)%	(3.4)%

* Includes adjustments for HAPD and TAPD merger of 7,555, EMS transfer of 3,459 and a reclassification of Water and Sewer revenue funded positions of (4,419).

FEDERAL AND STATE AGENDA

OVERVIEW

The Federal and State agenda for 2002-05 is designed to control the growth of costly mandated programs and produce savings for the City and State governments. In total, this program saves the City $150 million annually for 2002-05. In addition, the City expects to receive $75 million of 1996 State Clean Water/Clean Air Bond Act funds in 2002 as reimbursement for costs associated with the closure of the Fresh Kills landfill in Staten Island.

FEDERAL OVERVIEW

New York City continues to send more tax dollars to Washington than it receives in Federal spending. According to "The Federal Budget and the States," a report released annually by the John F. Kennedy School of Government at Harvard University, in 1999 New York State's balance of payments deficit with Washington was estimated to be approximately $16 billion, with New York City the source of half of that deficit. With the Federal budget surplus expected to grow to almost $900 billion by Federal Fiscal Year 2011, the Federal government must address this imbalance.

The City's request for fairness in Federal spending focuses on three main proposals: full reimbursement for the protection of government officials and foreign dignitaries, an increased Federal share of Medicaid for children and funding for emerging public health crises.

Full Reimbursement for the Protection of Government Officials and Foreign Dignitaries

The City takes extraordinary security measures for the protection of foreign missions and officials year-round, including such events as the 55th General Assembly of the United Nations and the Millenium Summit of Heads of State and Heads of Government, which were both held in New York City in September 2000. Thousands of heads of state and dignitaries from around the world were in New York City for these events, costing the City an estimated $26 million for added security and logistical support. Although the State Department reimburses the City a minimal amount for police overtime, there are numerous other costs associated with these security activities for which the City should be reimbursed. For example, the State Department fails to reimburse the City for Emergency Medical Services personnel and equipment, even when they are requested by the Secret Service. Furthermore, the City bears additional costs for security measures provided by the Fire Department, the Department of Transportation and the Department of Sanitation that are not reimbursed by the Federal government. The distinctions made by the State Department when denying reimbursement do not reflect the actual cost to New York City of providing extraordinary security in connection with international events.

Increase in Medicaid Funding for Children

New York City, which has 67 percent of the statewide population of children who are on Medicaid, will spend more than $500 million on this program to cover children this year. In addition, the City has undertaken HealthStat, which is a comprehensive outreach and education program to enroll children and families in health care insurance plans. The City is seeking fiscal relief from the Federal government in the form of an increased Federal Medical Assistance Percentage (FMAP) for children. The City urges Congress to increase the FMAP rate for children in New York City from 50 percent, the statutory floor under Federal law, to 55 percent. City savings in 2002 are estimated at $48 million, assuming an effective date of October 1, 2001. Full annual savings rise to $66 million in 2003. This initiative would complement the extremely successful Child Health Plus program in New York State and would help to rectify the City's relatively low matching percentage compared to other states where the FMAP averages 61 percent.

This proposal is based on the findings of a General Accounting Office study that examines the fairness of the FMAP formula. A major recommendation of the study is to substitute the FMAP per-capita income calculation with the total taxable resources (TTR) assessment. TTR measures a state's ability to finance program services from the total income produced or received within a state. Per-capita income often fails to capture the extent of poverty within a state, as is the situation in New York.

Funding for Emerging Public Health Crises

Immunization: New York City seeks the restoration of immunization funding to the 1997 level of $10 million, a $5 million increase above the current level of funding. Two years ago, the Centers for Disease Control (CDC) imposed an across-the-board cut to immunization grants and reprogrammed certain funds. The reprogramming resulted in a 50 percent reduction in Federal funding for immunization programs in New York City. Increased Federal support is needed for the New York City Department of Health to continue its aggressive work in immunization service delivery, education, and outreach, all of which have greatly increased the number of children who are up-to-date on their immunizations.

Tuberculosis: Since 1999, Federal funding for tuberculosis (TB) programs has decreased by $8 million. Moreover, the proposed budget for Federal Fiscal Year 2002 called for a reduction in TB spending of $45 million, which could result in an additional loss of $2 million for New York City. The grant awarded to the New York City Department of Health in 2000 was $18 million, $8 million less than the 1999 award. While the funding for TB programs in New York City has declined, the national appropriation has risen by more than $9 million. According to the CDC, the available funds are being reprogrammed to other state and local governments, even though the need for maintaining the current level of service has not diminished in New York City. The City is a major entry point for visitors and immigrants from countries with exploding rates of drug-resistant TB.

Since the TB epidemic's height in 1992, when the case rate was five times the national average, the City has reduced TB deaths by over 59 percent. The current case rate of 23.6 per 100,000 people, however, is still more than three times the national average. Completion of treatment is the key to both the successful control of TB and to the prevention of drug-resistant TB. The City's program of Directly Observed Therapy has been largely responsible for a 91 percent reduction in drug-resistant cases since 1992. The restoration of the 1999 level of TB funding to New York City remains critical in order to provide adequate support for the City's TB programs.

Asthma Funding: The New York City Department of Health receives little Federal aid to support asthma-control activities. Current funding consists of only one small grant that supports surveillance studies which enable the Department of Health to evaluate the prevalence of asthma in school-age children. While no other Federal aid is made available to the City directly, the CDC has reported that the death rates from asthma among 25 to 45 year old adults are much higher in New York City than in other major urban areas in the nation. New York City is requesting that Congress appropriate funding for asthma detection and prevention and that the CDC allocate at least $8 million to New York City.

Mosquito-Borne Disease Control Program: Last year, the City mounted a rapid emergency response to the West Nile virus, a mosquito-borne disease that previously had not been recognized in the Western Hemisphere. In order to prevent future infectious disease outbreaks, the New York City Department of Health developed a comprehensive surveillance and control plan that will detect and combat mosquito-borne diseases before they spread to humans. This plan should help prevent the virus from spreading to other areas of the country. In support of these activities, the City spent $15 million in calendar year 2000. In 2002, the City is requesting at least $5 million of Federal reimbursement for costs associated with control of the West Nile virus.

STATE OVERVIEW

The State agenda for 2002 is centered around a number of initiatives requesting equitable relief for the City. For example, in last year's State budget, all local governments were provided an increase in revenue sharing, with the exception of New York City. The City deserves the same benefits that other local governments receive.

Currently, the New York State Legislature and Executive are engaged in a contentious budget debate. The Supreme Court decision in the case of *Campaign for Fiscal Equity v. The State of New York*, mandating that the State overhaul its education financing system, affects a major component of Albany's support to localities. Although the Governor has announced his intention to appeal this decision, an education debate will be in the forefront during budget negotiations and this is likely to further delay a State budget.

Increase in Revenue Sharing

The State Revenue Sharing program began in 1970 and was enacted to provide a predictable funding stream to municipalities that was adequate and equitable. The original program based the allocation to local governments on State personal income tax revenue. The law has been amended several times since 1970 and the amount available declined significantly from 1987 to 1992. In State Fiscal Year (SFY) 1994-95, the State implemented its first revenue sharing increase in nearly 10 years. However, in SFY 2000-01, for the first time ever, New York City was excluded from an increase in the revenue sharing allocation. The budget included a 5 percent across-the-board increase in General Purpose State Aid for the State's cities, towns and villages, but specifically excluded New York City. In this year's State Budget, the City requests inclusion in any revenue sharing program increase, for a total savings of $30 million to New York City.

E-911 Wireless Surcharge for Local Emergency Expenditures

E-911 monthly surcharges on cellular telephone bills throughout the State are given directly to the New York State Police, which does not perform functions in New York City. The City generates approximately 50 percent of the total wireless E-911 revenues. In their budget resolution for this year, the State Senate proposed the creation of a Wireless Telephone E-911 Surcharge Program. This proposal would create a fund using the revenues from the wireless communications surcharge to provide localities with resources to fund emergency response and public safety equipment improvements. This program would allow New York City to directly benefit from the fees generated from the E-911 charges. The City is requesting the creation of an E-911 surcharge assistance fund of which $5 million would be the City's equitable share in 2002, growing to $10 million in 2003-05.

Medicaid Fraud Prevention Initiatives

The State's Medicaid costs related to pharmacy services have grown roughly 20 percent a year since 1995. While a portion of the spiraling costs is attributable to the introduction of more efficacious drugs to combat AIDS, a portion of the growth is due to pharmaceutical fraud. The City proposes working with the State to implement several measures to reduce pharmaceutical fraud. The City could save at least $16 million through the implementation of these reforms in 2002 and full annual savings would grow to $36 million.

These initiatives include redesigned prescription forms printed on non-reproducible paper, as well as the imposition of more stringent criminal penalties for Medicaid recipients who allow others to use their cards. In addition, the City supports tougher criminal penalties for pharmacists who commit prescription fraud.

Reimbursement for Fresh Kills Landfill Closure Costs

When New York State enacted the 1996 Clean Water/Clean Air Bond Act, $75 million was authorized to New York City for the closure of the Fresh Kills landfill. State law mandated the landfill to close by December 31, 2001. To date, $45 million has been appropriated by the State, but no funds have been committed. This year's Executive Budget, as well as the Senate and Assembly budget resolutions, appropriate the remaining $30 million. The City has spent hundreds of millions of dollars on Fresh Kills closure and the landfill was closed in March 2001. The City requests that the State fulfill its commitment and reimburse the City $75 million for Fresh Kills closure.

Bond Act Funds for Municipal Recycling

Within the Solid Waste title of the 1996 Clean Water/Clean Air (CWCA) Bond Act, there was $50 million authorized for municipal recycling statewide. The State specifically promised New York City at least $25 million of this authorization. The Executive's 30-day amendments to the SFY 2001-02 budget proposal authorize the payment of this $25 million for municipal recycling to New York City. This proposal puts the State's commitment into law so that New York City can receive its fair share. The City is reflecting this payment in 2002.

Funding for PINS Mandate

Parents, guardians and schools may petition the Family Court to determine if a teen is a Person in Need of Supervision (PINS) which is defined as "a person less than 18 years of age who is truant, incorrigible, ungovernable or habitually disobedient and beyond the lawful control of a parent." During the course of a PINS case, youths may be placed in the 24-hour custody of a foster care agency. While PINS cases are open, the costs for foster care are not reimbursable by the Federal government. As a result, localities and the State pay the entire cost of foster care for youths during PINS cases. Because the Family and Children's Services Block Grant caps State foster care funding, localities bear the burden of paying for any increase in the number of youths in PINS cases. Although youths in PINS cases are considered foster children, their cases are unique to the foster care system, and as a result, PINS youths tend to require a more expensive, higher-level of care than the traditional foster boarding home. PINS youths are not placed in foster care due to abuse or neglect by a parent or guardian, but instead are displaying behavior problems that might include failure to attend school or the commission of low-level criminal offenses.

Last year, State law was changed, raising the age for PINS cases from 16 to 18. The City estimates that 370 additional PINS youths will enter the City's foster care in 2002 as a result of this law. Due to the high cost for their care and their uniqueness to the foster care system, PINS cases should be funded separately from the block grant and be open-ended. The State and localities should share the costs for this population in an equitable manner. Since the block grant may be superceded in the coming fiscal year, any changes (including a form of the block grant for foster care) must include at least a $10 million State reimbursement for PINS expenses, which would be $7 million in the first year.

Reduction in Personal Income Tax Administrative Costs

Over the past four years, the State has raised the City's charge for administration of its personal income tax (PIT) by over $20 million. Since SFY 1997-98, the total budget for the NYS Department of Taxation and Finance has increased by 15.7 percent. In contrast, during this same time period, the State's charge to the City for PIT administration has increased by 65 percent. In SFY 2000-01 the City paid over $30 million in PIT administrative charges. Given the repeal of the commuter tax, the PIT administrative charges should be reduced. New York City non-residents formerly made up 21 percent of City filers, therefore the administrative charges should be decreased by 21 percent, or $7 million annually. In addition, the State should reduce its charges by an additional $13 million, which would reflect a reasonable cost for these services and save the City $20 million annually. The City should not pay an increase in administrative costs when in fact the volume of filers has decreased.

CONTRACT BUDGET

The Contract Budget is presented as part of the 2002 Executive Budget submission. The Contract Budget includes all projected expenditures for contracts as defined in Section 104 of the City Charter, including those of small dollar value that do not require registration by the Comptroller's Office. These include purchase orders and open market orders as well as contracts.

As defined in Section 104, the Contract Budget includes contracts that are personal service, technical or consulting in nature. Contracts for the purchase of supplies, materials and equipment are not included.

The 2002 Executive Contract Budget contains approximately 19,000 contracts totaling over $5.8 billion. Approximately two-thirds of the total contract budget dollars will be entered into by the Department of Social Services, the Administration for Children's Services, the Department of Homeless Services and the Board of Education. The Administration for Children's Services has over $1.4 billion in contracts, 77 percent of which represents contracts allocated for Children's Charitable Institutions ($622 million) and Day Care ($492 million). Of the over $1.2 billion in Board of Education contracts, approximately 41 percent are allocated for pupil transportation contracts ($518 million).

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

	Est. # of Contracts	Dollars (Millions)	% Total Dollars
Social Service Related and Health Services . . . . • Home Care, Child Welfare, Employment Services, Public Assistance, Day Care, Family Services, Homeless Programs, AIDS, Senior Citizen Programs, Health, Mental Hygiene, & Prison Health, etc.	4,404	$3,377	57.7%
Youth and Student Related Services . . . . • (including Transportation of Pupils and Payments to Contract Schools)	1,425	1,021	17.5
Other Services . . . . • Custodial, Security Services, Secretarial, Cultural Related, Employee Related, Economic Development, Transportation, etc.	3,782	777	13.3
Professional Services/Consultant . . . . • Accounting, Auditing, Actuarial, Education, Investment Analysis, Legal, Engineering & Architectural, System Development & Management Analysis, etc.	4,692	356	6.1
Maintenance & Operation of Infrastructure . . . . • Lighting, Streets, Buildings, Parks, Water Supply, Sewage and Waste Disposal,etc.	2,062	218	3.7
Maintenance of Equipment . . . . • Data Processing, Office Equipment, Telecommunications & Motorized Equipment, etc.	2,599	100	1.7
TOTAL	18,964	$5,849	100.0%

Borough Presidents' Proposed Reallocations

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

The Queens Borough President proposed reallocating $78 million. Among the suggested restorations are $7.8 million to the Queens Public Library, $14.3 million to Cultural Affairs, $30.7 million for Youth programs, $3 million to deal with domestic violence, $11.5 million to seniors, $4.2 million for housing programs and $3.23 million to Parks. The proposed funding sources come from a projected increase in the 2001 budget surplus and the Cultural Challenge Initiative. A specific response to each reallocation proposal is provided in a separate document, <u>FY 2002 Executive Budget Responses to the Queens Borough President's Proposed Reallocations to the FY 2002 Preliminary Expense Budget</u>.

The Manhattan Borough President submitted a reallocation proposal of $930 million. Among the suggested restorations is $828 million to the Board of Education, $22.9 million for the City University of New York, $21.1 million for Youth programs, $13.3 million for seniors, $12.8 million for the New York Public Library and $10.4 million to Cultural programs. The proposed funding sources come from a proposal to reinstate the 12.5 percent Personal Income Tax Surcharge, the budget surplus, savings on claim payments and civilianization of administrative functions at the Police Department. A specific response to each reallocation proposal is provided in a separate document, <u>FY 2002 Executive Budget Responses to the Manhattan Borough President's Proposed Reallocations to the FY 2002 Preliminary Expense Budget</u>.

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 2002 the uniform base budget for each community board is $163,358. This excludes the cost of office rent and heat, light and power which are in a separate unit of appropriation. To help defray the relocation costs for those community boards planning to move offices in 2002, funds for the cost of the move and the one-time cost of telephone installation are also included in the rent unit of appropriation. To help community boards insure the contents of their offices, community boards are insured by the Citywide Central Insurance Program. Collective bargaining funds will be added to each board's budget when appropriate.

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

Each year agencies that deliver local services, prior to preparing their departmental estimates, consult with community boards about budget issues and the needs of the districts. The boards then develop and prioritize their capital budget requests (up to 40) and expense budget requests (up to 25). For 2002 community boards submitted 2,048 capital requests to 29 agencies and 1,843 expense requests to 41 agencies. Almost two-thirds of the community board capital budget requests seek improvements to streets, sewers and parks. Community board expense budget requests concentrate on Citywide programs and personnel increases such as added street cleaners, park workers and other service employees.

Boards also rank agencies' local service programs by their importance to the community. For the upcoming year community boards ranked 85 programs within 26 agencies. The top five programs are community youth programs, services to the elderly, parks maintenance, police patrol and, after school/summer school 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 2002 budget.

Register of Community Board Budget Requests for the Executive Budget, Fiscal Year 2002 - 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 2002 - details the expense budgets of fourteen agencies that deliver local services by borough and service district. Includes 2002 Executive Budget information as well as 2001 current modified budget and headcount data (as of April 17, 2001).

Executive Capital Budget for Fiscal Year 2002 - 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 2002 Executive Budget Commitment Plan - presents information on capital appropriations and commitments by community board, including implementation schedules projected for each month of 2001, and the succeeding four years for all active project identifications by budget line.

Geographic Project Detail Data Report, FY 2002 Executive Budget – describes for each project within a budget line in the Commitment Plan the schedule of funding from 1998 through 2001 and all projects with proposed financial support from 2002 through 2005, sorted by community board. Unique to this document is information regarding the specific location, scope summary and capital assets of each project. For projects supported by the community boards, this report crosswalks the budget lines and project details within the community board tracking code.

Tax Reduction Program

The tax reductions enacted during the past 7 1/2 years have played an important role in the City's revival and continuing economic prosperity. Business tax reform has once again made the City competitive and contributed to the creation of a record 99,000 private sector jobs in 2000, while sales tax reductions and property tax relief have benefited consumers and property owners. This budget expands on these reductions with further tax relief, including an additional cut in the 14 percent personal income tax surcharge, the complete elimination of the commercial rent tax and a complete elimination of the sales tax on clothing and footwear. Additionally, the current co-op/condo property tax abatement and the Lower Manhattan Commercial Revitalization Program are extended, and the hotel tax $2 flat fee per room is repealed. In 2002, the tax reductions in this budget total $494 million, increasing to $1,264 million in 2005.

Tax Reduction Program
($ Millions)

	2001	2002	2003	2004	2005
Already Enacted					
• Expiration of PIT 12.5% Surcharge	($821)	($807)	($858)	($913)	($973)
• Hotel Tax Cut	(26)	(27)	(28)	(29)	(30)
• Commercial Rent Tax Reductions	(413)	(428)	(434)	(439)	(440)
• Unincorporated Business Tax Reforms & Credits	(54)	(56)	(57)	(58)	(58)
• Commercial Revitalization Program	(45)	(41)	(32)	(22)	(15)
• SCRIE/SCHE Enhancements	(6)	(6)	(6)	(6)	(6)
• Co-op/Condo Property Tax Relief	(170)	—	—	—	—
• Business Tax Reform	(130)	(133)	(137)	(142)	(146)
• Sales Tax - Miscellaneous Exemptions	(45)	(47)	(47)	(47)	(47)
• Sales Tax - Exemptions on clothing & footwear under $110	(244)	(250)	(256)	(263)	(270)
• Resident UBT/PIT Credit	(43)	(49)	(55)	(55)	(55)
• Real Property Transfer Tax Exemption for Assumable Mortgages	(2)	(2)	(2)	(2)	(2)
• Elimination of the Vault Charge and the Tax on Coin Operated Amusement Devices	(8)	(8)	(8)	(8)	(8)
• Commuter Tax Repeal	(535)	(436)	(495)	(519)	(547)
• College Tuition Deduction/Credit (PIT)	—	(5)	(9)	(14)	(18)
• Marriage Penalty Reduction (PIT)	—	(7)	(21)	(28)	(29)
• Sales Tax Exemption on Utility Transmission & Distribution	(2)	(5)	(19)	(54)	(139)
• Sales Tax Exemption on Web Hosting & HDTV Equipment	(11)	(13)	(13)	(13)	(13)
• Bank Mutual Fund Companies	(1)	(1)	(1)	(1)	(1)
• PIT 14% Surcharge Cut (effective January 2001)	(94)	(185)	(196)	(209)	(227)
• Borough Development Program	—	(10)	(11)	(14)	(13)
• STAR (Personal Income Tax)	(415)	(560)	(607)	(636)	(661)
• STAR (Property Tax)	(89)	(110)	(132)	(135)	(135)
Subtotal	**($3,154)**	**($3,186)**	**($3,424)**	**($3,607)**	**($3,833)**
Proposed					
• PIT 14% Surcharge Cut (effective July 2001)	—	($180)	($191)	($207)	($226)
• Elimination of the Commercial Rent Tax	—	(121)	(270)	(432)	(470)
• Extension of Co-op/Condo Property Tax Relief	—	(185)	(194)	(204)	(214)
• PIT Credit for "S" Corporations	—	—	(26)	(53)	(56)
• Earned Income Tax Credit	—	—	—	(48)	(48)
• Repeal of Hotel Tax $2 Flat Fee	—	—	(19)	(39)	(40)
• Elimination of the Sales Tax on Clothing & Footwear	—	—	—	(27)	(105)
• Business Tax Reform	—	—	—	—	(75)
• Lower Manhattan Revitalization Program - Extension (Excluding World Trade Center)	—	(8)	(19)	(31)	(30)
Subtotal	—	**($494)**	**($719)**	**($1,041)**	**($1,264)**
Total Tax Reduction Program	**($3,154)**	**($3,680)**	**($4,143)**	**($4,648)**	**($5,097)**

The 2002 Executive Budget tax reduction proposals are as follows:

- **25 percent cut in the personal income tax surcharge:** The personal income tax paid by City residents is subject to a "temporary" 14 percent surcharge that is imposed on the base rate. This proposal calls for an additional 25 percent reduction in the 14 percent surcharge on July 1, 2001 and renewal at the reduced rate in 2002 with an average benefit to taxpayers of $80. The 14 percent surcharge was previously cut and restructured on January 1, 2001 with a 50 percent reduction in the surcharge on taxable income below $50,000 for single filers, $90,000 for joint filers and $60,000 for head-of-household filers. The reduction in the surcharge averaged 25 percent. The 14 percent surcharge was originally enacted in 1991 and has required periodic renewal since 1993. It is currently scheduled to expire on December 31, 2001. The proposal will save City resident taxpayers $180 million in 2002, $191 million in 2003, $207 million in 2004 and $226 million in 2005.

- **Elimination of the commercial rent tax**: Currently all commercial tenants in the other boroughs and tenants paying under $150,000 in annual rent in Manhattan are completely exempt from the commercial rent tax. The exemption was recently increased from $100,000 to $150,000 effective December 1, 2000, saving taxpayers $19 million annually. Tenants paying over $150,000 annually in rent pay a 3.9 percent effective tax. Additionally, tenants with rents between $150,000 and $190,000 receive a partial credit that lowers their liability. This proposal eliminates the tax completely by the end of fiscal year 2003. Beginning June 1, 2001, the effective rate will be reduced to 2.6 percent from the current 3.9 percent rate. Thereafter, the effective tax rate will be further reduced to 1.3 percent on June 1, 2002. The commercial rent tax will be completely eliminated on June 1, 2003. These actions will save taxpayers $121 million in 2002, $270 million in 2003, $432 million in 2004 and $470 million in 2005, when fully implemented.

- **Extension of co-op and condo property tax relief:** An abatement program was implemented in 1997 to reduce the disparity in property tax burden between owners of cooperatives and condominiums (Class 2) and single family homes (Class 1). This program allowed a partial abatement of Class 2 real property taxes over a three-year period starting in 1997. In 1999, the abatement was equal to 17.5 percent of the tax for residential units with an average assessed value over $15,000 and 25 percent of the tax for residential units with an average assessed value of less than $15,000. It was extended in 1999 through 2001. This abatement program will be extended at the 2001 level, with total benefits to taxpayers of $185 million in 2002, $194 million in 2003, and $204 million in 2004 and $214 million in 2005.

- **PIT credit for "S" corporations:** Effective January 1, 2002, resident shareholders of subchapter S corporations will be eligible for a sliding scale credit against the personal income tax for their distributed share of the subchapter S corporate tax liability. The structure of the credit will be similar to the current credit for owners of unincorporated businesses enacted in 1997. Total savings to resident City taxpayers will be $26 million in 2003, $53 million in 2004 and $56 million in 2005.

- **Earned income tax credit:** Effective January 1, 2003, the City will allow a refundable earned income tax credit (EITC) against the City personal income tax of up to five percent of the current Federal EITC for tax years 2003 and thereafter. This credit will benefit an estimated 600,000 taxpayers with an average credit of $80. The savings to City taxpayers will be $48 million in 2004 and thereafter. The refundable portion of the credit will be paid through the expenditure of TANF funds.

- **Repeal of hotel tax $2 flat fee:** The hotel room occupancy tax consists of both a flat fee ranging from $0.50 to $2 on rooms priced under $40 and $2 on rooms over $40, plus a 5.0 percent tax levied on the room charge. In addition, for the repeal of this fee, the taxation of Bed and Breakfast establishments will be reformed. Effective December 1, 2002, the repeal of this flat fee will reduce taxes by $19 million in 2003, $39 million in 2004 and $40 million in 2005.

- **Sales tax exemption:** Effective March 1, 2004, the 4.0 percent sales tax exemption on clothing and footwear under $110 will be extended to all clothing and footwear purchases. This will save consumers an additional $27 million in 2004 and $105 million in 2005.

- **Business tax reform:** Further reform and reduction of the general corporation and unincorporated business taxes will save City businesses $75 million in 2005.

- **Lower Manhattan Revitalization Program - extension:** This targeted tax relief program for pre-1975 buildings that provided tax incentives through property tax abatements and exemptions expired on March 31, 2001. This proposal will extend the real estate tax abatement, commercial rent tax exemption and the energy cost savings program through March 31, 2004 in lower Manhattan. In order to focus tax relief on those buildings most in need of benefits, the program's extension will exclude the World Trade Center. The total savings to taxpayers due to the extension of this program is estimated to be $8 million in 2002, $19 million in 2003, $31 million in 2004 and $30 million in 2005.

ECONOMIC OUTLOOK

Overview

The U.S. economy is at a delicate junction in the economic cycle. Signs of the slowdown that began in the second half of 2000 have intensified, and hopes of a rapid turnaround have dwindled. So far, however, only the manufacturing sector has contracted, due to a build-up in inventories and over-capacity. Outside of manufacturing, growth has decelerated but several key indicators are still showing resilience. Most importantly, consumption spending continues at a healthy level even as the drop in the equity markets has wiped out almost $5 trillion from consumer wealth. The housing market has also until now sustained the downturn without much damage, buffered by the Fed's recent cuts in interest rates.

The national outlook, therefore, calls for real GDP (Gross Domestic Product) to grow 1.7 percent in 2001 with consumption spending at three percent, just enough to avert a recession. Non-residential fixed investment spending will drop to three percent after a decade of remarkable growth which brought its share of overall GDP from 10 percent in 1993 to 15 percent in 2000. Corporate profits will also take a severe hit in 2001 and are expected to be down 6.1 percent. Overall job growth will fall to under 1 percent, with gains in the service-producing sectors offsetting steep losses in manufacturing. The economy will pick up in 2002, but only gradually, as the drag from the capital build-up subsides. GDP is expected to grow by just over 3 percent in 2002 before resuming growth of about 4 percent per year in 2003-2005. Moderate employment growth throughout the forecast period should keep inflationary pressures contained despite concerns over rising medical prices and the recent spikes in utility prices, particularly in some regions of the nation.

At this point, with U.S. growth slowing, the manufacturing sector in a recession, an energy crisis in the country's largest state, and a stock market well off its peak, the outlook is tenuous. However, low unemployment and inflation, a relatively healthy housing market and a proactive Federal Reserve continue to suggest that a recession can be averted. Of course as in any period of economic slowdown, the risks grow to both the U.S. and the local economy.

The City's economy is also expected to experience a significant slowdown in growth from the boom of recent years, which saw unprecedented private sector employment gains of almost 100,000 jobs in 2000. The City's higher reliance on the service sector will enable it to grow at a faster rate than the U.S. in 2001, with employment expected to grow 1 percent, a gain of almost 33,000 private sector jobs. The impact of the slowdown, however, will fall more heavily in 2002.

In 2002, in addition to the slowdown at the national level, the City's economy will also be impacted by a forecast drop in Wall Street profits from a record high of $21 billion in 2000 to $5.5 billion in 2001. As a result, FIRE employment in 2002 is expected to decline by 10,000 jobs, 6,000 in the important securities sub-sector. Overall employment, therefore, rises just 7,000 in 2002 as the loss of these highly paid jobs ripples throughout the economy. Job growth then picks up to 42,000 jobs on average per year in 2003-2005 as the economy gradually rebounds.

The recent drop in the stock market and the anticipated decline in New York Stock Exchange member-firm profits will also have a significant impact on overall bonus payouts. Overall bonus payouts in the FIRE sector are expected to fall precipitously and are down fifty percent in 2001. Wage income as a result grows by only 2½ percent per year in 2001-2002, down from over 11 percent in 2000, though outside of FIRE the slowdown will be less pronounced. As profits on Wall Street rebound along with the economy, wage income is also forecast to pick up, to about 5½ percent growth per year in 2003-2005. Finally, the economic slowdown is expected to only have a minimal impact on the real estate market. The commercial real estate market is heading into this slowdown in much better shape than in past slowdowns, when speculative building resulted in an oversupply. In the latest expansion, the amount of new inventory added has been minimal.

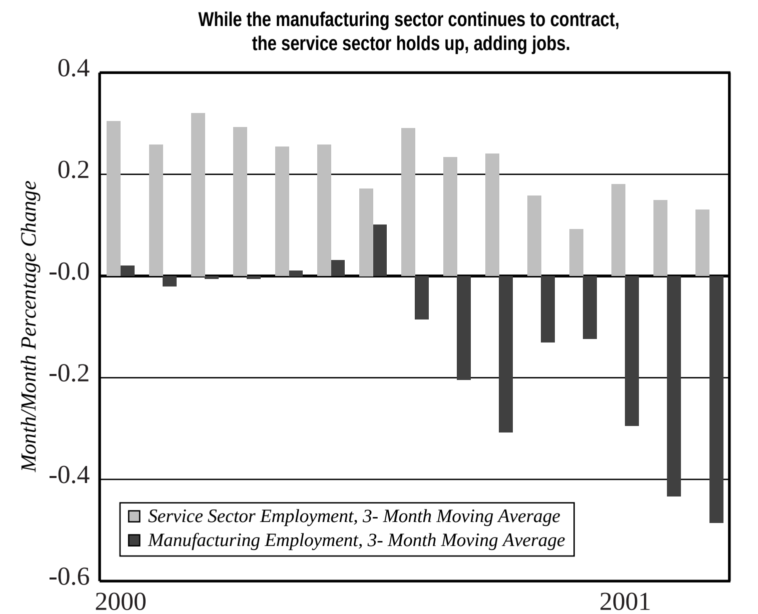
* *All economic data are on a calendar year basis while all tax revenue data are on a fiscal year basis ending June 30.*

Therefore, outside of a slight correction in the relatively small secondary market, which has been impacted most by the dot-com job losses, the commercial office market should remain healthy, with vacancy rates remaining low and asking rents remaining high.

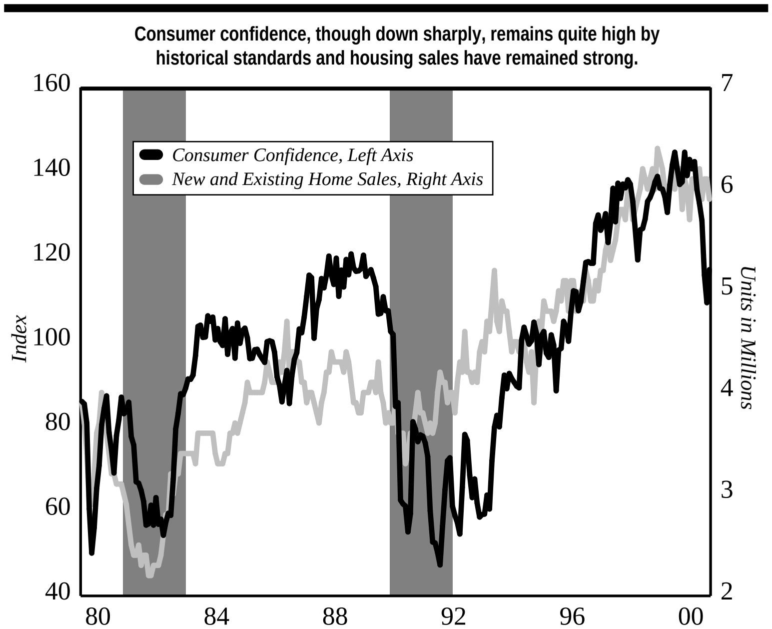
The U.S. Economy

The slowdown in growth that began in the second half of 2000 continues to cast a long shadow on the outlook for the U.S., and with some indicators showing further signs of deterioration, the possibility of a rapid turnaround appears unlikely. So far, manufacturing has borne the brunt of this slowdown. Employment in this sector has declined by over 400,000 in the past twelve months, a loss of about two percent. The NAPM (National Association of Purchasing Managers) index, a comprehensive barometer of manufacturing activity, was up slightly in March to 43.1 percent but remains deep in recessionary territory. Moreover, any hope of an export-led recovery has dissipated with the news that growth in the Japanese economy continues to falter (early estimates indicate a further contraction in Q2 2001) while growth in Europe continues to be anemic at best. Adding to these woes is concern over the significant build-up of capacity in the high-tech sectors of the economy, punctuated by layoff announcements in bellwether firms once perceived as perpetual engines of job growth, like Lucent, Cisco, Intel, and Motorola.

SERVICE SECTOR AND MANUFACTURING SECTOR EMPLOYMENT IN THE U.S.



CONSUMER CONFIDENCE AND HOME SALES



Outside of manufacturing, other sectors of the economy continue to show signs of growth, albeit at a lower rate. Services employment in the U.S. is up 2.5 percent in the first quarter over Q1 2000. Sales of new and existing homes, though down from their highs, are still averaging a quite robust 6 million units on an annual basis. Most importantly, consumers have so far shown remarkable resilience. March data, in fact, showed consumer confidence (Conference Board) edging back up and retail sales in the early part of the year have held up even in the face of a sharp correction in the stock market which wiped out an estimated $5 trillion in household wealth.

Given the pockets of strength outside of the manufacturing sector, the economy is expected to avert a recession though growth is expected to stall this year. Specifically, the sharp pullback in real GDP (Gross

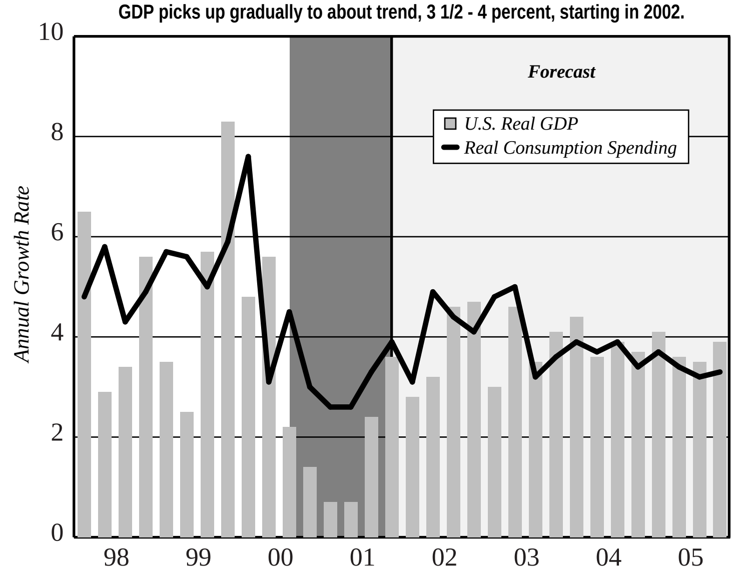
Domestic Product) that occurred in Q4 2000, down to just 1.0 percent growth, will continue in the first half of 2001, with GDP flat or barely up. Growth picks up, only moderately, to just above two percent, in the latter part of this year as the recent inventory correction runs its course and the effects of the Fed's rate cuts on the economy become more pronounced. Growth is expected to resume at a trend rate of about 3½ percent in 2002 and then continues to pick up slightly to 4 percent in 2003-2005.

This forecast of real GDP growth relies heavily on consumption spending to sustain the economy. Growth in consumption is expected to hold up at 3.1 percent in 2001, down significantly from the five percent rate of 1998-2000, but sufficient to avert a recession. As employment growth resumes in the outyears, consumption spending picks up, to about four percent in 2002-2005. The effect of the sharp drop in the stock market and the considerable amount of debt that consumers have accumulated over the last years (with consumer installment debt rising to over twenty percent of disposable income) will no doubt curb consumption spending. So far, however, low unemployment and inflation have continued to sustain consumer spending.

On the business side, firms are expected to cut back on capital spending purchases after years of double-digit growth rates which in some instances have resulted in over-capacity. In fact, non-residential fixed investment has increased from 10 percent of overall GDP in 1993 to almost 15 percent in 2000. With corporate profits sagging (profits drop six percent in 2001), growth in non-residential fixed investment falls to only 3.2 percent in 2001. In 2002-2005 investment picks up gradually, with growth rising to around six percent on average per year. This is down considerably from the 12 percent rate in 1997-2000, but is in line with corporate profits which also average

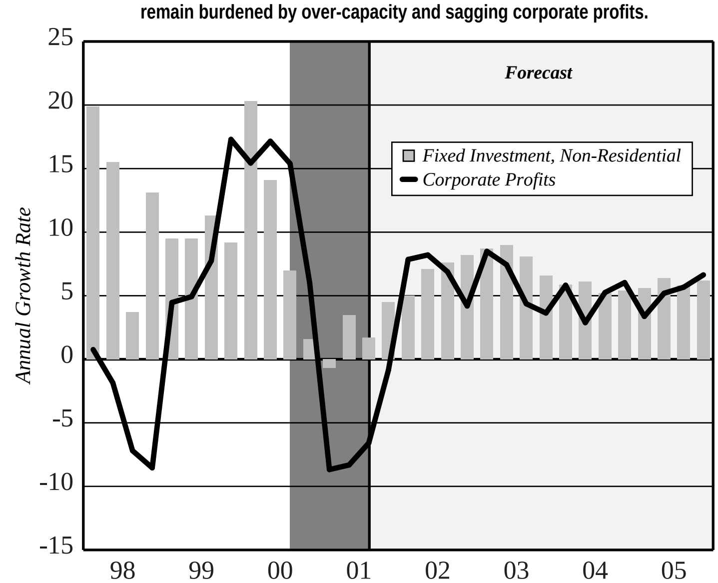
REAL GDP AND REAL CONSUMPTION SPENDING

Economic growth stalls in the first part of 2001, but consumer spending should prevent the economy from falling into a recession. Growth in Real GDP picks up gradually to about trend, 3 1/2 - 4 percent, starting in 2002.



NON-RESIDENTIAL FIXED INVESTMENT AND CORPORATE PROFITS

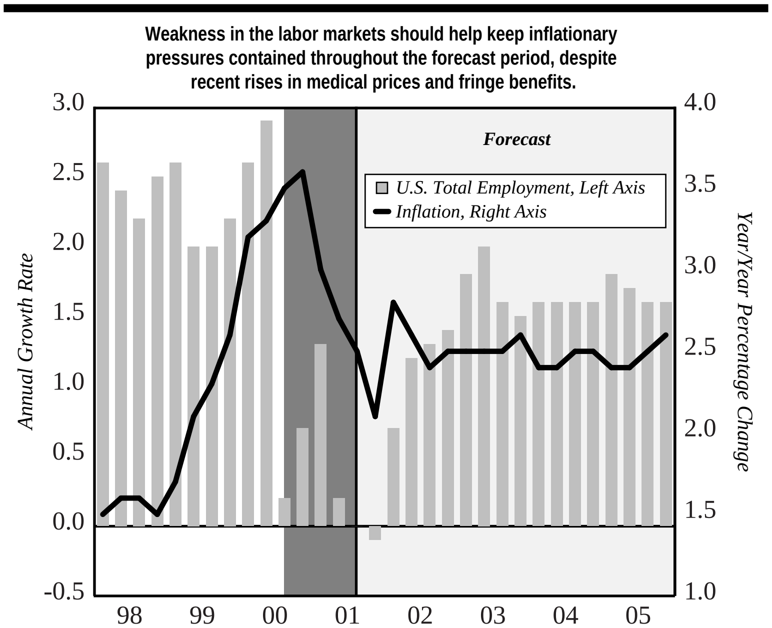
Investment spending comes to a halt in 2001, as businesses remain burdened by over-capacity and sagging corporate profits.



growth of about six percent per year in 2002-2005. The pace of the recovery for both profits and investment, however, will be conditional on the ability of firms to deplete excess inventories in the near-term and resume operating at sustainable capacity levels.

In terms of overall employment, total job growth in 2001 is expected to fall below 1 percent, down from the 2½ percent rate of the past five years. Losses in manufacturing, which is slated to contract about 3 percent, will be offset by gains in the service-producing sectors (which include, in addition to services, trade and FIRE) of the economy. Job growth picks up in 2002-2005, averaging 1½ percent per year. Although rising medical costs continue to raise some concern, the softness in the labor market, combined with productivity gains of about 2½ percent, should help keep inflationary pressures contained at about 2½ percent as well. Wages are anticipated to grow at a sturdy 4 percent rate on average per year in 2001-2005, which, combined with the forecast for employment growth, implies that personal income will rise by about 5½ percent on average per year.

U.S. EMPLOYMENT AND INFLATION

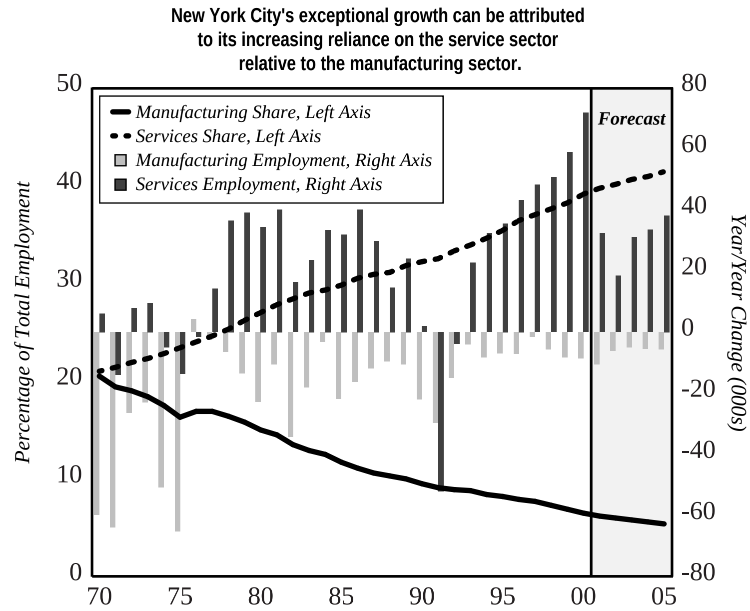


At this delicate junction in the business cycle, the forecast is not without uncertainties and caution is certainly warranted. As with all turning points the economy's ultimate course is difficult to foresee. As mentioned, this forecast hinges on the belief, based on the most recent data, that consumption spending will keep the economy afloat. This could turn out to be a tenuous assumption if job losses were to mount or if the stock market were to plummet further (both of which cannot be ruled out), dealing a devastating blow to the economy.

The New York City Economy

Even in the face of a national slowdown, a major correction in the equity markets and the loss of many of its dot-com jobs, New York City's diversified economy continued to grow in the early months of this year, albeit at a slower pace than 2000, when almost every major measure of economic activity -- employment, Wall Street, and the real estate market -- set new records.

EMPLOYMENT IN NEW YORK CITY



In 2000, New York City registered its strongest year of employment growth in over 50 years of documented data. The private sector increased by an astounding 99,300 jobs in 2000, or 3.3 percent, exceeding growth in the U.S. by over 50 percent.[1] The private sector's strength was due in large part to the City's increasing reliance on the service sector relative to the manufacturing sector, a trend that is more pronounced in the City than at the national level.

The service sector, which accounted for 39 percent of City employment in 2000 compared to only 31 percent in the U.S., increased by 71,700 jobs in 2000. Within services, business services, which includes computer programming, advertising, and personnel supply firms, was once again the leader, contributing more than half of the new service sector jobs. The legal and social services sectors added 2,300 and 7,500 jobs, respectively, and after more than a decade of continual job increases, the medical services sector was essentially flat in 2000.

Manufacturing was down sharply, losing 8,600 jobs, or 3.4 percent, but because it accounts for 6.5 percent of total employment in the City as compared to 14 percent in the U.S., the impact on overall employment was mitigated. Of the jobs lost, 2,200 were in durable manufacturing, and more than 6,400 were in non-durable. Trade gained 20,600 jobs in 2000, with over 19,200 in retail trade. This marks the highest annual gain for the retail sector in over 40 years, and the sixth consecutive year of gains in excess of 10,000 jobs. Driven by a booming residential and commercial real estate market, the construction industry followed 1999's record-high 11,700 new jobs with another healthy year in 2000, adding 7,900 jobs. The TCPU (transportation, communications, and public utilities) sector grew by 3,300 jobs. Within the FIRE (finance, insurance, and real estate) sector, which added 4,300 jobs, the securities industry added 11,500 jobs, while banking continued a decade of declines by shedding more than 6,500 jobs.

The forecast slowdown in employment growth for the U.S. in 2001-2002 and its sectoral impact will also affect the City, though the job slowdown will fall more heavily in 2002. The private sector is expected to add almost 33,000 jobs in 2001 and a mere 7,000 jobs in 2002. As in the nation, almost all job gains in 2001 will come from the service sector, which is expected to add 32,000 jobs, 16,000 of which come from

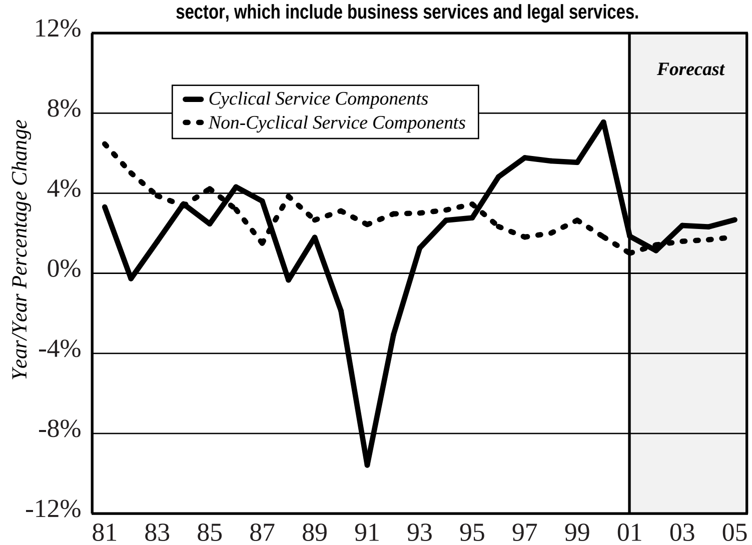
1. *Employment data for 2000 were revised upward by the Department of Labor, from an originally reported gain of 77,300 private sector jobs to 99,300.*

business services. This represents less than half of 2000's gains. Growth in services will slow even more in 2002 with only 18,000 new jobs added, as the cyclical components of the sector -- business services, legal services and consulting and management services -- weaken. The non-cyclical components, including medical services, social services and educational services, however, will continue to expand. With the elimination of many e-tailing companies, growth in trade will slow to 5,000 jobs in 2001 and contract by 2000 jobs in 2002. TCPU and construction are expected to have modest average gains in 2001 and 2002 of 3,000 and 5,000 jobs, respectively. The national manufacturing recession will continue to take its toll on manufacturing, with an average of 8,000 jobs eliminated per year in 2001 and 2002.

In addition to the deteriorating conditions in the national economy, employment in the City will also be impacted by a significant fall in Wall Street profits from $21 billion in 2000 to $5.5 billion in 2001. The FIRE sector is expected to lose 16,000 jobs from 2001 Q2 through 2002 Q3. Specifically within FIRE, securities employment is expected to fall by almost 10,000 over the same period. Given the high wage in the FIRE sector, a loss of this magnitude will have an adverse effect on the other sectors of the economy, with an additional 16,000 jobs lost in these other sectors.

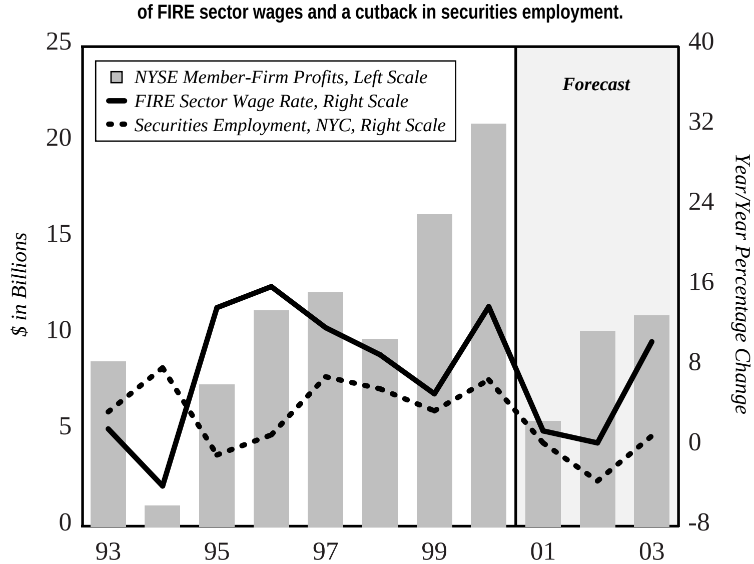
SERVICE SECTOR: CYCLICAL VS. NON-CYCLICAL

Employment in the service sector is expected to slow in 2001 and 2002 after growing by 4.5 percent per year for the past 3 years. The drop will come from the cyclical components of the service sector, which include business services and legal services.



PROFITS, SECURITIES EMPLOYMENT AND FIRE WAGES

The slowdown in the U.S., coupled with a stock market correction, leads to a sharp decline in NYSE member-firm profits in 2001, a decline of FIRE sector wages and a cutback in securities employment.

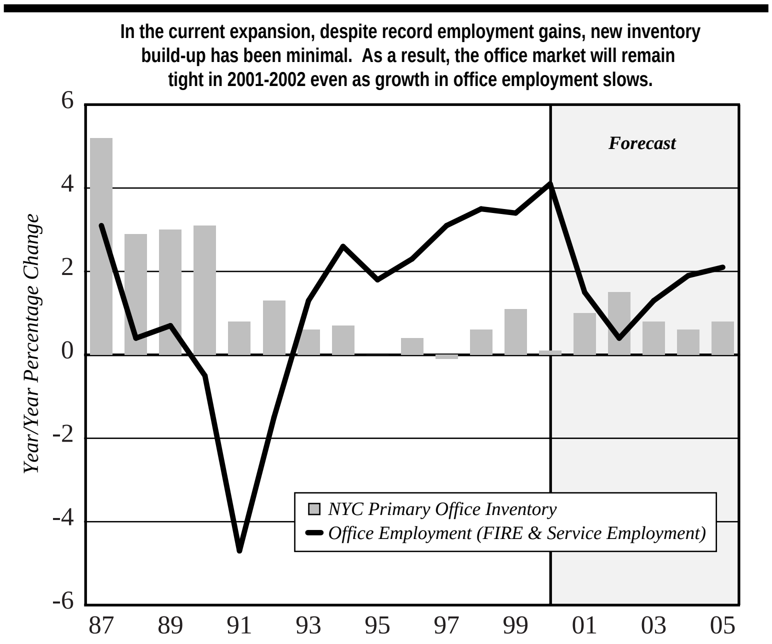


In 2003-2005 job growth picks up, though at a moderate rate. The service sector increases by an average of 34,000 jobs per year. Trade is forecast to grow just over 5,000 jobs per year while TCPU and construction add 2,000 and 5,000 jobs per year, respectively. By 2004, FIRE is expected to resume growth of about 5,000 jobs per year. The losses in manufacturing will subside somewhat to about 5,000 jobs lost per year, leaving only a select base of manufacturing jobs in the the City. In summary, private sector employment grows approximately 42,000 jobs per year in 2003-2005, with government employment practically unchanged.

The impact on the City's economy of the slowdown in employment in 2001-2002 will be accentuated by a decline in wages in the lucrative FIRE sector. Revenues on Wall Street are forecast to decline in 2001 as the battered stock market has signalled an end to the lucrative dot-com IPO market and trading commissions, which have so far held up in the first months of 2001, are also expected to slow. With New York Stock Exchange member-firm profits expected to fall from a record $21 billion in 2000 to $5.5 billion in 2001, normal year-end bonus payouts are forecast to drop more than 50 percent. Eventually, however, job cuts and lower interest rates should help firms reduce costs and as a result, profits should begin to rebound in 2002, rising to a respectable $10 billion, and holding essentially steady in the outyears.

Since the FIRE sector accounts for over 30 percent of the earnings in the City (despite accounting for only 13 percent of the employment), the drop in bonuses and the associated spending will have a ripple effect on the other sectors as well. Overall wage income, which grew by 11 percent in 2000, will slow to 2½ percent growth in 2001-2002. The anticipated recovery in Wall Street profits in 2002 will boost year-end bonuses, pushing wage income growth up to almost 5½ percent per year in 2003-2005. Outside of the FIRE sector, private sector wage income which grew by 10 percent in 2000, will increase by 5½ percent per year through 2005. With inflation expected to remain tame in the 2½-3 percent range, real wage rates grow at 1-1½ percent.

INVENTORY AND OFFICE EMPLOYMENT



Note: 1995 data are adjusted for a reclassification of office buildings.

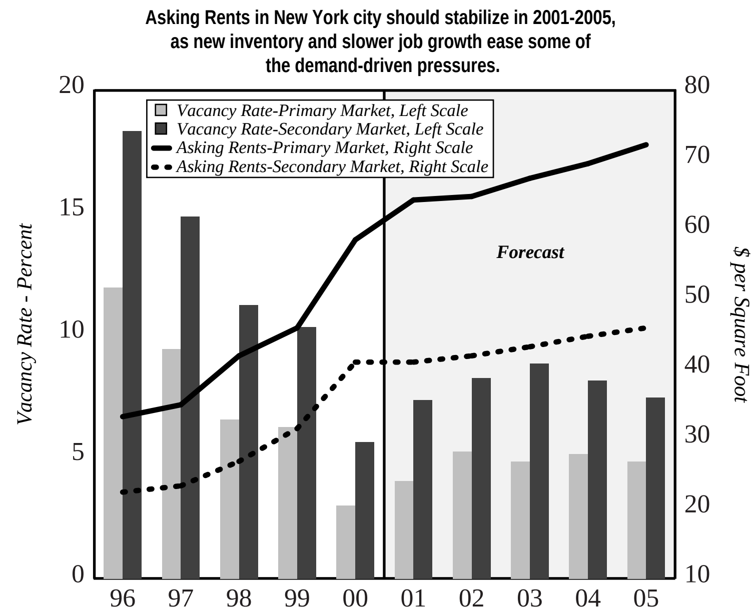
While 2000 was quite spectacular in nearly all aspects of the City's economy, few benefited as much as Manhattan's commercial building owners. As overall vacancy rates fell below 4 percent in the City, landlords in almost every neighborhood were able to raise asking rents nearly 30 percent, an increase of roughly $13 per square foot in the primary market to over $60 per square foot, and a $9 per square foot increase to $40 per square foot in the secondary market[2]. Although the impressive employment growth of the past three years is expected to subside, the City's office market is expected to hold up well, unlike the downturn of the early 1990s. First, the forecast slowdown in employment is minor compared to the massive losses the City suffered in 1990-1993. Second, in contrast to the 1980s when over 40 million square feet of office inventory was added in the City, creating a severe over-supply, developers have been very cautious about building in this latest boom. In fact, since 1995 only 3 million

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

square feet have been added and there are only around 8 million square feet of pre-leased inventory in the pipeline, with an expected delivery by 2003.

Vacancy rates in the primary market, consequently, are expected to rise only slightly in 2001 and 2002 before stabilizing in 2003-2005 at around 5 percent. Asking rents also level off, with some landlords in the tonier buildings perhaps offering minor concessions like free rent for some months or construction cost incentives as demand tapers off slightly. In the secondary market, because of a higher concentration of the high-tech companies which have already begun to give back a substantial amount of space, vacancy rates will climb to over 7 percent in 2001 and over 8 percent by 2002. Rents are expected to fall back slightly in 2001 and then resume average growth of 3 percent per year in 2002-2005. The run-up in the secondary market, where in some cases rents for new spaces in up-and-coming office markets like Chelsea and Hudson Square approached primary asking rents, has ended.

VACANCY RATES AND ASKING RENTS IN THE PRIMARY AND SECONDARY OFFICE MARKET



Despite an overall slowdown in the national economy from an incredible run in 1999-2000, the City is expected to continue to grow, yet at a moderate pace. The lower reliance on the manufacturing sector, a diverse service and financial sector and stable real estate market should enable the City to weather the national slowdown.

Executive Budget 2002
Forecasts of Selected United States and New York City Economic Indicators
Calendar Years 1999-2005

	1999	2000	2001	2002	2003	2004	2005	1970-2000*
NATIONAL ECONOMY								
Real GDP								
Billions of 1996 Dollars	8,876	9,320	9,480	9,783	10,169	10,575	10,973	
Percent Change	4.2	5.0	1.7	3.2	3.9	4.0	3.8	3.2
Non-Agricultural Employment								
Millions of Jobs	128.8	131.4	132.3	133.2	135.3	137.5	139.7	
Change from Previous Year	2.9	2.6	0.9	0.8	2.1	2.1	2.2	
Percent Change	2.3	2.1	0.7	0.6	1.6	1.6	1.6	2.1
Consumer Price Index								
All Urban (1982-84=100)	166.7	172.3	176.8	181.3	185.8	190.4	195.1	
Percent Change	2.2	3.4	2.6	2.6	2.5	2.4	2.5	5.1
Wage Rate								
Dollars Per Year	34,713	36,296	37,971	39,592	41,310	42,987	44,696	
Percent Change	4.2	4.6	4.6	4.3	4.3	4.1	4.0	5.3
Personal Income								
Billions of Dollars	7,790	8,283	8,674	9,102	9,639	10,181	10,759	
Percent Change	5.4	6.3	4.7	4.9	5.9	5.6	5.7	7.9
Before-tax Corporate Profits								
Billions of Dollars	823	926	869	927	983	1,032	1,085	
Percent Change	8.5	12.5	-6.1	6.7	5.9	5.0	5.2	8.5
Unemployment Rate								
Percent	4.2	4.0	4.9	5.3	5.1	5.0	4.8	6.3 (avg)
10-Year Treasury Bond Rate								
Percent	5.6	6.0	4.9	5.2	5.6	5.7	5.8	8.2 (avg)
Federal Funds Rate								
Percent	5.0	6.2	4.7	4.6	5.3	5.5	5.5	7.4 (avg)
NEW YORK CITY ECONOMY								
Real Gross City Product**								
Billions of 1996 Dollars	407	448	453	449	475	496	514	
Percent Change	4.1	10.1	1.0	-0.8	5.7	4.4	3.8	3.0
Non-Agricultural Employment								
Thousands of Jobs	3,621	3,721	3,753	3,760	3,792	3,839	3,885	
Change from Previous Year	92.8	99.8	32.0	7.4	31.6	47.0	46.3	
Percent Change	2.6	2.8	0.9	0.2	0.8	1.2	1.2	-0.0
Consumer Price Index								
All Urban NY-NJ Area (1982-84=100)	177.0	182.5	186.9	192.1	197.1	201.1	207.6	
Percent Change	1.9	3.1	2.4	2.8	2.6	2.5	2.8	5.1
Wage Rate								
Dollars Per Year	54,083	58,027	59,723	61,141	64,506	67,397	70,010	
Percent Change	3.7	7.3	2.9	2.4	5.5	4.5	3.9	6.4
Personal Income								
Billions of Dollars	279	303	311	320	338	356	373	
Percent Change	7.5	8.5	2.9	2.7	5.9	5.3	4.8	6.7
NEW YORK CITY REAL ESTATE MARKET								
Manhattan Primary Office Market								
Asking Rental Rate***								
Dollars Per Sq Ft	45.92	58.52	64.19	64.73	67.19	69.32	72.01	
Percent Change	9.7	27.4	9.7	0.8	3.8	3.2	3.9	N.A
Vacancy Rate***								
Percent	6.2	3.0	4.0	5.2	4.9	5.1	4.9	N.A

* *Compound annual growth rates for 1970-2000. Compound growth rate for Real Gross City Product covers the period 1978-99; for NYC wage rate, 1975-1999; for NYC personal income, 1970-1998.*
** *GCP estimated by OMB.*
*** *Office market data are based on statistics published by Cushman & Wakefield.*

TAX REVENUE

Overview

Tax revenue is forecast to increase 4.2 percent in 2001, but declines in 2002 by 2.9 percent.

The robust national recovery and booming financial markets that have marked the latter stages of this national expansion came to an end in calendar year 2001. Nationally, real GDP growth of 5.6 percent in Q1 slipped to 1.0 percent by Q4. Securities industry profits hit a record of $21 billion in 2000, but much of that was on the strength of an unprecedented $8 billion profit quarter seen as the year began; subsequently, profits slipped back to $3 billion by the last quarter of the year. Locally, the New York City economy also began the year on a strong note with employment growth averaging 36,000 jobs a quarter for the first half of the year, but falling to 7,500 jobs a quarter during the second half of the year. A careful analysis of the tax collection information to date suggests that this economic weakening will soon manifest itself in the City's tax collections, although the record bonuses on Wall Street have, to a great extent, obscured the evidence. In 2001, the personal income tax is forecast to grow 11.1 percent (common rate and base), due to a strong bonus payout, but business tax collections (general corporation tax, unincorporated business tax and bank tax) are expected to rise by only $8 million, reflecting the current weakness in business conditions and the liquidations of overpayments made last year when business tax collections grew 19.0 percent (common rate and base). Sales tax is growing strongly at 7.4 percent (common rate and base) in the City, but outside the City collections have already begun to weaken. Finally, mortgage and transfer tax collections, while holding up reasonably well so far, are still off from peak levels achieved last year, dropping 9.2 percent. In all, non-property taxes are forecast to increase 2.6 percent. Adjusting for the annualization of the clothing exemption, the mid-year reduction in the personal income tax surcharge, the increase to the STAR program personal income tax reduction and an increase in Transitional Finance Authority (TFA) retention, results in a common rate and base growth in non-property taxes of 6.3 percent.

2001 and 2002 Tax Revenue Forecast
($ Millions)

Tax	2001 Forecast	2002 Executive Budget	Increase/(Decrease) From 2001 to 2002 Amount	Growth
Real Property	$8,136	$8,643	$507	6.2%
Commercial Rent	355	364	9	2.5
Mortgage Recording	366	325	(41)	(11.2)
Real Property Transfer	439	404	(35)	(8.0)
Personal Income†	5,398	4,766	(632)	(11.7)
General Corporation	1,806	1,490	(316)	(17.5)
Banking Corporation	357	359	2	0.6
Unincorporated Business	776	778	2	0.3
Sales and Use	3,651	3,710	59	1.6
Utility	260	258	(2)	(0.8)
All Other	749	761	12	1.6
Subtotal	$22,293	$21,858	($435)	(2.0)
STAR Aid	504	670	166	n.a.
Tax Audit Revenue	399	487	88	22.1
Tax Reduction Program	0	(494)	(494)	n.a.
Total	**$23,196**	**$22,521**	**($675)**	**(2.9%)**

† *Excludes revenue for TFA debt service of $427.1 million in 2001 and $502.6 million in 2002.*

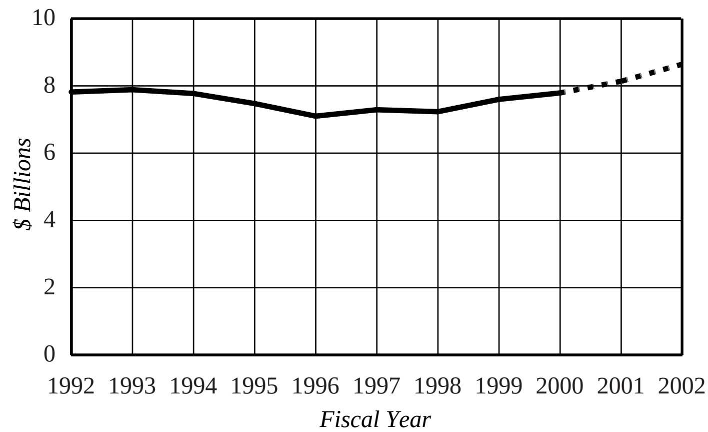
* *The April 4, 2001 report, "Tax Revenue Forecasting Documentation" discusses the tax forecasting techniques used in this Executive Budget.*

Property tax collections are forecast to grow 4.4 percent in 2001 after an increase of 2.5 percent in 2000. The levy in 2001 is up 4.2 percent, compared to 3.4 percent growth last year and accounts for most of the increase in property tax collections seen this year, or $356 million. Also boosting collections in 2001 is an increase in lien sale proceeds of $122 million. Part of these increases were offset by increases in tax expenditures, particularly the STAR program which increased $30 million, and an increase in refunds of $26 million.

The non-property taxes are forecast to decline 6.7 percent in 2002 due to the economic weakness forecast for the year, an increase in TFA retention of $75 million and the annualization of tax reductions initiated in prior years. The full-year impact of the January 2001 reduction in the personal income tax surcharge reduces revenue by $91 million, while the annualization of the final phase of the STAR program reduces personal income tax revenue by $145 million. On a common rate and base, the non-property taxes are forecast to drop 4.3 percent. The forecast drop in securities industry profits from $21 billion in calendar year 2000 to $5.5 billion in 2001, together with a 6.1 percent drop in corporate profits nationally, reduces business tax revenue by $312 million from the 2001 level. A drop of 1.7 percent in wage income for fiscal year 2002, a result of the reduction in Wall Street bonuses accompanying the severe drop in profits, reduces personal income tax withholding by $84 million, while a 28 percent decline in capital gains realizations, based on the recent declines in stock values, reduces revenue by $280 million. Finally, with reductions in securities industry profits leading to cutbacks in securities bonus payouts, sales tax growth drops to a below trend rate of 1.9 percent (common rate and base), while the real property transfer tax and mortgage recording taxes decline 8.0 percent and 11.2 percent, respectively. Despite the fall-off in non-property tax growth, real property tax growth, based on one of the strongest assessment rolls in years, rises by 6.2 percent, reducing the drop in tax revenue (before audits, STAR aid and the tax reduction program) to 2.0 percent.

REAL PROPERTY TAX

REAL PROPERTY TAX 1992-2002



The real property tax is projected to account for 38.3 percent of tax revenue in 2002, or $8,643 million.

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

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

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

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

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

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

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

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

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

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

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

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

As originally enacted, S.7000A required that the class shares for the 1981 roll be certified as base proportions. These base proportions were to be modified periodically by ORPS for relative changes in market

Discretionary Adjustments [1] and Class Shares

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

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

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

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

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

Since 1992, class shares have been adjusted annually for relative changes in market value (subject to a "cap" of five percent over the prior year's share) in addition to physical change. The resulting shares are called adjusted base proportions. In 1993 and 1995-2001, State legislation lowered the five percent cap.

Components of the Tax Levy: The 2000 real property tax is the primary source of revenue for the General Debt Service Fund. Under the State Constitution, the City's ability to levy a real property tax for the payment of principal and interest on the City's long-term debt is unlimited. There is a limit, however, on the amount of real property tax that can be raised for operating purposes. This operating limit is equal to 2.5 percent of the average full value of taxable real estate for the current and prior four years, less payments for City short-term debt and business improvement district levies. In addition, total debt outstanding including business improvement district debt may not exceed 10 percent of the five-year average full value. ORPS estimates the full value as of January 1 for each of the five years of the average. The 1999 market value survey, which reflected the second year increase in real estate market values since 1989, was incorporated into the calculation of 2001's operating limit.

Real Property Tax Operating Limit

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

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

Tax Rates: From 1983 through 1992, with the tax levy increasing at a rate in excess of the growth in billable assessed value, the average tax rate rose from $9.120 to $10.591. In 1992, there was a significant shift in class shares as a result of the introduction of the market value adjustment mechanism. Class 1, 2 and 4's tax rates increased significantly while Class 3's rate declined, reflecting a sizeable drop in its share. Although there was a commitment to freeze the average tax rate at $10.591 per $100 of assessed value after 1992, class tax rates continued to change due to the market value adjustment. Class 3's rate declined considerably in 1994, mainly as a result of a change in the assessment percentage which caused the class's billable assessed value to increase dramatically while the Class 3 share decreased proportionally less. The increase in billable assessed value which did not reflect market value change did not yield additional tax levy, and as a result the "freeze" tax rate of $10.591 fell to $10.366. In 1998, the 2.50 percent cap further limited the effect of the market value adjustment on the share of the levy attributable to Class 1 and 3. Consequently, Class 1's tax rate, which would have exceeded $11 per $100 of assessed value under a five percent cap, increased only to $10.849. Class 3's tax rate increased to $8.282. The tax rates for Class 2 and 4 fell slightly, to $11.046 and $10.164, respectively. In 1999, the 2.50 percent cap limited the Class 1 rate increase to only $0.11. The Class 2 rate declined $0.31 and was unaffected by the 2.5 percent cap. Class 4 ended up with a $0.07 rate increase as a result of shifted tax burden from Class 1 and Class 3. In 2000, the lower cap limited the rate increases for Class 1 and 3 to $0.21 and $0.60, respectively. The Class 2 tax rate was unaffected by the cap and rose by $0.11. Class 4's potential rate drop was restricted under the lower cap which limited the decrease to $0.25. In 2001, the lower cap limited the rate increases to Class 1 and 3 to $0.09 and $1.14, respectively. The Class 2 tax rate was unaffected by the cap and dropped by $0.004 while Class 4's rate changes were restricted under the lower cap, and the class saw a rate decrease of $0.22.

Class Tax Rates*

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

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

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

Real Property Tax Collections and Delinquency
($ Millions)

Fiscal Year	Tax Levy [1]	Tax Collection on Current Year Levy [2]	Tax Collection as a Percentage of Tax Levy	Prior Year (Delinquent Tax) Collections	Refunds	Cancellations, Net Credits, Abatements, Exempt Property Restored and Shelter Rent	Delinquent as of end of Fiscal Year [3]	Delinquency as a Percentage of Receivable/ Tax Levy	Lien Sale [4]
1989	$6,233.0	$5,913.4	94.9%	$108.4	($78.9)	($166.7)	($152.7)	2.45%	—
1990	6,872.4	6,507.1	94.7	109.6	(74.1)	(135.0)	(230.2)	3.35	—
1991[5]	7,681.3	7,199.2	93.7	149.7	(62.7)	(166.4)	(315.7)	4.11	—
1992	8,318.8	7,748.4	93.1	193.7	(124.3)	(200.2)	(370.2)	4.45	—
1993	8,392.5	7,766.1	92.5	227.7	(107.2)	(215.2)	(411.2)	4.90	—
1994	8,113.2	7,520.3	92.7	223.1	(199.1)	(189.5)	(403.4)	4.97	$200.6
1995	7,889.8	7,377.4	93.5	210.8	(164.2)	(130.8)	(381.6)	4.84	223.1
1996	7,871.4	7,306.9	92.8	240.6	(399.7)	(275.5)	(289.1)	3.67	169.1
1997	7,835.1	7,371.3	94.1	146.8	(271.4)	(179.4)	(284.4)	3.63	43.9
1998	7,890.4	7,414.2	94.0	148.2	(345.1)	(199.1)	(277.1)	3.51	21.7
1999	8,099.3	7,519.0	92.8	127.7	(167.2)	(304.1)	(276.2)	3.41	119.1
2000	8,374.3	7,768.1	92.8	149.2	(189.4)	(345.7)	(260.5)	3.11	62.2
2001[6]	8,730.3	8,030.0	92.0	137.0	(215.0)	(429.7)	(270.6)	3.10	184.3

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

Reserve for Uncollectible Taxes: The property tax levy, approved by the City Council each year, includes a reserve for uncollectible taxes. Uncollectible taxes fall into three general categories: delinquency, cancellations of tax liability due to reductions in assessed value and tax expenditures for a number of housing and economic development programs. The improvement in delinquency rates since 1996 is partly due to the sale of real property tax liens, which prompted delinquent taxpayers to settle their arrears. Current and prior year tax liens of $206 million in 1996, $100 million in 1997, $79 million in 1998, $145 million in 1999 and $232 million in 2000 have been sold. Remissions in assessed value, granted by the City Tax Commission during the summer hearings after the final assessment roll is produced, are reflected in the reserve for cancellations. These actions represent most of the value of cancellations, which also include reductions resulting from court decisions and Law Department settlements.

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

Real property tax exemptions and abatements, which totaled $1,636 million in 2000, can be grouped into three general categories: economic development, residential and other, which includes utility exemptions. Economic development exemptions are granted under the City's Industrial and Commercial Incentive Program (ICIP), the Commercial Revitalization Program and by City and State development corporations. The New York City Housing Authority is the single largest source of residential exemptions. The remainder of residential tax relief is provided by a variety of legislatively mandated exemption and abatement programs. The other exemptions are for certain utility properties, public authority properties and special incentives. The Commercial Revitalization Program provides substantial tax relief and is aimed at spurring economic activity by encouraging the conversion and/or renovation of obsolete commercial buildings. DOF, which administers many of the City's taxes and maintains records on these expenditures, has aided in the estimation of their value (see the table following titled: "Estimated Value of Real Property Tax Exemptions and Abatements").

The reserve for refunds covers reimbursement to taxpayers who have overpaid their tax liabilities, or whose liabilities were reduced after payment was made. The level of refunds which had risen dramatically in the mid-90s, reaching a peak of $400 million in 1996, has decreased to $215 million in 2001, as a result of reductions in *certiorari* settlements.

Property Tax Revenue
($ Millions)

	1996	1997	1998	1999	2000	2001*f*	*2002f*
Levy	$7,871.4	$7,835.1	$7,890.4	$8,099.3	$8,374.3	$8,730.3	$9285.0
Current Year Reserve*	(640.7)	(463.8)	(476.0)	(580.1)	(606.2)	(700.3)	(600.0)
Prior Year Collections	100.3	146.8	148.2	127.7	149.2	137.0	128.0
Refunds	(399.7)	(271.4)	(345.1)	(167.2)	(189.4)	(215.0)	(220.0)
Sub-Total	$6,931.3	$7,246.7	$7,217.5	$7,479.7	$7,727.9	$7,952.0	$8,593.0
Receivables/ Lien Sale Proceeds **	169.1	43.9	21.7	119.1	62.2	184.3	50.0
Total	**$7,100.4**	**$7,290.6**	**$7,239.2**	**$7,598.8**	**$7,790.1**	**$8,136.3**	**$8,643.0**

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

Forecast: The real property tax revenue forecast for 2001 is $8,136 million, a $44 million increase from the Financial Plan level. The increase resulted primarily from a reduction in the refund forecast of $15 million and an increase to the prior year delinquent tax collections amounting to $10 million, offset by $1 million increase in reserve for uncollectibles. Further, the City expects to receive an additional $20 million in proceeds from a larger pool of tax liens sold in its regular Spring tax lien sale.

The 2002 property tax revenue forecast is based on the tentative roll which was published on January 12, 2001. Total billable assessed value on the tentative roll increased by $6.4 billion to $90.7 billion, growth of 7.5 percent. The strength in total billable assessed value reflects market value growth of 11.4 percent, which was strong for all classes. Class 1 properties showed a market value increase of 13.7 percent while Class 2 increased by 10.8 percent. The market value growth for both Class 1 and Class 2 properties in Manhattan registered the highest growth, at 15.5 percent and 13.8 percent, respectively. Class 3 properties registered market value growth of 1.3 percent while Class 4 market value increased by 9.6 percent over last year. Class 4 growth was fueled by a 10.7 percent market value growth in Manhattan primary office buildings in addition to secondary office buildings growth of 16.6 percent. This reflects existing strong demand for office space with no significant increase in supply. The final roll, to be released in May, is estimated to be about $1.0 billion

Estimated Value of Real Property Tax Exemptions and Abatements 1993-2000
($ Millions)

	1993	1994	1995	1996	1997	1998	1999	2000
Economic Development Exemptions								
I.C.I.B/I.C.I.P.	$147.1	$119.7	$107.1	$105.7	$99.3	$111.9	$132.5	$177.7
Battery Park City Authority*	127.8	124.5	113.7	94.2	87.2	81.6	79.5	79.8
Industrial Development Agency*	37.7	37.3	52.6	48.5	47.2	47.8	61.5	66.0
Urban Development Corp.	79.8	77.9	78.3	77.0	76.9	80.0	84.5	107.6
Economic Development Corp.*	18.5	2.8	4.3	3.7	3.4	4.1	7.4	3.9
World Trade Center*	100.2	95.8	80.7	79.8	64.0	54.7	61.5	59.0
Teleport, Port Authority	1.6	1.2	0.9	2.2	1.1	1.3	1.5	6.7
Madison Square Garden	8.8	9.1	9.0	8.8	8.7	8.6	8.7	8.3
Commercial Revitalization Program	—	—	—	—	1.3	3.6	7.0	14.1
Subtotal	$521.4	$468.3	$446.6	$419.9	$389.1	$393.6	$444.1	$523.1
Residential Exemptions								
Public Housing, Housing Authority*	$294.9	$312.2	$295.2	$281.7	$264.0	$255.3	$241.2	$244.0
Private Housing, Publicly Assisted								
J-51 (exemption)	109.3	88.4	70.8	67.9	59.5	54.6	54.9	60.8
J-51 (abatement)	110.9	112.7	113.8	108.7	105.4	104.6	105.7	99.5
421-a New Multiple Dwelling	171.0	142.2	117.2	103.4	96.5	87.9	78.9	111.3
421-b New Private Housing	13.3	12.0	10.9	10.3	9.9	9.5	9.8	11.7
Other**	247.9	242.0	287.4	270.3	257.7	252.1	234.2	236.6
Senior Citizen Homeowner Exemption	12.0	13.8	15.1	17.2	18.2	19.8	21.1	26.7
Senior Citizen Rent Increase Exemption (abatement)	60.2	60.7	59.8	91.9	54.1	61.0	62.5	63.5
Division of Alternative Management Programs	2.2	3.1	3.9	3.7	4.0	4.3	4.6	5.8
Veteran Exemption	12.6	9.8	10.1	9.1	10.0	11.0	16.1	18.5
Co-op/Condo Abatement	—	—	—	—	9.0	91.8	152.7	170.2
Subtotal	$1,034.3	$996.9	$984.2	$964.2	$888.3	$951.9	$981.7	$1,048.6
Other Exemptions								
NY Power Authority	$50.9	$30.8	$31.8	$34.5	$35.5	$38.5	$41.3	$49.4
Jamaica Water Supply	6.2	6.6	6.8	7.2	7.4	7.8	8.2	9.5
Trust for Cultural Resources	3.6	5.0	5.1	4.8	4.8	5.7	5.7	5.8
Subtotal	$60.7	$42.4	$43.7	$46.5	$47.7	$52.0	$55.2	$64.7
TOTAL	**$1,616.5**	**$1,507.6**	**$1,474.5**	**$1,430.6**	**$1,325.1**	**$1,397.5**	**$1,481.0**	**$1,636.4**

Source: Department of Finance

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

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

lower than the tentative roll level as a result of Tax Commission actions, DOF changes by notice and the completion of exemption processing. The 2002 levy is expected to increase by $555 million over 2001 to $9,285, an increase of 6.4 percent. The estimate for the 2002 levy maintains the 2001 average tax rate of $10.366.

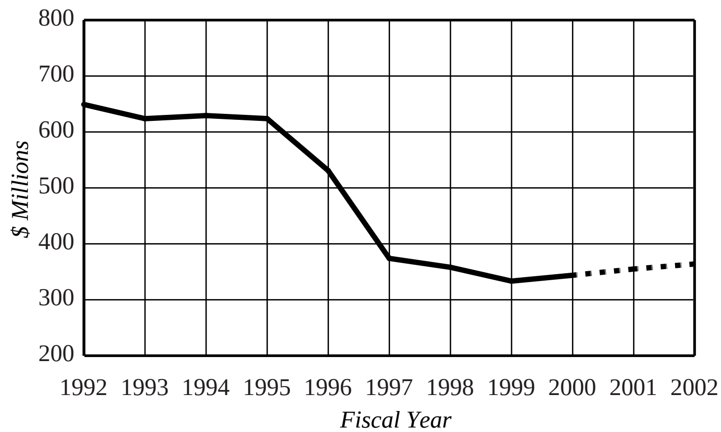
In 2002, revenue from the property tax is forecast at $8,643 million, an increase of $53 million from the financial plan level and 6.2 percent growth over the prior year. The increase in the 2002 forecast reflects a $25 million increase in the levy, an increase in the net lien sale proceeds of $13 million, an increase in prior year delinquency collections of $5 million and a reduction in the refunds forecast of $10 million. The value of STAR exemptions is forecast to increase from $89 million to $110 million.

COMMERCIAL RENT TAX

The commercial rent tax is projected to account for 1.6 percent of tax revenue in 2002, or $364 million.

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 $150,000 per year do not pay tax; those whose base rents are in excess of $150,000 but less than $190,000 receive a sliding-scale credit.

COMMERCIAL RENT TAX 1992-2002



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

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

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

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

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

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

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

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

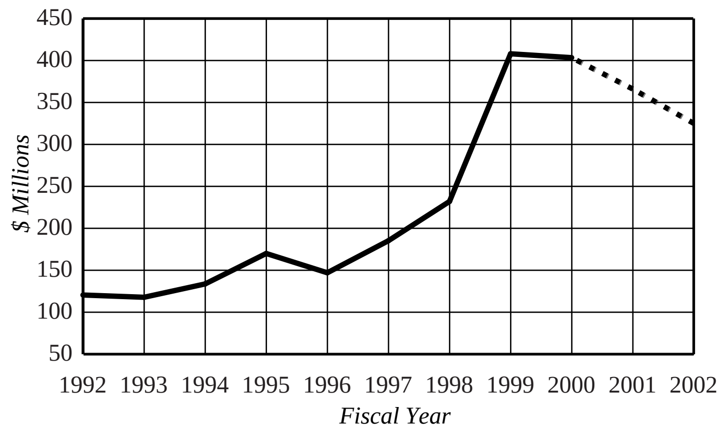
Forecast: The 2001 commercial rent tax revenue forecast has been decreased $8 million to $355 million, growth of 3.2 percent over 2000. The 2002 commercial rent tax revenue forecast has been decreased $18 million to $364 million, growth of 2.5 percent over 2001. These forecast changes result from the part-year and full-year costs of the recently enacted increase in the base rent exemption. Before the impact of this and earlier tax reductions, revenue is forecast to grow 3.2 percent in 2001 and 2.5 percent in 2002 on continued high occupancy and firm asking rents.

MORTGAGE RECORDING TAX

The mortgage recording tax is projected to account for 1.4 percent of tax revenue in 2002, or $325 million.

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

MORTGAGE RECORDING TAX 1992-2002



Mortgage Recording Tax Rates

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

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

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

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

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

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

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

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

Forecast: The mortgage recording tax revenue forecast has been raised $44 million to $366 million in 2001, a decline of 9.3 percent from the near record collections seen in 2000 when residential real estate activity and refinancings peaked during the first quarter of calendar year 2000. As interest rates rose significantly through the year, collections from such activity further slowed. Dramatic reductions in interest rates in calendar year 2001 thus far have led to an increase in refinancings. Despite this, the continuing economic slowdown is expected to keep collections from residential transactions below the high levels seen in 1999 and 2000. Collections are forecast to continue declining through 2002 as the national slowdown is felt locally. Residential activity is forecast to rebound in 2003 through 2005, with growth of 10.0 percent, 4.7 percent, and 5.9 percent, respectively, as economic recovery coupled with low interest rates stimulates demand for residential mortgages.

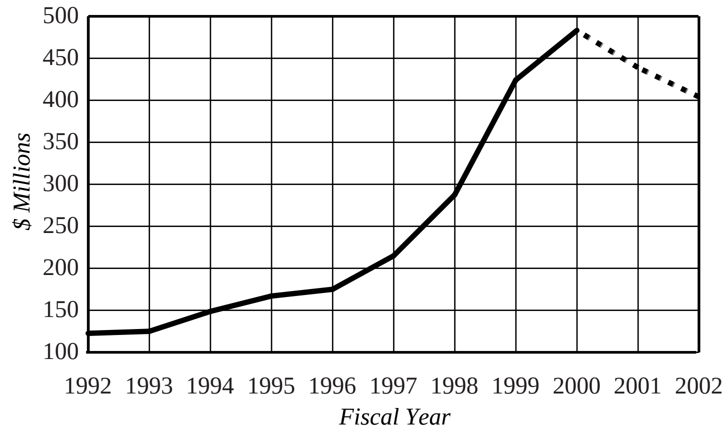
New York City witnessed record high commercial real estate activity in 1999 and 2000. As the commercial market slows in tandem with the national economy, collections from commercial mortgages are forecast to decline 5.3 percent in 2001. Mortgage recording tax receipts in 2002 are expected to decline 16.2 percent to $135 million as investors delay large real estate transactions until the economy resumes growth. Commercial activity is forecast to rebound in 2004, resulting in average growth in commercial mortgage recording tax collections of 5.0 percent through 2005.

REAL PROPERTY TRANSFER TAX

The real property transfer tax is projected to account for 1.8 percent of tax revenue in 2002, or $404 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 one percent of the consideration on these transactions. The State also imposes a real estate transfer tax on deed recordings at a rate of 0.4 percent. Current State and local tax rates on transfers in New York City are presented below.

REAL PROPERTY TRANSFER TAX 1992-2002



Real Property Transfer Tax Rates

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

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

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

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

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

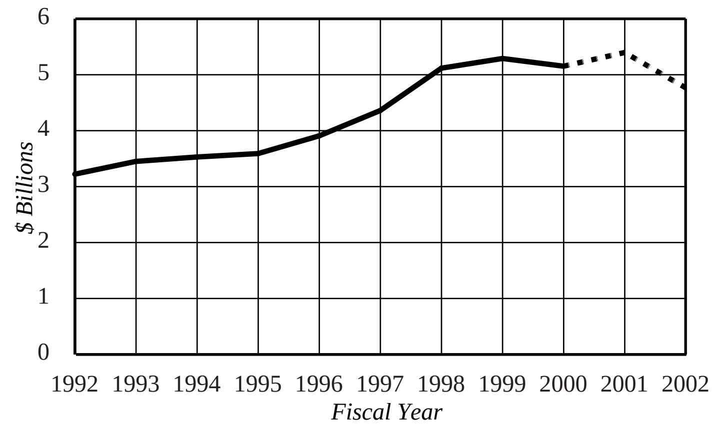
In June of 1994, a State law was passed which provided a temporary 50 percent reduction in the rate of the real property transfer tax for certain transfers to newly organized Real Estate Investment Trusts (REITs). This provision is now permanent. In addition, a 50 percent reduction is applicable to transfers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

Forecast: The real property transfer tax revenue forecast has been raised $22 million to $439 million in 2001, a decline of 9.2 percent over 2000. The decline in collections is mostly attributable to a slowdown in commercial real estate activity. Collections from commercial transactions are forecast to slow to $170 million in 2001, a decline of 18.6 percent from 2000's record highs. This slowdown parallels the national economic slowdown and follows the increases in interest rates beginning in the third quarter of calendar year 1999 through the third quarter of calendar year 2000. Real property transfer tax revenue from residential activity is expected to reach $269 million in 2001, down only 1.8 percent from the record high levels of 2000. Collections from residential activity are expected to fall in 2002 to $246 million, a decline 8.5 percent, and then rebound in 2003 as economic conditions stabilize and improve. Commercial real estate activity is forecast to decline even further in 2002 as businesses scale back their investments in expensive commercial real estate. Both commercial and residential real estate transaction activity is expected to pick up slightly in 2003 as interest rates remain low and the national economy continues to improve.

PERSONAL INCOME TAX

The personal income tax is projected to account for 21.2 percent of tax revenue in 2002, or $4,766 million.

PERSONAL INCOME TAX 1992-2002



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

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

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

2001 Rate Schedule

	Over	But Not Over	Pay	Plus	Of the Amount Over
Rate Schedule for Single Filers	$ 0	$12,000	$ 0	2.73%	$ 0
If net income is:	12,000	25,000	328	3.32	12,000
	25,000	50,000	759	3.37	25,000
	50,000		1,601	3.65	50,000
Rate Schedule for Joint Filers	$ 0	$21,600	$ 0	2.73%	$ 0
If net income is:	21,600	45,000	590	3.32	21,600
	45,000	90,000	1,365	3.37	45,000
	90,000		2,882	3.65	90,000
Rate Schedule for	$ 0	$ 14,400	$ 0	2.73%	$ 0
Head of Household Filers	14,400	30,000	393	3.32	14,400
If net income is:	30,000	60,000	911	3.37	30,000
	60,000		1,922	3.65	60,000

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

New York Dependent or Personal Exemptions and Standard Deductions, 1966-2001

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

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

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

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

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

The most significant changes to the law were large increases in the standard deduction and the introduction of a household credit to replace the low-income exclusion. For a joint filer with two dependents, these changes raised the threshold below which no tax is due from $11,000 in calendar year 1986 to $14,025 in 1987, $15,550 in 1988, and $16,046 in 1989 and 1990. Imposition of the 14 percent increase in 1991 lowered the threshold to $15,484 from 1991 to 1994. The taxable threshold increased again in 1995 to $16,691 and in 1996 to $17,499, as a result of increases in the standard deduction. An increase in the base rates in 1997 lowered the threshold to $15,001 from 1997 to 1998. The taxable threshold grew to $16,164 in 1999 as a result of the STAR program. The taxable threshold grew to $17,831 in 2000, the result of the full-year impact of the STAR program. In 2001, the taxable threshold grew to $19,999, the result of the last year of the STAR tax cut, the cut in the 14 percent surcharge and the increase in the joint filer standard deduction.

Finally, progressivity was also enhanced by placing limitations on the amount of itemized deductions allowable for New York purposes. For single filers with New York adjusted gross income over $100,000 and joint filers with New York adjusted gross income over $200,000, itemized deductions were reduced up to 20 percent in 1988 and up to 50 percent beginning in tax year 1989.

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

State made to the standard deductions. For tax years 1991 through 1994, changes to the State's tax rate schedule, standard deductions and household credit were deferred. Consequently, the City retained the rate schedule in effect in 1990 for tax years 1991 through 1994.

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

Personal Income Tax Increases
($ Millions)

	1997	1998	1999	2000	2001	2002
Components of the 12.5 Percent Surcharge:						
Criminal Justice Account	$ 90	$185	—	—	—	—
General Fund	320	297	368	—	—	—
12.5 Percent Surcharge Total	$410	$482	$368	—	—	—
14 Percent Increase [1]	$486	$566	$585	$560	$552	$456

(1) Reduced to 10.5 percent on average, as of Janaury 1, 2001.

Beginning in tax year 1991, the City imposed a three-year 14 percent income tax increase on City residents, increasing the top rate from 3.91 percent to 4.46 percent through tax year 1998. Low income taxpayers were not exempt from the increase. The increase has been extended four times, in 1993, 1995, 1997 and 1999. Legislation in 1999 extended the increase through tax year 2001.

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

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

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

As part of New York State's budget for fiscal year 1997-98, the State enacted the School Tax Relief program (STAR) to provide education aid and tax relief to localities. In addition to reductions in the property tax, the STAR program reduces City personal income tax liability through both a rate cut and a refundable credit for resident filers. The top marginal rate for residents declines in steps from 4.46 percent in 1998 to 3.65 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 increases to $125 for joint filers and $62.50 for other filers by tax year 2001.

State Sponsored Personal Income Tax Reductions
($ Millions)

	1999	2000	2001	2002	2003	2004	2005
STAR Program:							
Credit	($85)	($131)	($191)	($256)	($256)	($256)	($256)
Rate Cut	—	(69)	(224)	(304)	(351)	(380)	(405)
STAR Program Total	($85)	($200)	($415)	($560)	($607)	($636)	($661)

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

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

On May 17, 1999, the State Legislature passed, and on May 27, 1999 the Governor signed into law a selective repeal of the City's nonresident earnings tax, limiting the nonresident earnings tax to commuters who live outside of New York State, effective July 1, 1999. Recognizing that this selective application of the City nonresident earnings tax posed possible constitutional problems, the legislation provided that if the exemption of State residents from the tax was found unconstitutional, the entire tax would be repealed effective July 1, 1999. After passage, individuals from New Jersey and Connecticut, and the State of Connecticut filed complaints against New York State, arguing that selective imposition of the nonresident earnings tax violated the Privileges and Immunities Clause, the Commerce Clause, and the Equal Protection Clause of the United States Constitution. Additionally, the City filed a complaint against New York State seeking a declaration that the legislation violated the home rule provisions of the New York State Constitution. The New York Supreme

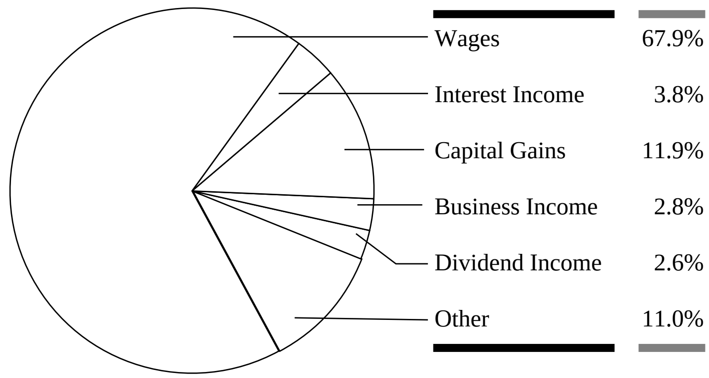
Court and the Appellate Division found that the law violated the Privileges and Immunities Clause and the Commerce Clause of the United States Constitution. The courts also ruled against the City, finding that the law did not violate State constitutional home rule requirements. The decisions were appealed by the State and City to the Court of Appeals, the State's highest court. On April 4, 2000, the Court of Appeals upheld the lower court's decisions. This decision activated the provision in the State's legislation to extend the repeal to out-of-state nonresidents, retroactive to July 1, 1999.

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

Distribution of Liability: A sample of 1998 tax returns reveals that the majority of resident returns were filed by taxpayers with adjusted gross income less than $50,000 (see charts on this page). However, the 24 percent of

COMPONENTS OF INCOME

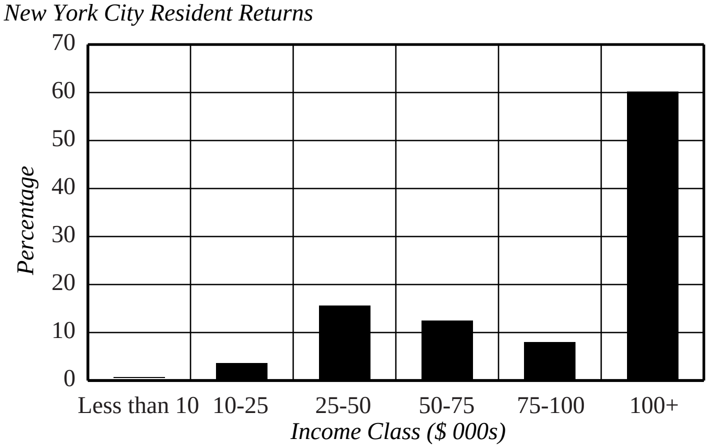
New York City Resident Returns—Tax Year 1998



Source: NYC Department of Finance, Office of Tax Policy

SHARE OF LIABILITY

Tax Year 1998
New York City Resident Returns



Source: NYC Department of Finance, Office of Tax Policy

NUMBER OF FILERS

Tax Year 1998
New York City Resident Returns

Source: NYC Department of Finance, Office of Tax Policy taxpayers with income greater than $50,000 paid 81 percent of the tax. Wage income was 68 percent of total reported income on resident returns. Capital gains realizations and interest income were the second and third largest sources of income, accounting for approximately 12 percent and four percent, respectively, of total reported income. Generally, higher income taxpayers earned most of the nonwage income in the City.

Administration: The New York City personal income tax has been administered by New York State since 1976. All collection information received is from the New York State Department of Taxation and Finance. Daily collection and refund reports are produced by the Accounting Bureau and sent to the City. At the end of the month the City receives a letter from the State Comptroller verifying the final amount of personal income tax revenue by component due to the City for that month. Each month the State charges the City for the administration of the tax. The charge is based on State expenditures for data entry, processing of tax returns and taxpayer services which can be attributed to the City. For 2000 the administrative charge paid by the City was $34 million.

Withholding Tables: Withholding tables are adjusted to reflect changes made to tax rates, standard deductions or the dependent exemption. To implement the New York City Tax Reduction Act of 1987, withholding tables were adjusted in October 1987, October 1988 and October 1989. To implement the temporary surcharge, withholding tables were changed in October 1990 and again in October 1991 to reflect the implementation of the 14 percent increase. Withholding tables were changed in January 1999 to reflect the expiration of the 12.5 percent surcharge and again in July 1999 to reflect a reduction in rates due to implementation of the STAR program. Effective January 1, 2000, the City nonresident withholding tables were changed to reflect a reduction in nonresident rates from 0.45 to 0.25 percent on wages, and from 0.65 to 0.375 percent on net earnings from self-employment. The lower rates applied to out-of-state nonresidents only, as in-state nonresidents were exempt from the nonresident earnings tax from July 1, 1999 on. The nonresident earnings tax repeal did not apply to out-of-state nonresidents until April 4, 2000. Effective January 1, 2001, withholding tables were changed to reflect the reduction of the 14 percent surcharge and the last installment of the STAR program.

Forecast: The personal income tax revenue forecast has been increased $207 million to $5,398 million in 2001. In 2002, the forecast has been reduced by $67 million to $4,766 million. The forecast reflects the effects of the STAR program tax cut, the nonresident earnings tax repeal, and a 25 percent, on average, reduction in the 14 percent surcharge, effective January 1, 2001. Moreover, the forecast reflects reductions in personal income tax collections deposited in the general fund due to the TFA retention of $427 million in 2001 and $503 million in 2002. Adjusted for these reductions, the personal income tax is forecast to grow 11.1 percent in 2001 and to decline 6.1 percent in 2002, after record growth of 22.0 percent in 2000.

The national economic expansion and the concurrent strength of the local economy have fueled robust growth in personal income tax revenue in recent years. Historic City employment gains posted in calendar years 1997 through 2000, and record profitability on Wall Street leading to record bonus payouts, boosted personal income tax withholding. The rising tide of asset appreciation has sent the amount of capital gains realizations soaring, adding strength to estimated payments and final returns. In all, personal income tax collections on a common rate and base grew 15.9 percent on average from 1997 through 2000, and are forecast to grow 11.1 percent in 2001.

Withholding is forecast to grow 13.8 percent on a common rate and base in 2001 based on growth in the average wage of six percent, strong employment gains and a bonus payout on record New York Stock Exchange member-firm profits of $21 billion in calendar year 2000. July through November withholding collections grew 21.8 percent, very high growth for a non-bonus period, while during the December through March bonus period, withholding collections grew 6.3 percent on a common rate and base, a strong showing considering the 35.2 percent growth posted the prior year. During the remaining quarter of the year, withholding is forecast to grow 15.9 percent on a common rate and base.

Installment payments on liability year 2000 grew 17.8 percent on a common rate and base after growth of 27.1 percent in 1999. With nonwage income growth in calendar year 2000 moderate (dividends, interest, and rent increases 6.7 percent), and capital gains realizations expected to be sustained at the very high 1999 level, up an estimated 66 percent from the level of just two years prior, installment payment growth is likely being driven by taxpayers taking advantage of the safe harbor provision governing estimated payments.

Settlement payments (final returns, extensions, State/City offsets, and refunds) on liability year 2000 are forecast to be $42 million lower than liability year 1999 on a common rate and base. The full-year impact of the STAR rate cut and credit increase in tax year 2000 reduces the tax year 2000 settlement. However, the repeal of the nonresident earnings tax raises the settlement in tax year 2001, eliminating refunds normally paid out to nonresident filers.

For 2002, the personal income tax revenue forecast has been reduced $67 million to $4,766 million, a decline of 11.7 percent. This unprecedented reduction in revenue can be explained by both legislated reductions and economic weakness forecast for calendar year 2001. On the statutory side of the ledger, the forecast reflects the full-year impacts of the final STAR program tax cut (a reduction of $145 million from 2001), the annualization of the January 2001 reduction of the 14 percent surcharge ($91 million), and an increased TFA retention of $75 million. The weaker economy also reduces revenue. A reduction in Wall Street bonuses reduces wage income and cuts withholding by $85 million. A 28 percent reduction in capital gains realizations shrinks liability by an additional $281 million.

Withholding growth in 2002 declines 2.1 percent on a common rate and base, tracking the decline in the FIRE wage rate (10.7 percent) in 2002 and the reduction in the FIRE bonus payout ($11.4 billion) on calendar year 2001 profits. Installment payments are forecast to decline 5.3 percent in 2002 on a common rate and base, reflecting a slowdown in nonwage income growth (dividends, interest and rent growth of 0.7 percent) and the decline in capital gains realizations for tax year 2001. The forecast slowdown in total liability is expected to decrease settlement payments by $24 million on a common rate and base in liability year 2001 over 2000.

Personal income tax revenue is forecast to average 7.2 percent growth from 2003 through 2005, as wage and nonwage income sources rebound with the national economy and capital gains realizations recover with stabilized equity markets.

Personal Income Tax Collections By Component
($ Millions)

	1999	2000	2001f	2002f
Withholding	$3,936	$4,046	$4,219	$3,990
Estimated Payments [1]	1,195	1,296	1,356	1,233
Final Returns	438	474	420	250
Other [2]	402	267 [3]	356 [3]	255
Gross Collections	$5,971	$6,083	$6,351	$5,728
Refunds	(534)	(683)	(526)	(459)
Net Collections	$5,437	$5,400	$5,825	$5,269
Less TFA Retention	(144)	(247)	(427)	(503)
Total	$5,293	$5,153	$5,398	$4,766

(1) Includes extension payments.

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

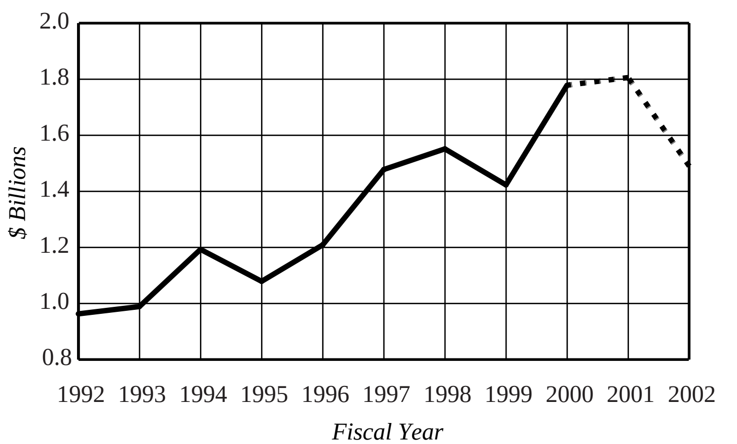
(3) In 2000, gross collections are reduced by a liability accrual of $114 million from 2001 for the commuter taxes withheld from New York State nonresidents for the period July 1, 1999 through April 2000. 2001 is likewise increased.

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

GENERAL CORPORATION TAX

The general corporation tax is projected to account for 6.6 percent of tax revenue in 2002, or $1,490 million.

GENERAL CORPORATION TAX 1992-2002



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

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

The starting point for determining the net income base, 78 percent of corporate liability in tax year 1997, is Federal taxable income, which must be modified to account for differences between New York City and Federal treatment of various items, including depreciation, tax-exempt interest and net operating loss deductions. This modified income must be divided between business income and investment income, and then allocated between income derived from New York City activities and income derived from activities outside of the City. Business income is defined as the firm's entire net income less its investment income (dividends and interest from nonsubsidiary operations). Investment income is allocated according to the amount of capital employed in New York City by the issuing corporation. The allocation formula used by most firms for business income is the average of the following ratios: (1) New York City tangible property to total property; (2) New York City receipts to total receipts; and (3) New York City payroll to total payroll. Manufacturing firms are allowed to "double weight" the receipts factor for tax years beginning on or after July 1, 1996. Slightly over half of the general corporation tax paid on the net income basis is from firms which allocate business income because they have operations both inside and outside of New York City.

The income–plus–compensation base accounted for approximately 15 percent of corporate tax liability in tax year 1997. The purpose of this alternative base is to tax firms which may lower their taxable income by disguising dividends (which are not deductible) as salaries and other forms of compensation (which are deductible). The starting point for determining this base is New York City allocated net income, to which must be added back the compensation paid to shareholders owning more than five percent of the corporation's outstanding stock. After a statutory deduction of $40,000, the firm applies the 8.85 percent rate to 30 percent of this base (hence the 2.655 percent effective tax rate).

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

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

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

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

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

In June of 1989, the City's tax law was amended again. This time it was to conform to changes which were made to the Article 9-A tax as part of the State's fiscal year 1989-90 tax program. As part of this legislation, which generally became effective in tax year 1989, the City: (1) increased the flat fee minimum tax from $125 to $300; (2) eliminated net operating loss carrybacks; (3) limited tax benefits for merger and acquisition activity; (4) repealed the transportation tax, moving these taxpayers to the general corporation tax;

(5) amended the provision which allowed taxpayers to exclude from entire net income 50 percent of dividends from nonsubsidiary corporations by disallowing the deduction when the shares of stock are held for less than 45 days; (6) disallowed the option to use the business allocation percentage or the investment allocation percentage based upon whether the taxpayer was predominantly a business corporation or an investment corporation; and (7) clarified the rules for issuer's allocation percentage of a corporate issuer of stock.

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

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

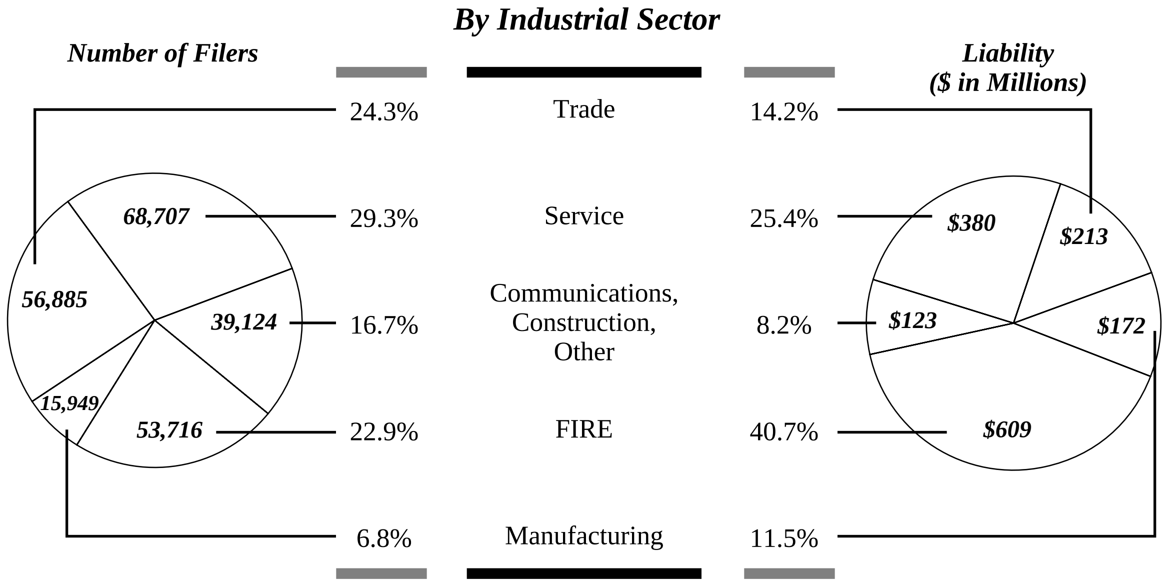
In 1994, New York State enacted legislation which allowed for the formation of a new type of business entity in New York State, a limited liability partnership or company (LLC). LLCs have some of the limited liability aspects of corporations and the tax treatment of partnerships for Federal, State and local tax purposes. LLCs pay a fee to the State, and those conducting business in the City are subject to the City unincorporated business tax. Over time, the number of corporations is expected to decline as new businesses increasingly opt for the LLC business form. The shift of filers from the general corporation tax base to the unincorporated business tax base is forecast to decrease the corporation tax collections by an estimated $122 million in 2002 and $145 million by 2005.

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

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

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

GENERAL CORPORATION TAX *(Tax Year 1997)*



Source: NYC Department of Finance, Office of Tax Policy

Industrial Mix of General Corporation Tax Revenue: The importance of the finance, insurance and real estate sector (FIRE) and the service sector (business, medical, advertising and amusement industries) to the New York City economy is clear. Together these two sectors account for approximately 66 percent of corporate tax liability and 52 percent of all filers. The trade sector accounts for almost 14 percent of liability and 24 percent of filers while the manufacturing sector represents 12 percent of liability and seven percent of filers. The remaining eight percent of liability is generated by communications, construction and other firms who make up 17 percent of corporate filers.

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

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

Forecast: The 2001 general corporation tax forecast has been raised by $83 million to $1,806 million, growth of 1.5 percent over the prior year. The forecast for 2002 has been reduced by $28 million to $1,490 million, a decline of 17.5 percent from the 2001 level.

The 2001 and 2002 forecasts include reductions of $118 million and $122 million, respectively, relating to the effects of the limited liability company (LLC) business form which is expected to reduce the number of corporate filers, as well as reductions of $127 million and $130 million in 2001 and 2002, respectively, relating to the business tax reform measures passed in 1996. On a common rate and base, general corporation tax revenue is forecast to increase 4.3 percent in 2001 and decrease 14.9 percent in 2002.

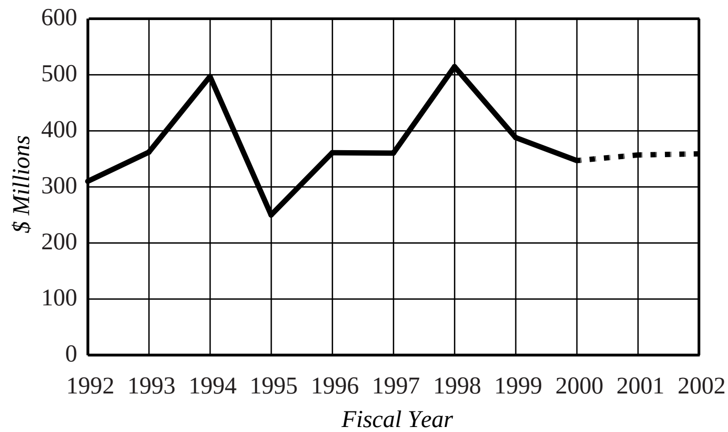
Through March, general corporation tax collections have increased 7.6 percent from the prior year period. Growth in current collections reflects the strength of the national and local economy for most of calendar year 2000. The securities industry had another record year of earnings, with New York Stock Exchange (NYSE) member-firm pretax profits totaling $21 billion for the full year. General corporation tax liability in the FIRE sector is estimated to have increased by over 20 percent in calendar year 2000. The lion's share of the profits occurred in the first half of the year, however. As the year progressed, uncertainty about the prospects for continued economic expansion, and hence future earnings started to unravel the long bull market. Equity indices started to slump, the boom in underwriting ground to a halt and investment banking and trading revenues started to decline sharply. The profitability slowdown has recently been reflected in tax payments with the December and March payments down 1.5 percent and 1.1 percent, respectively, after growth in June and September of 20.9 percent and 30.4 percent, respectively. Profit growth in the non-FIRE sector of the City's economy was also strong in calendar year 2000 with corporate tax liability in this sector estimated to have increased by 9.5 percent. National before-tax corporate profits increased 12.5 percent, real gross city product is estimated to have grown by 10.1 percent and a total of 95,000 private non-FIRE jobs were added in calendar year 2000.

In 2002, general corporation tax revenue is forecast to decline 17.5 percent, reflecting profitability declines brought about by the financial market correction and the national economic slowdown. The pronounced drop in NYSE member-firm profits forecast in calendar year 2001 is estimated to reduce FIRE sector corporate liability by $363 million from the prior year level. The decline of 6.2 percent in national corporate profits is forecast to reduce non-FIRE corporate tax liability by 1.8 percent in calendar year 2001. These liability revisions reduce forecast corporate tax payments in fiscal year 2002 over $200 million from the prior year. Modest growth is projected for both the securities industry and national before-tax corporate profits from calendar year 2002 through 2005, leading to 4.9 percent growth, on average (common rate and base), in the outyears of the plan.

BANKING CORPORATION TAX

The banking corporation tax is projected to account for 1.6 percent of tax revenue in 2002, or $359 million.

BANKING CORPORATION TAX 1992-2002



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The recent economic slowdown as well as the continuing volatility in equity markets will have a negative impact on bank earnings, even though interest rate cuts in 2001 are already boosting lending activity, particularly consumer lending. Because of the decline in quality of some commercial loans in calendar year 2000 and the current negative economic sentiment, commercial lending is not expected to rebound quickly this year. Non-interest revenues from fees and capital markets activities are also expected to be depressed.

Forecast: The 2001 banking corporation tax forecast has been lowered by $31 million to $357 million, an increase of 2.9 percent from the prior year. The 2002 forecast is unchanged from Financial Plan at $359 million, an increase of 0.6 percent from 2001.

Through March, banking corporation tax collections have increased by 17.3 percent from the prior year period. Most of the growth in collections is due to large commercial banks whose payments have rebounded from the prior year period. Although most of these banks were highly profitable in calendar year 1999 and the first half of calendar year 2000, their quarterly payments had been suppressed by overpayments and credits from prior years. Collections for the remainder of the year are forecast to decline over the prior year with the first estimated payment for tax year 2001 (paid in June) reflecting a difficult environment on Wall Street during the first half of the tax year.

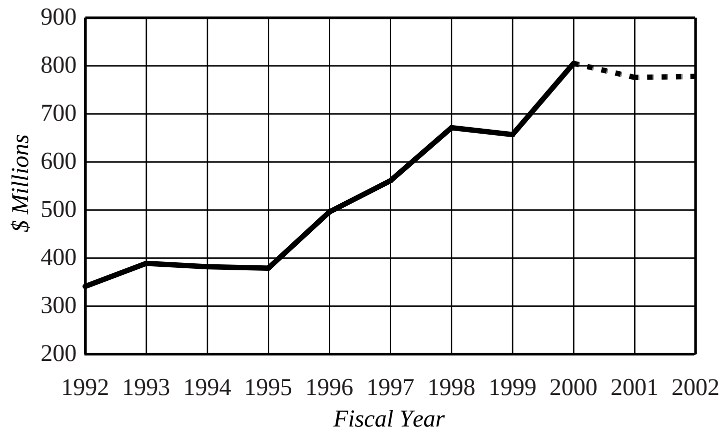
Growth in net revenue would be significantly improved in 2001, but for year-to-date refunds which have increased 95 percent over the prior year. The higher refunds are a result of overpayments by some banks being taken this year as refunds.

Gross collections are forecast to decline in 2002 as a result of reduced profitability in the banking sector in calendar year 2001. Refunds in 2002 are forecast to remain at the high level seen in 2001. Despite the rebound in collections in the first half of 2001, significant overpayments remain on account. Refunds in 2002 have been increased to account for this. Collections are forecast to increase moderately in the outyears of the plan.

UNINCORPORATED BUSINESS TAX

The unincorporated business tax is projected to account for 3.5 percent of tax revenue in 2002, or $778 million.

UNINCORPORATED BUSINESS TAX 1992-2002



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

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

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

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

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

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

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

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

Also in July 1994, New York State passed legislation allowing the formation of limited liability companies (LLCs). These business entities have the limited liability of corporations, but the organizational flexibility and tax treatment of partnerships. At the Federal level, LLCs are not taxed as separate entities, but partners are taxed on their share of the income. For New York State tax purposes, LLCs pay a $50 per partner fee, with a minimum fee of $350 and a maximum of $10,000. In New York City, LLCs pay the unincorporated business tax. It is expected that businesses will increasingly opt to form LLCs rather than corporations. As a result, a shift of taxpayers is expected from the general corporation tax base to the unincorporated business tax base. Unincorporated business tax revenues are expected to increase by $56 million in 2001 as a result of this shift, rising to $70 million in 2003.

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

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

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

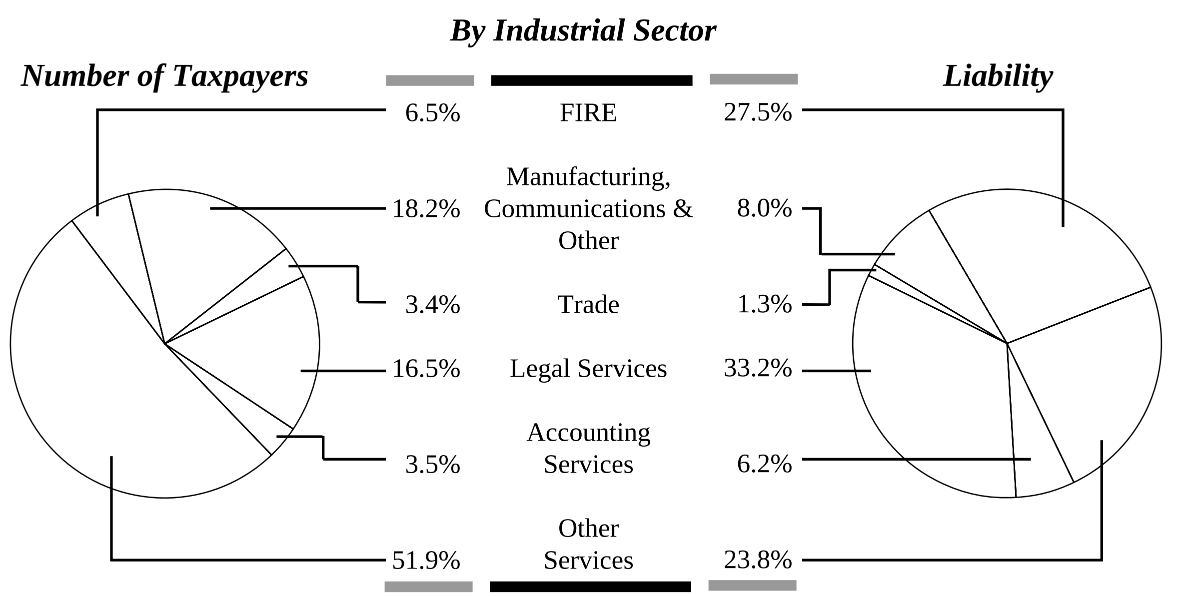
Also in 1996, a number of the tax reform measures passed in July of 1994 were enhanced. The exemptions for other sources of income for "self-trading" entities and for real estate management companies were extended. Provisions were enacted that exempted income from self-trading activities for unincorporated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

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

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

Distribution and Industrial Mix of Filers: In 1997, there were 196,002 partnership and sole proprietorship filers of which 24,097 paid tax. Sole proprietorships comprised 77.7 percent of all taxpayers

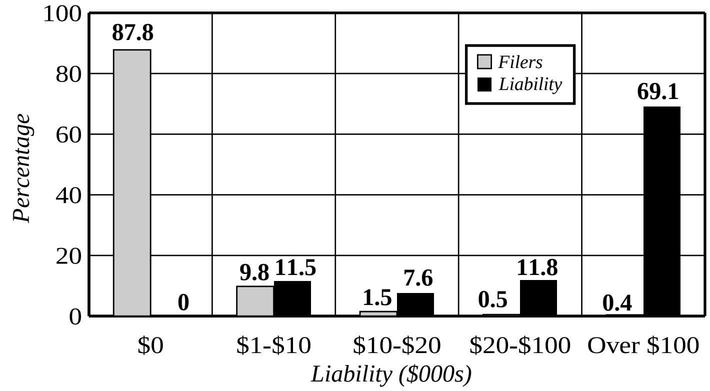
UNINCORPORATED BUSINESS TAX *(Tax Year 1997)*



Source: NYC Department of Finance, Office of Tax Policy but paid only 17.5 percent of total liability. Partnerships accounted for 22.3 percent of all taxpayers and paid 82.5 percent of total liability. Because of the tax credit and exemptions, 87.7 percent of filers in 1997 were exempt from the tax. Proprietorships with net income less than $25,000 (71.2 percent of all filers) paid no unincorporated business tax. The additional exemption for each partner creates higher thresholds for partnerships (16.5 percent of all filers in 1997 were partnerships with no liability). The service sector, made up of the legal, accounting and other subsectors, accounted for 63.2 percent of total unincorporated business tax liability. Legal services and FIRE comprised only 23 percent of taxpayers but incurred 60.8 percent of total liability.

UNINCORPORATED BUSINESS TAX *(TAX YEAR 1997)*

Share of Filers and Share of Liability



Source: NYC Department of Finance, Office of Tax Policy

Forecast: The 2001 unincorporated business tax forecast has been decreased by $33 million to $776 million. This yields a decline in collections of 3.6 percent in 2001. The forecast for 2002 has been decreased by $10 million to $778 million, leaving growth at just 0.3 percent over the prior year.

Unincorporated business tax revenues in recent years have been particularly robust, with average annual growth from 1996 through 1998 reaching 21.2 percent. This unusually high rate of collections growth came in spite of substantial business tax cuts, which returned $50 million to unincorporated business taxpayers in 1998 alone, and stems from the unprecedented strength seen in New York Stock Exchange member-firm profits in recent years. Non-FIRE sector collections have also been robust over the same period due to the unprecedented growth in service sector employment since 1993. In 1999, unincorporated business tax revenues declined 2.2 percent reflecting international financial turmoil in the third quarter of calendar year 1998 which reduced FIRE sector collections. In 2000, unincorporated business tax revenues rebounded 22.6 percent reflecting the robust growth in New York Stock Exchange member-firm profits in tax year 1999 and substantial private sector job gains in 2000, as well as the likelihood of overpayments which are expected to reduce cash payments in 2001.

The 2001 unincorporated business tax forecast is decreased $33 million to $776 million, a decline of 3.6 percent from the prior year. Collections year-to-date through March are up 2.5 percent from the same period in 2000. The forecast decline for the year reflects the expectation that overpayments made in 2000 are reducing cash payments this year. In addition, the first and second installment payments on tax year 2001 to be made in April and June are expected to reflect the equity market correction and the weakened national economy.

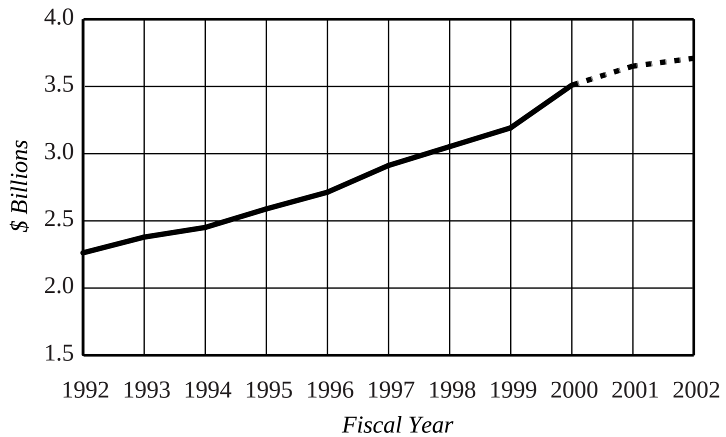
For 2002, the forecast decline in New York Stock Exchange member-firm profits in calendar year 2001 pulls down FIRE sector liability in tax year 2001, suppressing FIRE payments in 2002, while the national economic slowdown restrains payment growth from the non-FIRE unincorporated business taxpayers. In 2003 through 2005 unincorporated business tax revenue is forecast to average 6.9 percent growth, as both New York Stock Exchange member-firm profits and the national economy rebound.

SALES AND USE TAX

The sales and use tax is projected to account for 16.5 percent of total tax revenue in 2002, or $3,710 million.

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

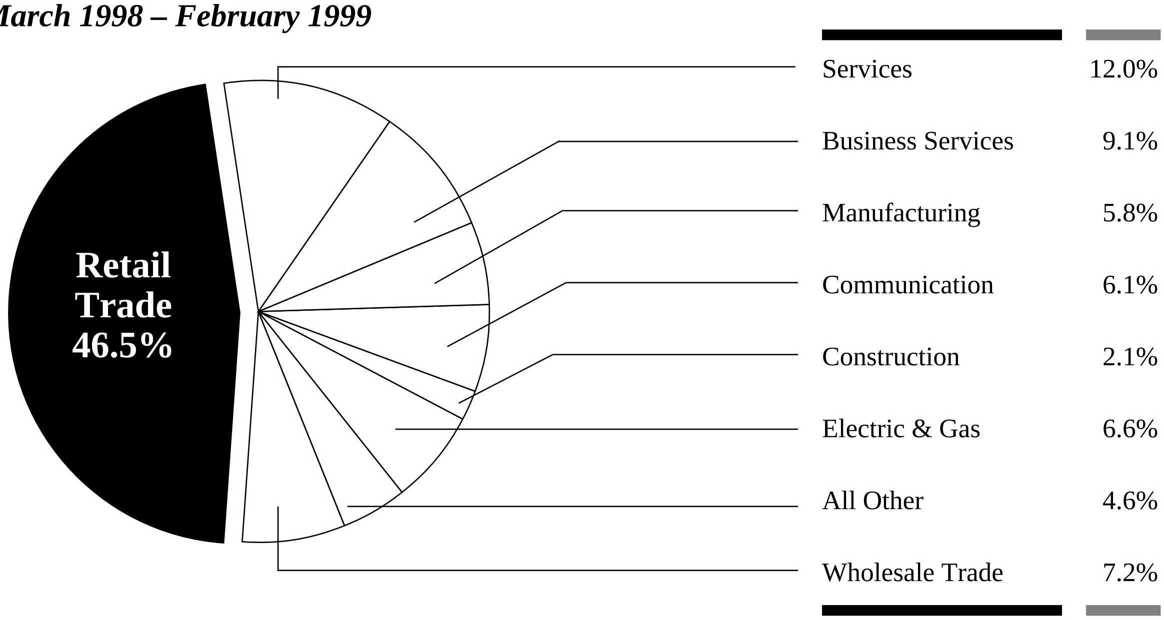
SALES TAX 1992-2002



Retail trade, comprising 46.5 percent of the sales tax base, is the largest expenditure category. Business services and other services combined account for 21.1 percent of the sales tax base. Since 1981 the proportion of business services in the taxable base has increased from 3.7 percent to 9.1 percent, making it the fastest growing component of the base. Various business and utility expenditures make up the remainder of the tax base.

COMPONENTS OF THE SALES TAX BASE

March 1998 – February 1999



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. Revenue resulting from future expansions of the City's sales tax base does not belong to MAC but flows directly to the City (effective date: July 1, 1975). On July 1, 2008, the sales tax imposed by the City will again be in effect. At that time the City-imposed sales tax takes effect at the rate of three percent.

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

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

1977 Sales and use taxes paid on machinery used in the production of tangible personal property, gas, electricity or refrigeration, and steam for sale can be claimed as a credit against the City's general corporation, unincorporated business or utility taxes (effective date: July 1, 1977). For sales after December 1, 1989, the credit is replaced with an exemption, 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 by manufacturing, processing or assembling can be claimed as a credit against the unincorporated business or general corporation taxes (effective date: July 1, 1984).

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

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

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

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

1990 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 and MAC tax bases (effective date: September 1, 1990). Protective and detective services, interior decorating, contract cleaning and maintenance services, previously taxed exclusively by the City, are added to the State's tax base (effective date: June 1, 1990). The State and City sales taxes due on automobile and boat leases of duration greater than one year is due in total at the inception of the lease and is 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 and MAC tax bases (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 and MAC tax bases. This exemption, set to expire five years after the effective date of September 1, 1992, was subsequently extended through 2002.

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

1996 The retail sale of shopping papers to the publishers and related printing services are exempt from the State and MAC tax bases (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 and the City's MAC tax bases. Printed promotional materials delivered through the mail and associated shipping services are exempt from State and City taxes, reducing the State and MAC tax bases (effective date: March 1, 1997). Vehicles leased by Manhattan residents are exempt from the eight percent parking and garaging surcharge, reducing the City's non-MAC tax base (effective date: December 1, 1996). Parking charges paid to municipally-owned and operated parking facilities are exempt from State and City sales taxes, other than the eight percent Manhattan parking surcharge (effective date: December 1, 1996). Certain parts, tools, supplies and services used or consumed in production processes, including film production, are exempt from the City tax, 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, bringing City tax law into conformity with the State (effective date: September 1, 1996).

1997 The State and City exempt clothing items 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 and the City's MAC tax bases. The State permanently repealed its four percent sales tax on clothing items and footwear purchases under $110, and gave local governments the option to match the repeal. If a locality within the MCTD opts to repeal, clothing is also exempted from the 0.25 percent MCTD sales tax. The locality reimburses the MCTD for one half of the tax foregone and the State reimburses the MCTD for the other half (effective date: December 1, 1999). New exemptions include: emissions inspection equipment purchased by an official inspection station (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 (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 (effective date: February 1, 1997); 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 28, 2003).

1998 The State and City exempt clothing items under $500, including footwear, during the week of January 17-24, 1999, reducing the State and the City's MAC tax bases. Textbooks purchased by full- or part-time college students for their courses at accredited institutions are exempt from the State and the City's MAC tax base (effective date: June 1, 1998). Computer system hardware used or consumed directly and predominately in designing and developing computer software for sale is exempt from the State and the City's MAC tax base (effective date: June 1, 1998). Coin phone calls costing 25 cents or less are exempt from the State and 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 predominantly in receiving, amplifying, processing, transmitting telephone or telegraph signals (effective date: September 1, 1998). Parking charges paid to homeowners' associations (including co-ops and condominiums) by its members for parking in a facility owned or operated by the association are exempt from the 6 percent City sales tax and the 8 percent Manhattan parking tax (effective date: September 14, 1998). Since 1997 the exemption includes facilities owned by such an association, but operated by a third party.

1999 The State and City exempt clothing and footwear purchases under $500 from September 1-7, 1999 and from January 15-21, 2000. The permanent exemption of clothing and footwear purchases under $110, scheduled to become effective December 1, 1999, is postponed until March 1, 2000. The exemption for hot drinks and certain food items sold from vending machines is extended to include machines which accept credit or debit cards (effective date: December 1, 1999). New exemptions include: computer system hardware used in designing and developing internet websites (effective date: March 1, 2001); machinery or equipment used or consumed directly and predominantly to upgrade cable television systems to allow for the receiving, amplifying, processing, transmitting, re-transmitting, switching or monitoring of telecommunication services for sale and communications equipment used in the transmission of internet access services (effective date: March 1, 2001); and tangible personal property sold to a contractor, subcontractor or repair person for use directly and predominantly in the production phase of farming (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 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). An exemption for purchases of the service of transporting, transmitting or distributing gas or electricity, when such services are bought from a company other than the vendor of the gas or electricity, is phased in over four years, beginning September 1, 2000, with such services fully exempt beginning September 1, 2003. Purchases of gas or electricity used in operating a gas pipeline or gas distribution line or an electric transmission or distribution line are exempt (effective date: June 1, 2000). 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). New exemptions include: 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 (effective date: September 1, 2000); tangible personal property used in providing telecommunications services for sale or Internet access services for sale; 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 (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 (effective date: September 1, 2000); 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 drink are served only in the dining room or a resident's room (effective date: December 1, 2000); manufacturing and industrial pollution control, prevention, and abatement equipment and machinery (effective date: March 1, 2001); candy, soda and certain fruit drinks sold for 75 cents or less through vending machines (effective date: September 1, 2000); purchases by out-of-state residents of vessels and trailers sold for use with the vessel (effective date: March 1, 2001); and tangible personal property and building materials used in farm production, as well as utility services, and services provided to farm real property. 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). Additionally, commercial horse boarding operations receive the same exemptions as farms (effective date: September 1, 2000).

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 590,500 vendors in New York State. Vendors are responsible for collecting the sales tax from the purchaser at the time of sale. These vendors must file tax returns periodically. The frequency and timing of filing is determined mainly by their level of receipts. Large vendors submit estimated payments to the State for the first two months of each reporting quarter. In the third month they submit a return with remittances for complete quarterly collections. Small vendors submit returns quarterly or annually.

The State distributes estimated monthly payments to the City based on prior year payment patterns. At the end of a reporting quarter remittances are conveyed to the City based on vendor returns received by the end of the third month. In subsequent months, the State reviews returns for accuracy and processes late returns. This may lead to substantial reconciliations of the distributions made in prior periods giving rise to what are known as prior period adjustments (PPAs). The State charges an administrative fee for this service, which is allocated to each locality based on the locality's share of total statewide collections. For 2000, the administrative charge paid by the City was $19.3 million.

Forecast: The 2001 sales tax forecast is increased by $52 million to $3,651 million, a 4.0 percent increase over the prior year. The 2002 tax revenue forecast is $3,710 million, 1.6 percent growth over the prior year.

Sales tax revenue growth has been strong in recent years, averaging 8.4 percent growth from 1997 through 2000 (common rate and base). Historic employment gains and strong growth in the tourism industry spurred the growth in sales tax revenue over this period. Additionally, increased discretionary income in the City, as robust Wall Street profits were translated into strong bonus payouts and a wealth effect resulting from the steep appreciation of equities held by households, also buoyed consumption.

The sales tax is forecast to grow 4.0 percent in 2001, a slowdown from the robust growth of nearly ten percent in 2000. Sales tax revenue growth in the first three quarters of 2001 has been strong with the year-to-date collections averaging 6.1 percent growth. Record employment gains during calendar year 2000 and a record bonus payout on 2000 Wall Street profits continue to bolster consumption locally, despite signs of a slowing national economy. Through the end of the year sales tax collections are forecast to grow 2.0 percent.

In 2002, sales tax revenue is forecast to increase by 1.6 percent (growth of 1.9 percent on a common rate and base), reflecting a slowdown in local wage income due to a lower Wall Street bonus payout on calendar year 2001 profits and moderating growth in City employment.

The deregulation of the energy industry and consequent legislative actions have had a large impact on the sales tax revenue forecast. Beginning in 1997 the Public Service Commission (PSC) and Con Ed, and subsequently other utilities, entered into agreements that set a schedule for competitive retail access and the deregulation of the electric industry in New York State. The natural gas industry has been deregulated since 1991. The deregulation of electricity created a large loophole in the sales tax when the commodity portion of the electric bill was unbundled from the transmission and distribution service (T & D). 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 were reduced by 25 percent. Each subsequent year the State and local sales tax rates will be reduced another 25 percent resulting in a full exemption of the T & D portion of electric and natural gas sales on September 1, 2003. Additionally, the State imposed a use tax on the commodity component of energy purchased from out-of-state vendors at a rate of 4.0 percent (effective date: June 1, 2000).

The impact of deregulation on the City sales tax revenue depends also upon the participation of businesses and individual consumers in competitive gas and electric retail access. Prior to November 1, 2000, the portion of the Con Ed electric load available for competitive retail access was set by PSC agreement. On November 1, 2000, 100 percent of the Con Ed electric load was made available to competition. Since the January Financial Plan, estimates of participation in competitive electric and gas retail access have been revised downward. Fewer businesses and consumers are participating in competitive retail access than previously estimated, reducing the estimated revenue loss in the near-term from energy deregulation. The impact of energy deregulation and State utility reform legislation is estimated to reduce sales tax revenue by approximately $7 million in 2002 and, with increasing public participation in the deregulated market, will reduce revenues by over $140 million in 2005, a decline from the January Financial Plan of $13 million and $60 million, respectively.

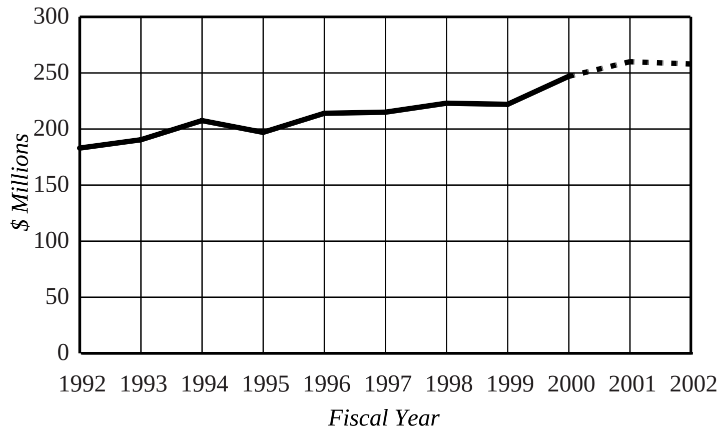
Sales tax revenue is forecast to grow an average of 4.7 percent on the continuing base in 2003 through 2005.

UTILITY TAX

The utility tax is projected to account for 1.1 percent of tax revenue in 2002, or $258 million.

Tax Base and Rate: The City imposes a tax on all utilities and vendors of utility services, including operators of omnibuses. The tax is levied at a rate of 2.35 percent on the gross income of taxpayers.

UTILITY TAX 1992-2002



Legislative History: In 1933 enabling legislation allowed New York City to levy a gross income tax on utilities and vendors of utility services. The current rate of 2.35 percent was imposed on January 1, 1966. Since 1985, utility tax collections have been reduced by the Energy Cost Savings Program (ECSP) which granted a 30 percent rebate on electricity charges and a 20 percent rebate on natural gas charges to eligible nonresidential users operating in Brooklyn, the Bronx, Queens, Staten Island and Manhattan north of 96th Street. Non-retailers outside the City which relocate to the designated areas (after May 3, 1985) are also eligible. Effective November 1, 2000, legislation changed the ECSP rebate on electricity and gas from a discount on all utility charges to a discount solely on utility delivery charges. The legislation raised the rebate percentage to 45 percent of eligible electricity charges and 35 percent of eligible natural gas charges in an effort to maintain roughly the same benefit levels, in dollar terms, as previously. Currently, there are 1,551 companies participating in the rebate program. A similar program, the Lower Manhattan Energy Program, was incorporated into the Commercial Revitalization Program (effective 1995) and focused on stimulating economic development in lower Manhattan. The program offers a 12-year (13 years for buildings designated as landmarks) rebate on the electric bills of building owners who have improved their buildings by at least 20 percent of assessed value. The program reduced utility tax revenue by $8 million in 2000 and is expected to reduce revenue by $11 million in 2001 and $13 million in 2002.

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

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

On March 13, 1997, Con Ed and the PSC entered into a settlement agreement with respect to the PSC's Competitive Opportunities proceeding, with PSC approval occurring on August 29, 1997. The settlement agreement features a five-year rate plan to facilitate the transition to competition, effective January 1, 1998. The five-year rate plan called for an immediate 25 percent electric rate reduction for Con Ed's largest industrial customers, a 10 percent rate reduction for other large industrial and commercial customers (which include office buildings, hospitals, colleges and universities) and a 3.3 percent rate reduction for residential and small commercial customers. The five-year rate plan superceded the prior 1995 rate agreement as of March 31, 1997, and the revenue requirement increase for the third rate year of the 1995 agreement was reversed. In calendar year 2000, Con Ed agreed to further reduce retail electric rates and extend the electric restructuring agreement by three years, to 2005. Effective October 1, 2000, the total reduction in retail distribution rates was 16.8 percent. Also an additional 200 megawatts of capacity became eligible for business rate incentives. The settlement agreement reduced utility tax revenue by $5 million in 2000, and is expected to reduce revenue by $9 million in 2001 and $10 million in 2002.

As a result of the 1996 PSC Competitive Opportunities proceeding, the PSC ordered a complete restructuring of the State's energy utilities to encourage competitive markets. This agreement originally set the pace of deregulation in the State with the expectation of full retail access by 2006. The original PSC agreements provided a transition to a competitive retail market through the development of retail access plans, a reasonable recovery of strandable costs and the divestiture to unaffiliated third parties of approximately 50 percent of electric generating capacity in the City. The PSC agreements were revised in 2000, allowing for full retail access for all customers as of November 1, 2000. Additionally, Con Ed has completed the process of divesting itself of all its generating capacity. Since the January Financial Plan, estimates of participation in competitive electric and gas retail access have been revised downward. Fewer businesses and consumers are participating in retail access than previously estimated, reducing the estimated revenue loss in the near-term from energy deregulation. The impact of energy deregulation and State utility reform legislation is estimated to reduce utility tax revenue by approximately $2 million in 2001 and 2002 and with increasing public participation in the deregulated market, is expected to reduce revenue by approximately $26 million by 2005.

Forecast: The 2001 utility tax forecast is increased by $20 million to $260 million, a 5.3 percent increase over the prior year. In 2002, utility tax revenue is projected to decline 0.8 percent over 2001 to $258 million. The strong growth forecast for 2001 is attributable to the robust local economic expansion in calendar year 2000 and an increase in regional energy prices, principally caused by diminished OPEC oil production. The decline in 2002 reflects a projected reduction in energy prices already being seen in the second half of 2001, and slow growth in the local economy. The ECSP is estimated to reduce collections by $32 million per year in 2001 and 2002. In 2003 through 2005, utility tax revenue is forecast to decline an average of 2.4 percent as a result of the increasing public participation in competitive retail access.

OTHER TAXES

All other taxes are projected to account for 3.4 percent of total City tax revenue in 2002, or $759.5 million.

2001-2002 Other Taxes Forecast
Excluding Tax Audit Revenue
($ Thousands)

Tax	2001 Forecast	2002 Executive Budget	Increase/(Decrease) From 2001 to 2002 Amount	Percent Growth
Hotel Room Occupancy	$237,000	$246,000	$9,000	3.8%
Auto Related Taxes				
Auto Use	32,200	32,200	0	0.0
Commercial Motor Vehicle	43,700	43,700	0	0.0
Taxi Medallions Transfer	3,600	3,600	0	0.0
Excise Taxes				
Beer and Liquor	21,500	21,500	0	0.0
Cigarette	28,000	28,000	0	0.0
Liquor License Surcharge	3,000	3,000	0	0.0
Horse Race Admissions	100	100	0	0.0
Off-Track Betting	13,300	11,700	(1,600)	(12.0)
Off-Track Betting Surtax	20,900	21,300	400	1.9
Miscellaneous				
Other Refunds	(32,000)	(15,200)	16,800	(52.5)
Payments in Lieu of Taxes (PILOTs)	168,548	156,639	(11,909)	(7.1)
Stock Transfer	114,000	114,000	0	0.0
Waiver	62,300	62,300	0	0.0
Penalty & Interest Real Estate (Current Year)	11,000	10,000	(1,000)	(9.1)
Penalty & Interest Real Estate (Prior Year)	40,000	40,000	0	0.0
Penalty & Interest - Other Refunds	(18,900)	(19,300)	(400)	(2.1)
Total	$748,248	$759,539	$11,291	1.5%

HOTEL TAX

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

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

The hotel tax forecast has been reduced by $3 million in 2001 to $237 million, growth of 8.5 percent from the prior year. Last year, fiscal year 2000 was an excellent year for the hotel tax with growth of 9.8 percent, average daily room rates up 5.2 percent to $225 and average occupancy levels rising to 84 percent during the year. In 2001, however, the industry’s fortunes have been mixed.

In the first half of the year, growth in average daily room rates was strong given the record levels of occupancy, but in December, with decreasing demand, average daily room rates fell from the prior year’s high levels. Occupancy rates have continued to sag and room rate growth has also slowed in the ensuing months, a trend which is expected to continue amid a slowing economy and declining business travel. The increase in the supply of hotel rooms, particularly low cost rooms, also means that hotel operators do not have the pricing power they enjoyed in recent years. In 2001, growth in the room rate is forecast at 5.9 percent, but with a further increase in the number of rooms, average occupancy levels are forecast to decline 1.7 percent.

The forecast for 2002 has been reduced by $2 million to $246 million, growth of 3.8 percent over the prior year. The total number of visitors to New York City is still forecast to rise this summer, however, growth in demand is not expected to keep pace with the increase in the number of rooms. Average occupancy levels are forecast to decline to 80 percent for the year and room rates increase just three percent. In the outyears of the plan, moderate increases in the supply of rooms and slow growth in average daily room rates lead to average growth of 3.7 percent in hotel tax collections.

AUTO RELATED TAXES

Auto Use Tax: This tax is imposed by the City on privately-owned vehicles at the annual rate of $15 per vehicle. The tax was first imposed on October 1, 1974, and the amount has since remained unchanged. The tax is administered by the State Department of Motor Vehicles, with an administrative charge levied on the City for this service. In 1990, taxpayers were required to change from annual to biennial payments to conform to a change in State registration procedures. This new procedure resulted in roughly half of all registrants in 1990 paying for two years, while the other half continued to pay only the annual fee. Revenue from the tax is projected to be $32.2 million in 2001 and in 2002.

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. Revenue from the tax is projected to be $43.7 million in 2001 and 2002 after collections of $51.0 million in 2000.

Taxi Medallion Transfer Tax: This tax is imposed at a rate of five percent of the consideration paid for transfers of taxicab licenses (medallions). The tax is expected to generate $3.6 million in 2001 and 2002.

EXCISE TAXES

Beer and Liquor Excise Tax: Since 1980, the City has imposed a tax on licensed distributors and non-commercial importers on the sale of beer and liquor within New York City. The current tax rate is 12 cents per gallon of beer and 26.4 cents per liter of liquor with an alcohol content greater than 24 percent. The City does not impose a tax on wine. The tax is administered by New York State. The tax is expected to generate $21.5 million in 2001 and in 2002.

Cigarette Tax: The City has imposed a tax on the sale of cigarettes in the City since 1952. The current rate is eight cents for each pack of 20 cigarettes and two cents for each five cigarettes or fraction thereof past 20. This tax is imposed in addition to a State cigarette tax which is currently $1.11 per pack after the increase of 55 cents effective March 1, 2000. Other tobacco products are not subject to the tax. Revenue from the cigarette tax has been steadily declining due to a reduction in cigarette consumption and the increase to the New York State tax rate per pack. Receipts from the cigarette tax are expected to be $28 million in 2001 and 2002.

Liquor License Surcharge: This tax is imposed on distributors and non-commercial importers of beer and liquor at a rate of 25 percent of the license fees payable under the New York State Alcoholic Beverage Control Law. This tax is expected to generate $3.0 million in 2001 and 2002.

Horse Race Admissions Tax: A three percent tax was imposed in 1952 on the price of all paid admissions to horse races held either partly or wholly within the City of New York. Revenue from this tax is expected to be $0.1 million in 2001 and 2002.

Off-Track Betting (Dividend), and Off-Track Betting Surtax: A surcharge is exacted on most bets placed at New York City Off-Track Betting offices, and on most bets placed statewide on races held within New York City. The dividend payment, reflecting OTB's current year profit, is estimated to be $13.3 million in 2001 and $11.7 million in 2002. Revenue is forecast at $20.9 million from the Off-Track Betting surtax in 2001, and $21.3 million in 2002.

MISCELLANEOUS

Other Refunds: These refunds are primarily paid out on the commercial rent tax and waiver and are projected to be $32 million in 2001 and $15.2 million in 2002. The large increase in 2001 reflects refunds expected to be made to certain nonresident City employees who paid the City income tax under Section 1127, but who were found, as a result of recent litigation, not to be subject to Section 1127.

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

There are four primary sponsor agencies which serve as intermediaries between the City and the PILOT facility owner: New York City Housing Authority, Port Authority of New York and New Jersey, Industrial Development Agency and Battery Park City Authority. These agencies administer projects that comprise approximately 95 percent of PILOT payments received. Two smaller sponsors are the Economic Development Corporation and the Triborough Bridge and Tunnel Authority. PILOT revenue is expected to be $168.5 million in 2001 and $156.6 million in 2002.

Stock Transfer Tax: The State repealed the City's stock transfer tax in 1980 and provided for annual appropriations of not more than $120 million as compensation. Until 1988, the State appropriated to the City approximately $118 million annually. Following a slowdown in State revenue growth, the appropriation was reduced to $83 million in 1990 and to $56 million in 1991. In 1992, the appropriation was restored to $114 million. In 2001 and 2002, a level of $114 million is expected.

Waiver (Personal Income Tax On Nonresident City Employees): Under section 1127 of the New York City Charter, the City may collect payments from nonresident employees of the City or any of its agencies in an amount which equalizes their personal income tax liability to what it would be if they were residents. Revenue is projected to be $62.3 million in 2001 and 2002.

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 $11 million in 2001 and $10 million in 2002, while penalty and interest collections from prior year delinquencies is expected to be $40 million in 2001 and 2002.

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

Penalty and Interest - Other Refunds: The City currently pays out interest on refunds claimed on overpayments against the first installment paid on business income taxes, on audits of the general corporation and unincorporated business taxes already collected by the Department of Finance but overturned by Federal or State rulings, and on payments made under protest by taxpayers who subsequently substantiate their claims. As a result of legislation, interest on overpayments claimed on amended returns is currently no longer paid for tax years beginning with 1989 as long as the refund is paid within a 90-day period. Penalty and interest - other refunds is projected to be $18.9 million in 2001 and $19.3 million in 2002.

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 $399 million in 2001 and $487 million in 2002.

MISCELLANEOUS RECEIPTS

Forecast of Miscellaneous Receipts

The non-tax revenue portion of City Funds is referred to as miscellaneous revenues. The 2002 Executive Budget includes eleven classes of miscellaneous revenues, which are discussed below.

Miscellaneous Revenues

($ in Millions)

	2001 Forecast	2002 Executive Budget	Forecast to Executive Budget Increase (Decrease)
Licenses	$47	$46	(1)
Permits	98	85	(13)
Franchises and Privileges	193	189	(4)
Interest Income	200	144	(56)
Tuition and Charges for Services	428	415	(13)
Water and Sewer Revenues	848	849	1
Rental Income	139	111	(28)
Fines and Forfeitures	479	480	1
Miscellaneous	981	938	(43)
Total Miscellaneous Revenues	$3,413	$3,257	$(156)

Miscellaneous revenues are estimated at $3,257 million in 2002, a decrease of $156 million from 2001, exclusive of private grants and intra-city revenues. The revenue classes listed above are regrouped and described in the following three areas: Cost-based Charges (Licenses, Permits and Charges for Services); Water and Sewer revenues; and Other Income (Interest Income, Franchises, Rental Income, Fines, and Miscellaneous).

Cost-based Charges

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

Licenses

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

The 2002 forecast for license revenue is $46 million, $1 million less than 2001. The decrease is due to the biennial renewal period for certain business licenses.

Permits

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

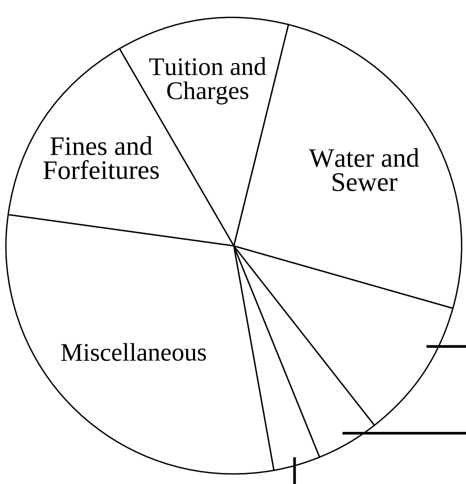
The major sources of revenue are permits for building construction and alteration, street opening, restaurants, hazardous material, and air pollution control. The 2002 forecast for permit revenue is $85 million, $13 million less than 2001. The decrease is due to a decline in receipts for various construction-related permits issued by the Department of Buildings.

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 2002 forecast for tuition and charges is $415 million, $13 million less than 2001. The loss of one-time revenues collected from the processing of 421-a tax exemption applications for large developments, a construction-related increase in sidewalk repair reimbursement, and the sale of several parking facilities anticipated for 2001, contribute to this change.

COMPONENTS OF MISCELLANEOUS REVENUES

As a Percentage of 2002



29%	Miscellaneous
26%	Water and Sewer
15%	Fines and Forfeitures
13%	Tuition and Charges
10%	Licenses, Permits and Franchises
4%	Interest Income
3%	Rental

Water and Sewer Revenues

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

The Water Board has proposed a 3.5 percent rate increase for 2002. The forecast for Water Board revenue is $1.57 billion, including a City payment of $33 million for municipal water and sewer charges and $84 million for interest on funds held by the New York City Municipal Water Finance Authority. The Water Board will pay $609 million for Water Board and Authority expenses and debt service. The City will receive $720 million for services rendered in the delivery of water and the collection, treatment, and disposal of waste water, and $129 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, 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 2002 forecast for interest earnings is $144 million, a decrease of $56 million from 2001. Lower interest rates, a change in short term borrowing, and an expected return to normal cash balances account for this change.

Franchises and Privileges

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

The 2002 forecast for franchise revenue is $189 million, compared to $193 million in 2001. The 2001 collections reflect higher fee payments from cable television and high capacity fiber franchises.

Rental Income

Rental income is derived from revenue collected from both long and short-term agreements for the occupancy of City-owned property, including condemnation sites and *in rem* buildings. Approximately 4,170 properties are rented from the City. Over 3,000 are *in rem* or condemnation sites, 170 are covered by long term agreements, and approximately 1,000 are schools that are rented on a per event basis after school hours.

The 2002 forecast for rental income is $111 million, $28 million less than in 2001. The decrease is due to additional rental payments received from the Port Authority of New York and New Jersey, based on increased activity at Kennedy and LaGuardia airports in calendar year 2001, one-time rental income from Yankee and Shea stadiums, the declining inventory of residential units managed by the Department of Housing Preservation and Development, and lower revenue from percentage-based rent agreements collected by the Department of Citywide Administrative Services.

Fines and Forfeitures

The City collects fine revenue through courts and administrative tribunals for violations issued under the Administrative Code, Vehicle and Traffic Law, and other laws. Forfeiture revenue is obtained from the surrender and conversion of bail and cash bonds, and contractors' performance bonds. The 2002 forecast for forfeitures is $3.6 million, $2.2 million less than 2001. One-time improvements in cash bail forfeiture processing and eliminating backlogs in several City agencies accounts for the change. The revenue expected from fines in 2001 and 2002 is listed below:

Fine Revenue

SOURCE ($ in 000's)	2001 FORECAST	2002 EXECUTIVE BUDGET
Parking Violations	$370,000	$383,005
Environmental Control Board	42,000	33,781
Traffic Violations	18,067	18,067
Department of Health	12,007	12,907
Taxi and Limousine Commission	9,060	7,441
State Court Fines	7,963	7,085
Department of Buildings	6,880	3,285
Department of Consumer Affairs	3,619	4,902
Other sources	3,995	5,575
Total	$473,591	$476,048

The Parking Violations division of the Department of Finance is forecasted to collect $383 million in parking fines in 2002, $13 million more than 2001. The Department's initiative to enhance customer service and provide one-stop shopping will continue to improve collections by offering electronic payment options, streamlining workflow, and eliminating duplicative activities. The Department of Finance has expanded several programs to improve the processing of parking summonses that currently are not being collected, and is supplementing in-house collection efforts by employing the services of private collection agencies. In addition, to combat dangerous traffic violations, the City will deploy 50 red light cameras at various locations throughout the City, designed to improve safety for both drivers and pedestrians by photographing vehicles that "run" a red light.

The Environmental Control Board (ECB) adjudicates more than 600,000 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 $34 million, $8 million less than in 2001. This decrease is due to the clearing of a temporary backlog of non-compliance cases. In 2002, the Department of Transportation will increase enforcement against illegal construction and street obstruction, and the Department of Buildings will begin prosecuting violations of the laws governing the placement and size of signs. The ECB will conduct hearings and enforce judgments for both of these violations.

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

Miscellaneous

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

The 2002 forecast for miscellaneous revenue is $938 million, $43 million less than in 2001. Proceeds from the sale of the New York City Off-Track Betting Corporation, the disposition of surplus commercial and residential real property, including economic development sites, a higher tobacco settlement payment, and reimbursement of landfill closure costs will partially offset non-recurring revenues from the sale of the Coliseum, revenue from health benefit stabilization fund, and reimbursement of debt service costs by the Health and Hospitals Corporation.

Private Grants

The Executive Budget includes $392 million in private grants in 2002, $47 million less than 2001. Additional private grant funding will be modified into the budget during the course of the year, as additional funding sources are identified and grants are defined.

Interfund Revenues

Interfund Revenues (IFA's) reflect reimbursement by the Capital Fund for expenditures of the General Fund for first-line architectural, engineering, and design costs incurred by the City's own engineering and support staff. These costs are assigned to particular capital projects and are valid capital charges under generally accepted accounting principles. In 2002, IFA reimbursements will be $301 million.

CAPITAL BUDGET

The Executive Capital Budget and Four-Year Plan, 2002-2005

The 2002 Executive Capital Budget includes new appropriations of $9.0 billion, of which $8.0 billion are to be funded from City sources. These appropriations, together with available balances from prior years, authorize total commitments for 2002 of $9.2 billion, of which $8.3 billion will be City-funded. City funds include proceeds of bonds issued by the City Municipal Water Finance Authority and the State Dormitory Authority, and the New York City Transitional Finance Authority as well as City general obligation and Tobacco Settlement bonds. As indicated in the table below, the targeted level for City-funded commitments is $7.9 billion in 2002. The aggregate agency-by-agency authorized commitments of $8.3 billion exceed the 2002 financial plan by $425.0 million. Excess authorizations in this proportion have proven necessary to achieve commitment spending targets by accommodating such factors as project scope changes and delays.

FY 2001-2005 Commitment Plan
($ in millions)

	2001		2002		2003		2004		2005	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Environmental Protection										
• Equipment	$135	$213	$155	$201	$42	$42	$56	$101	$47	$47
• Sewers	175	176	247	247	201	201	108	108	99	99
• Water Mains	528	528	403	403	1,003	1,003	239	239	107	107
• Water Pollution Control	1,106	1,138	1,172	1,202	1,119	1,144	655	680	482	507
• Water Supply	170	170	113	113	272	272	430	430	47	47
Subtotal	$2,115	$2,225	$2,090	$2,166	$2,637	$2,662	$1,488	$1,558	$782	$807
Transportation										
• Mass Transit	$120	$120	$451	$451	$106	$106	$106	$106	$106	$106
• Highways	277	273	343	368	348	358	284	310	360	360
• Highway Bridges	123	134	409	509	628	743	536	556	286	286
• Waterway Bridges	170	313	99	144	192	202	464	464	131	171
Subtotal	$691	$840	$1,302	$1,472	$1,274	$1,409	$1,390	$1,436	$883	$923
Education & Hospitals										
• Education	$2,266	$2,397	$1,164	$1,174	$1,113	$1,123	$1,136	$1,146	$1,272	$1,272
• Higher Education	46	59	14	16	3	5	4	8	6	11
• Hospitals	143	143	231	231	274	274	90	90	18	18
Subtotal	**$2,455**	**$2,600**	**$1,408**	**$1,420**	**$1,389**	**$1,402**	**$1,230**	**$1,244**	**$1,296**	**$1,301**
Housing And Economic Development										
• Housing	$400	$528	$387	$566	$371	$494	$322	$446	$418	$532
• Economic Development	559	716	363	553	203	232	57	57	86	86
• Port Development	0	0	0	0	0	0	0	0	0	0
Subtotal	**$960**	**$1,244**	**$750**	**$1,119**	**$575**	**$726**	**$379**	**$503**	**$504**	**$618**
City Operations & Facilities										
• Correction	$173	$177	$188	$188	$75	$75	$156	$156	$172	$172
• Fire	186	186	246	246	54	54	53	53	36	36
• Police	170	203	155	155	64	64	63	63	109	109
• Public Buildings	139	143	213	214	84	84	71	71	126	126
• Sanitation	204	218	293	293	137	137	316	316	329	329
• Parks	374	387	268	282	84	84	83	83	88	89
• Other	2,395	2,506	1,381	1,654	573	631	575	614	371	428
Subtotal	**$3,641**	**$3,820**	**$2,744**	**$3,032**	**$1,071**	**$1,129**	**$1,318**	**$1,357**	**$1,232**	**$1,289**
Total Commitments	**$9,862**	**$10,729**	**$8,294**	**$9,209**	**$6,945**	**$7,328**	**$5,805**	**$6,098**	**$4,696**	**$4,938**
Reserve For Unattained Commitments	**(3,449)**	**(3,449)**	**(425)**	**(425)**	**87**	**87**	**430**	**430**	**565**	**565**
Commitment Plan	**$6,413**	**$7,280**	**$7,869**	**$8,784**	**$7,032**	**$7,415**	**$6,235**	**$6,528**	**$5,261**	**$5,503**
Total Expenditures	**$4,407**	**$4,923**	**$6,159**	**$6,682**	**$5,899**	**$6,509**	**$6,384**	**$6,969**	**$6,439**	**$6,880**

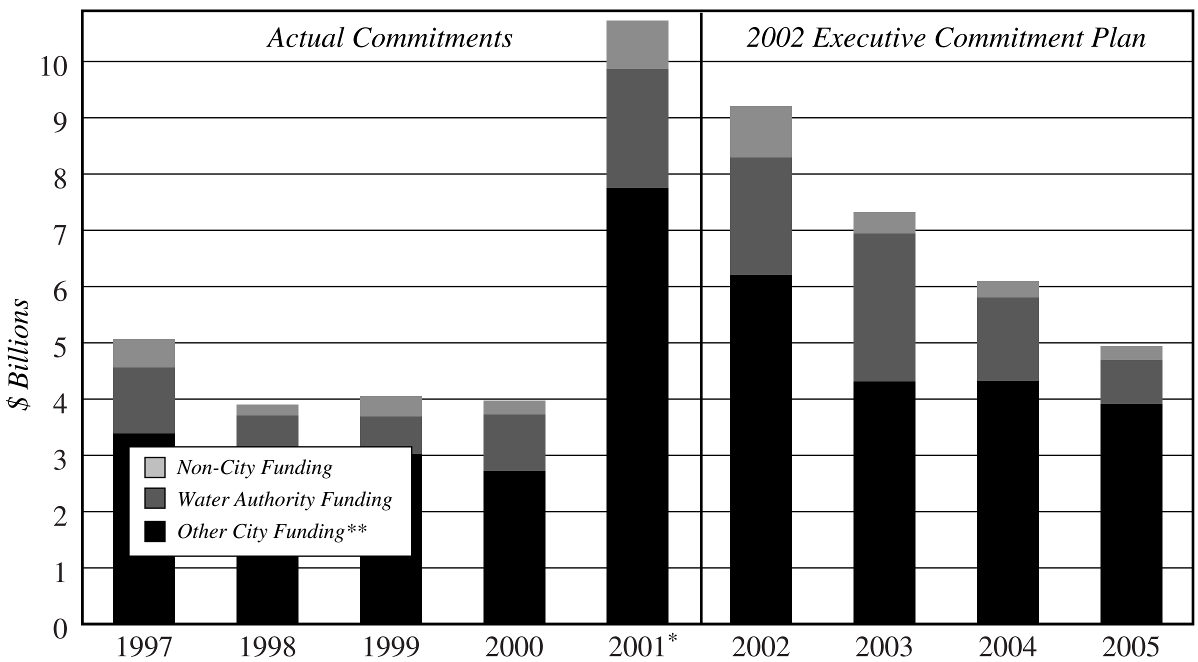
**Note: Individual items may not add to totals due to rounding*

Non-City Funding Sources

Non-City capital funding sources include $915.0 million in the 2002 plan and $1.8 billion over the 2002-2005 four-year plan period. The majority of non-City funding supports Transportation, Housing, and Environmental Protection programs.

Transportation programs are projected to receive non-City funding of $738.4 million over the 2002-2005 period, with $633.6 million from the Federal government and $103.0 million from the State, and private funds of $1.8 million. Housing programs anticipate non-City funding of $539.1 million in the 2002-2005 period, consisting of $389.1 million in Federal funding and $150.0 million in private funds. Environmental Protection programs anticipate receiving $196.5 million in non-City funding over the 2002-2005 period, with $5.4 million from the Federal government and $191.1 million in State funds.

FY 1997-2005 CAPITAL COMMITMENTS BY FUNDING SOURCE



* *Projected*

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

The Capital Program since 1997

The table below illustrates the changes in the size of the City's capital program over the 1997-2000 period.

FY 1997 - 2000 Commitments
($ in millions)

	1997		1998		1999		2000	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Environmental Protection								
• Equipment	$185	$185	$98	$98	$81	$81	$74	$85
• Sewers	166	166	184	184	185	185	224	224
• Water Mains	460	462	152	152	200	203	212	212
• Water Pollution Control	352	355	320	321	198	198	408	412
• Water Supply	17	17	58	58	4	4	85	85
Subtotal	**$1,180**	**$1,185**	**$812**	**$813**	**$668**	**$671**	**$1,003**	**$1,018**
Transportation								
• Mass Transit	$864	$863	$123	$122	$116	$116	$109	$109
• Highways	172	209	168	185	171	184	111	115
• Highway Bridges	77	122	119	123	92	94	193	228
• Waterway Bridges	150	413	152	127	177	355	82	86
Subtotal	**$1,264**	**$1,607**	**$561**	**$557**	**$556**	**$749**	**$496**	**$538**
Education & Hospitals								
• Education	$1,013	$1,013	$1,246	$1,246	1,400	1,400	$1,123	$1,160
• Higher Education	6	7	9	11	12	14	10	11
• Hospitals	30	30	23	23	56	56	19	19
Subtotal	**$1,049**	**$1,049**	**$1,278**	**$1,279**	**$1,468**	**$1,470**	**$1,152**	**$1,191**
Housing And Economic Development								
• Housing	$150	$239	$116	$241	$161	$259	$182	$294
• Economic Development	112	119	55	69	54	59	21	21
• Port Development	0	0	4	4	0	0	0	0
Subtotal	**$263**	**$358**	**$175**	**$314**	**$215**	**$318**	**$203**	**$315**
City Operations & Facilities								
• Correction	$33	$33	$81	$81	$63	$74	$59	$59
• Fire	73	73	56	56	66	66	49	49
• Police	56	51	47	47	46	46	37	11
• Public Buildings	92	93	54	54	65	67	80	84
• Sanitation	107	107	102	102	63	63	198	198
• Parks	141	174	153	165	158	174	141	147
• Other	306	335	390	434	323	352	304	364
Subtotal	**$809**	**$866**	**$882**	**$939**	**$784**	**$842**	**$868**	**$912**
Total Commitments	**$4,565**	**$5,066**	**$3,709**	**$3,904**	**$3,691**	**$4,050**	**$3,721**	**$3,974**
Total Expenditures	**$3,568**	**$3,946**	**$3,631**	**$3,985**	**$4,385**	**$4,786**	**$3,919**	**$4,256**

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

Comprehensive Planning Process

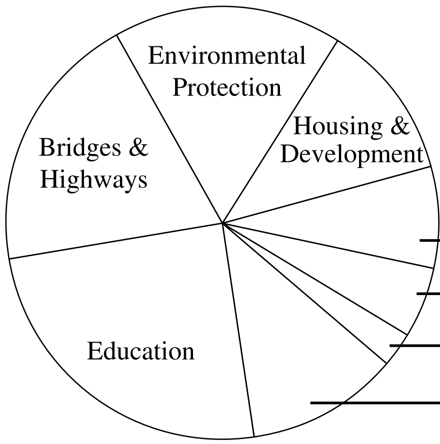
Developing a long-term capital investment strategy to improve, expand and sustain the City's physical plant requires comprehensive planning. The Ten-Year Capital Strategy, updated by OMB and the Department of City Planning every two years through consultation with City agencies, establishes overall programmatic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

Ten-Year Capital Strategy 2002-2011
($ in thousands)

	City Funds	Non-City Funds	Total Funds
Environmental Protection			
• Sewers	$1,171,832	$0	$1,171,832
• Water Mains	2,219,840	0	2,219,840
• Water Pollution Control	4,269,644	255,431	4,525,075
• Water Supply	861,571	0	861,571
• DEP Equipment	415,578	91,131	506,709
Subtotal Environmental Protection	$8,938,465	$346,562	$9,285,027
Education			
• Education	$13,313,508	$30,000	$13,343,508
• CUNY	64,076	50,338	114,414
Subtotal Education	$13,377,584	$80,338	$13,457,922
Transportation			
• Mass Transit	$1,405,750	$0	$1,405,750
• Highways and Transit Operations	4,108,893	554,454	4,663,347
• Bridges	5,386,891	571,174	5,958,065
Subtotal Transportation	$10,901,534	$1,125,628	$12,027,162
Housing and Economic Development			
• Housing	$4,400,435	$597,060	$4,997,495
• Housing Authority	141,856	0	141,856
• Economic and Port Development	1,064,178	218,528	1,282,706
Subtotal Housing and Economic Development	$5,606,469	$815,588	$6,422,057
Administrative Services			
• Correction	$1,833,998	$0	$1,833,998
• Police	824,286	0	824,286
• Courts	1,366,121	14,664	1,380,785
• Juvenile Justice	82,959	4,481	87,440
Subtotal Administration of Justice	$4,107,364	$19,145	$4,126,509
Health and Social Services			
• Health	$169,536	$0	$169,536
• Hospitals	728,449	0	728,449
• Homeless Services	322,265	0	322,265
• Human Resources	156,575	65,572	222,147
• Children's Services	204,278	33,691	237,969
• Aging	43,919	0	43,919
Subtotal Health and Social Services	$1,625,022	$99,263	$1,724,285
Other City Services			
• Sanitation	$2,875,638	$0	$2,875,638
• Public Buildings	1,320,965	869	1,321,834
• Fire	683,048	0	683,048
• Parks and Recreation	1,009,748	15,182	1,024,930
• Others	1,446,131	11,321	1,457,452
Subtotal Other City Services	$7,335,530	$27,372	$7,362,902
Total	$51,891,968	$2,513,896	$54,405,864

TEN-YEAR CAPITAL STRATEGY FOR 2002-2011

($ in Millions - All Funds)



% of Plan	Program	FY 2002 to 2011
24.7%	Education	$13,458
19.5%	Bridges & Highways	10,621
17.1%	Environmental Protection	9,285
11.8%	Housing & Development	6,422
7.6%	Administration of Justice	4,127
5.3%	Sanitation	2,876
2.6%	Mass Transit	1,406
11.4%	Other City Services	6,211
	Total	**$54,406**

2002 Ten-Year Capital Strategy Highlights

Environmental Protection and Sanitation

- Sewers: the total sewer program provides for the replacement, construction and expansion of approximately 602 miles of sewers ($1.2 billion).

- Water Mains: construction of the Croton Filtration Plant which will filter water from the Croton watershed ($782.8 million); acquisition of land in the watershed ($87.7 million); replacement or extension of approximately 674 miles of water mains ($803.1 million).

- Wastewater Treatment: continued upgrade of the Newtown Creek Wastewater Treatment Plant ($955.6 million); implementation of combined sewer overflow abatement strategies ($1.0 billion); retrofitting water pollution control plants to decrease the amount of discharged nitrogen ($144.2 million); replacement and reconstruction of failing plant components and related facilities to ensure continued process reliability and compliance with permit requirements ($440.3 million).

- Water Supply: continuation of the construction of the City Water Tunnel No. 3, Stage 2, including shaft sites ($519.3 million).

- Sanitation: replacement of collection trucks and mechanical brooms in accordance with established replacement cycles ($705.9 million); construction of new garages and improvements to existing buildings to provide support facilities for agency operations ($1.4 billion).

Transportation

- Bridges: reconstruction of the four East River Bridges ($802.6 million); rehabilitation of 12 bridges rated “poor” ($498.5 million); reconstruction of 89 bridges rated “fair” ($1.4 billion); rehabilitation of

235 bridge structures under the Bridge Life Extension Program ($2.8 billion) consisting of resurfacing of bridge decks, replacement of expansion joints, and selective component rehabilitation; and protective coating treatment on bridges ($390.9 million).

- Highways: street reconstruction of 346.6 linear miles ($2.1 billion), resurfacing of 2,108.4 linear miles ($824.0 million), over 44.6 million square feet of sidewalk replacement ($311.9 million), and pedestrian ramp installations at over 58,621 corners ($200.0 million).

- Transit: contribution to the MTA's capital program, including subway and bus fleet enhancements, infrastructure improvements such as in-house track rehabilitation and reconstruction of bus and subway lines and facilities ($1.4 billion).

Education, Health and Social Services

- Education: a total program of $13.3 billion. Funding is provided to construct new schools ($5.7 billion); expand facilities through leases, building additions, transportables, modular classrooms and new athletic fields and playgrounds ($2.1 billion); rehabilitate, replace and upgrade building components ($3.9 billion); modernize school buildings ($493.3 million); make capital improvements that enhance educational programs ($245.0 million); address the need for security systems, emergency lighting and code compliance ($362.4 million); and cover emergency projects, research and development, and prior plan completion costs ($536.7 million).

- Health: upgrade of the heating, ventilation, and air conditioning (HVAC) and fire alarm systems at the New York City Department of Health (DOH) Laboratory in Manhattan ($35.7 million); DOH and Office of the Chief Medical Examiner (OCME) laboratory equipment replacement ($31.8 million); construction of a free-standing mortuary at Kings County Hospital in Brooklyn ($10.1 million); continued renovation of the Jamaica Health Center and construction of a new tuberculosis clinic ($7.6 million); computer replacement ($7.6 million); renovation of the Manhattanville Health Center ($6.3 million); renovation of the Manhattan Animal Shelter and acquisition of a Queens shelter for the Center for Animal Care and Control ($5.6 million); the renovation of STD clinics ($5.5 million); continued renovation of the OCME First Avenue building ($4.3 million); vehicle replacement ($3.9 million), and a human surveillance system for vector control ($3.0 million).

- Aging: renovation of senior centers, including infrastructure improvements, code compliance and handicapped accessibility (30.3 million).

- Children's Services: completion of renovations at the Crossroads and Richmond Hill Group Homes ($1.1 million); renovation and expansion of the Jefferson Group Home ($2.6 million); construction of the Williamsburg Day Care Center ($5.7 million), the Seabury Day Care Center in the Bronx ($2.8 million) and the Washington Heights Day Care Center ($5.0 million); development of an integrated Case Management System ($7.4 million); enhancement of the Legal Tracking System ($2.5 million).

- Homeless Services: building upgrades and renovations to adult and family facilities, including 68 Lexington Avenue ($7.0 million), Dean Street ($1.7 million), Jamaica Assessment Center ($1.0 million), Linden ($1.0 million), Charles Gay Schwartz ($1.5 million) and Pamoja House ($2.5 million); $25.3 million for exterior renovations to various adult and family facilities, to provide building envelope stabilization and restoration for all Department of Homeless Services owned facilities throughout the City; upgrade of the DHS computer network system, including an integrated client tracking system with enhanced client and shelter information reporting, and computerization of the Rehousing Unit, which tracks and locates permanent housing for homeless families ($1.8 million).

- Human Resources: conversion of Income Support Centers to Job Centers to provide the setting for integrated case management services ($14.4 million); imaging projects to eliminate paper records and streamline Department operations ($18.8 million); continued development of Local and Wide Area Network systems in order to provide greater connectivity among Department personnel, contract service providers and clients ($45.3 million).

Housing and Development

- Housing: disposition and rehabilitation of approximately 10,400 dwelling units through various privatization initiatives ($1.4 billion); development starts of over 36,000 new homeownership and rental dwelling units through the New York City Partnership, Nehemiah, Alliance for Neighborhood and Home Ownership Revitalization (ANCHOR), and Mixed Use programs ($1.6 billion); provision of low-interest loans to finance the rehabilitation and preservation of approximately 59,700 low and moderate-income units in privately owned buildings under the Article 7A, Article 8A, Participation Loan, Small Homes, and Housing Preservation programs ($1.4 billion); and production of 2,360 units for low-income and homeless individuals, including those with HIV/AIDS or mental illness, through the Supportive Housing Loan Program ($250.0 million).

- Housing Authority: general upgrade and system replacements in 20,152 existing public housing units in the 21 City- and State-aided developments ($139.5 million).

- Economic Development: relocation of the Fulton Fish Market to Hunts Point ($71.7 million); reconstruction of the Whitehall Ferry Terminal ($59.3 million); revitalization of the BAM Cultural District ($50.0 million); rehabilitation of the Battery Maritime Building ($36.0 million); reconstruction of the St. George Ferry Terminal ($35.8 million); Coney Island Sports Complex ($28.0 million); infrastructure improvements to the Brooklyn Navy Yard ($26.1 million); expansion of Hunts Point ($25.0 million); South Brooklyn Marine Terminal pier and bulkhead rehabilitation ($25.0 million); rehabilitation of the Passenger Ship Terminal ($24.4 million); Staten Island Rail Road improvements ($16.5 million); Queens West Development ($15.0 million); a new railroad terminal under the Farley Post Office ($13.0 million); HVAC and electrical upgrade of Pier 94 ($10.6 million); development of Governors Island ($5.0 million); Museum of African Art ($5.0 million).

Administration of Justice and Public Safety

- Correction: replacement of deteriorating housing facilities with new facilities ($970.0 million); life cycle replacement of vehicles, communication equipment, and other equipment ($112.0 million); improvements to building systems, infrastructure, and support space ($752.0 million).

- Courts: construction of three new courthouses in the Bronx and Staten Island ($191.5 million); renovation of nine courthouses in the Bronx, Brooklyn, and Manhattan ($500.0 million).

- Police: lifecycle replacement of communication equipment, computer equipment, vehicles and other equipment ($476.6 million); replacement of ten precincts ($163 million); rehabilitation of six precincts ($67.2 million).

- Fire: replacement of front-line fire-fighting and support vehicles ($349.5 million); acquisition and construction of EMS ambulance stations ($17.9 million); rehabilitation and renovation of firehouses ($165.3 million); renovation and construction at the Fort Totten training facility ($50.5 million); and continued maintenance and upgrade of the current call box network ($4.6 million).

Recreation and Culturals

- Parks: focused reconstruction and replacement of safety surfaces, play equipment and paths to improve the overall condition of parks ($130.0 million); planting of street trees ($69.4 million); reconstruction of bridges within parks ($49.5 million); rehabilitation of stadia ($46.2 million); replacement of aging vehicles ($42.7 million) and construction of Hudson River Park ($98.0 million) and Brooklyn Bridge Park ($43.8 million).

- Public Libraries: renovations at the Humanities and Social Services Library at 42nd Street ($9.4 million, for a total City contribution of $33.9 million); full renovation and expansion of the Mid-Manhattan branch ($19.2 million, for a total City contribution of $23.2 million); construction of the new Bronx Borough Center to be located at 310 East Kingsbridge Road ($16.1 million, for a total City contribution of $26.9 million); construction of a new Mid Island branch on Staten Island ($4.0 million); extensive renovation at the Williamsburg branch ($3.3 million); extensive renovations at the Brooklyn Public Library's Central Branch ($11.2 million) to include façade and parapet restoration, resurfacing of the front plaza and ADA work; system-wide roof replacement programs at the Brooklyn Public Library ($6.7 million) and at the Queens Borough Public Library ($3.4 million); site acquisition and construction of a new Kensington Library in Brooklyn ($3.7 million); replacement of heating systems at the Queens Borough Public Library ($2.8 million); creation of a new Long Island City branch ($6.1 million); and the construction of a new Cambria Heights branch in Queens ($4.8 million).

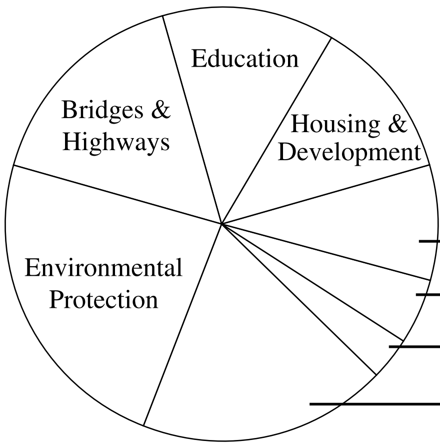
- Department of Cultural Affairs: a Master Plan including renovations and upgrades at Lincoln Center for the Performing Arts ($216.0 million for a total commitment of $240.0 million); a new Frank Gehry-designed building for the Guggenheim Museum of Art ($67.8 million, including the value of the land); improvements, including an addition, to the Queens Museum of Art ($24.3 million for a total City contribution of $26.6 million); comprehensive reconstruction and expansion at the Metropolitan Museum of Art ($23.0 million); major improvements to the New York Aquarium as part of the Mayor's Coney Island Revitalization Project ($19.5 million); major reconstruction and expansion at the Brooklyn Children's Museum ($18.3 million for a total City commitment of $24.3 million); reconstruction and an addition to the New York Hall of Science ($17.9 million for a total commitment of $47.2 million); major improvements, including Master Plan construction, at the New York Botanical Garden ($13.9 for a total City contribution of $26.8 million); creation of a new wing for the Museum of Jewish Heritage ($10.0 million for a total commitment of $22.0 million); a new permanent home for Alvin Ailey ($7.5 million); reconstruction and an addition to the Bronx Museum of the Arts ($6.6 million for a total commitment of $7.4 million); and a major addition to the Morgan Library ($5.0 million).

Department of Citywide Administrative Services

- Public Buildings: compliance with legal mandates ($206.0 million), including vapor control and leak detection equipment for petroleum underground storage tanks ($60.6 million), lead and asbestos abatement ($73.7 million), and compliance with the Americans with Disabilities Act ($7.9 million); the reconstruction of public buildings and City owned office space ($882.5 million), including interior rehabilitation of the Manhattan Municipal Building ($41.3 million); the renovation of leased space ($95.8 million), including the construction of the Department of Finance Bronx Business Center ($7.4 million) and the renovation of City Council offices ($2.9 million); and the reconstruction of waterfront and non-waterfront properties including construction at the Kingsbridge Armory ($15.0 million).

2002 AUTHORIZED CAPITAL COMMITMENTS, BY PROGRAM

($ in Millions - All Funds)



% of Plan	*Program*	*2002 Plan*
23.5%	Environmental Protection	$2,166
16.2%	Bridges & Highways	1,484
12.9%	Education	1,189
12.1%	Housing & Development	1,119
8.6%	Administration of Justice	791
4.9%	Mass Transit	451
3.2%	Sanitation	293
18.6%	Other City Services	1,716
	Total	**$9,209**

Environmental Protection and Sanitation

- Water Supply: construction of shafts for City Tunnel No. 3, Stage 2 ($88.8 million); modifications to structures on the Hillview Reservoir ($16.3 million).

- Wastewater Treatment: construction related to the Newtown Creek Wastewater Treatment Plant upgrade ($198.2 million); retrofitting water pollution control plants to decrease the amount of discharged nitrogen ($16.0 million); reconstruction of the Avenue V Pumping Station in Brooklyn ($100.5 million); construction of the Paerdegat Basin Combined Sewer Overflow facility ($78.4 million).

- Water Mains: start of construction of the Croton Water Filtration Plant ($143.8 million); trunk main replacements at Redfern Avenue in Queens ($12.8 million) and Richmond Road in Staten Island ($13.3 million). Projects upstate in the watershed include the reconstruction of City-owned Reservoir bridges ($10.0 million); reconstruction of upstate dams on the Kensico and Muscoot Reservoirs ($15.0 million); continuation of the land acquisition program ($37.7 million); reconstruction work at the City-owned Port Jervis Wastewater Treatment Plant ($7.0 million).

- Sanitation: replacement of collection trucks, mechanical brooms and salt spreaders in accordance with established replacement cycles ($59.4 million).

Transportation

- Bridges: the continued reconstruction/rehabilitation of the four East River Bridges; the reconstruction of three bridge structures rated "poor" and 17 bridge structures rated "fair"; protective coating of the Queensboro Bridge and Brooklyn Bridge ($653.4 million).

- Highways: the reconstruction and/or resurfacing of 252.3 linear miles (844.7 lane miles) of streets; construction of a second asphalt plant to realize savings in asphalt purchasing contracts ($367.7 million).

- Transit: contribution to the MTA's capital program including subway and bus fleet enhancement, infrastructure improvements, in-house track rehabilitation, reconstruction of bus and subway lines and facilities ($451.3 million).

Education, Health and Social Services

- Education: a total program of $1.2 billion. Funding is provided to construct new schools ($444.6 million); expand facilities through leases, building additions, transportables, modular classrooms and new athletic fields and playgrounds ($183.7 million); rehabilitate, replace and upgrade building components ($407.5 million); modernize school buildings ($38.2 million); make capital improvements that enhance educational programs ($19.7 million); address the need for security systems, emergency lighting and code compliance ($28.9 million); and cover emergency projects, research and development, and prior plan completion costs ($50.9 million).

- Health: renovation of the Manhattanville Health Center ($6.3 million); renovation of the Jamaica Health Center ($3.4 million); renovation of the Manhattan Animal Shelter ($3.3 million); upgrade of the heating, ventilation, and air conditioning (HVAC) and fire alarm systems at the New York City Health Department Laboratory in Manhattan ($2.5 million); construction of a free-standing mortuary at Kings County Hospital in Brooklyn ($2.2 million); and replacement of the emergency generator at the Bio-level III laboratory in Manhattan ($1.7 million).

- Aging: renovation of the Department's administrative office in lower Manhattan ($1.3 million); new kitchen dining hall and lounge for the Jewish Community Center of Staten Island ($2.4 million); conversion of PDS and Uni-form to a web-based platform ($2.0 million); development of a grants management computer system ($2.2. million).

- Children's Services: construction of the Williamsburg Day Care Center ($5.7 million) and the Seabury Day Care Center in the Bronx ($2.8 million); completion of renovations at the Crossroads and Richmond Hill Group Homes ($1.1 million); renovation and expansion of the Jefferson Group Home ($1.2 million); development of an integrated case management system ($2.5 million); enhancement of the legal tracking system ($2.5 million); a health information profiling system ($1.0 million); and the implementation of a document imaging project ($1.6 million) to improve retention, handling and analysis of critical information.

- Homeless Services: code/regulation compliance at Camp LaGuardia ($3.8 million) and the New Life Residence ($3.1 million); development of a new adult facility on the Willow Avenue site to replace the existing building ($10.4 million); upgrade of the DHS computer network system, including an integrated client tracking system with enhanced client and shelter information reporting, and computerization of the Rehousing Unit, which tracks and locates permanent housing for homeless families ($1.8 million).

- Human Resources: the completion of a Special Needs service center ($7.3 million).

Housing and Development

- Housing: disposition and rehabilitation of approximately 4,500 dwelling units through various privatization initiatives ($279.3 million); development starts of over 1,550 new homeownership and rental dwelling units through the New York City Partnership, Nehemiah, Alliance for Neighborhood and Home Ownership Revitalization (ANCHOR), and Mixed Use programs ($52.3 million); provision of low-interest loans to finance the rehabilitation and preservation of approximately 5,800 low and moderate-income units in privately owned buildings under the Article 7A, Article 8A, Participation Loan, Small Homes, and Housing Preservation programs ($144.6 million); and production of 365 units for low-income and homeless individuals, including those with HIV/AIDS or mental illness, through the Supportive Housing Loan Program ($35.1 million); production levels will be dependent on the availability of federal HOME funds.

- Housing Authority: rehabilitation of bathrooms ($4.7 million) in the Bayview Houses, Brooklyn (with 1,610 dwelling units); and the replacement of hot and cold water risers ($2.0 million) in Linden Houses, Brooklyn (with 1,586 dwelling units).

- Economic Development: relocation of the Fulton Fish Market to Hunts Point ($37.2 million); reconstruction of the Whitehall Ferry Terminal ($30.0 million); redevelopment of the BAM Cultural District ($25.0 million); reconstruction of St. George Ferry Terminal ($20.1 million); Audubon Research Park ($18.5 million); expansion of Hunts Point ($15.0 million); Coney Island Sports Complex ($13.0 million); infrastructure improvements at the Brooklyn Navy Yard ($12.9 million); replacement of cranes at Howland Hook ($12.0 million); rehabilitation of the Passenger Ship Terminal ($10.8 million); Fulton Landing Street Pedestrian Improvements ($8.9 million); a new railroad terminal under the Farley Post Office ($5.2 million); rehabilitation to the Battery Maritime Facility ($5.0 million); Randall's Island ($5.0 million); Jewish Community Center Construction at 76th and Amsterdam ($3.0 million).

Administration of Justice and Public Safety

- Correction: 448-cell addition to the George R. Vierno Center ($90.0 million); design of additions to the Adolescent Reception Detention Center and the Rose M. Singer Center ($10.0 million); upgrades to fire safety systems ($21.0 million); reconstruction of the Bronx Detention Complex ($9.0 million); upgrades to telecommunication and information systems ($13.0 million).

- Courts: renovation of the Family Court building in Manhattan ($47.2 million); reconstruction of elevators in court facilities in the Bronx, Brooklyn, and Manhattan ($21.7 million); systems renovation work at the Midtown Community Court in Manhattan ($5.4 million).

- Police: acquisition of a new parking ticket device system ($15.5 million); replacement of mobile data computers ($18.7 million); construction of a new Queens South Taskforce ($7.3 million); lifecycle replacement of vehicles ($11.4 million).

- Fire: replacement of front-line fire-fighting and support vehicles ($50.8 million); acquisition and construction of EMS ambulance stations ($16.4 million); rehabilitation and renovation of firehouses ($32.7 million); renovation and construction at the Fort Totten training facility ($50.5 million); and continued maintenance and upgrade of the current call box network ($1.1 million).

Recreation and Culturals

- Parks: focused reconstruction and replacement of safety surfaces, play equipment and paths to improve the overall condition of parks ($13.0 million); planting of street trees ($6.4 million); reconstruction of East River Park, including bulkheads along the waterfront ($17.2 million, including

$7.1 million in FY'01); reconstruction of Conference House Park ($10.9 million); construction of a park in the Bronx at Barretto Point ($5.0 million); and reconstruction of the Washington Square Arch ($1.1 million).

- Public Libraries: renovations at the Humanities and Social Services Library at 42nd Street ($3.8 million, for a total City contribution of $33.9 million); full renovation and expansion of the Mid-Manhattan branch ($9.6 million, for a total City contribution of $23.2 million); construction of the new Bronx Borough Center to be located at 310 East Kingsbridge Road ($1.8 million, for a total City contribution of $26.9 million); construction of a new Mid Island branch on Staten Island ($2.0 million, for a total City contribution of $4.0 million); extensive renovation at the Williamsburg branch ($3.2 million); extensive renovations at the Brooklyn Public Library's Central Branch ($4.3 million, for a total City contribution of $15.1 million) which includes façade and parapet restoration, resurfacing of the front plaza and ADA work; site acquisition and construction of a new Kensington Library in Brooklyn ($3.7 million); creation of a new Long Island City branch ($6.1 million); and the construction of a new Cambria Heights branch in Queens ($4.8 million).

- Department of Cultural Affairs: a Master Plan including renovations and upgrades at Lincoln Center for the Performing Arts ($24 million); major improvements to the New York Aquarium as part of the Mayor's Coney Island Revitalization Project ($12.2 million); creation of a new wing for the Museum of Jewish Heritage ($10.0 million); improvements to the Queens Botanical Garden ($10.0 million), including a new administration building; façade renovations at the Institute of Contemporary Art (P.S.1) ($8.3 million); improvements to the Brooklyn Children's Museum ($7.3 million); a new Frank Gehry-designed building for the Guggenheim Museum of Art ($6.0 million, plus the value of the land); improvements to the New York Botanical Garden ($5.7 million); comprehensive reconstruction and expansion at the Metropolitan Museum of Art ($5 million); a major addition to the Morgan Library ($3 million); reconstruction and an addition to the Bronx Museum of the Arts ($2.6 million); and a new permanent home for Alvin Ailey ($2.5 million).

Department of Citywide Administrative Services

- Public Buildings: compliance with legal mandates ($66.2 million), including vapor control and leak detection equipment for petroleum underground storage tanks ($47.6 million), lead and asbestos abatement ($7.2 million), and compliance with the Americans with Disabilities Act ($1.9 million); the reconstruction of public buildings and City owned office space ($50.6 million), including interior rehabilitation of the Manhattan Municipal Building ($19.6 million); the renovation of leased space ($29.8 million), including the construction of the Department of Finance Bronx Business Center ($7.4 million) and the renovation of the Department of Finance Sheriff Offices ($5.7 million); and the reconstruction of waterfront and non-waterfront properties including construction at the Kingsbridge Armory ($7.5 million).

Borough Presidents' Allocations

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

FY 2002-2005 Borough Presidents' Allocations*
(City Funded Appropriations $ in thousands)

	2002	2003	2004	2005
Bronx Program				
Economic Development	$530	——-	——-	——-
Housing	832	——-	——-	——-
Higher Education	3,604	——-	——-	——-
Human Resources	1,055	——-	——-	——-
Highways	500	1,761	——-	——-
New York Public Library	3,050	500	——-	——-
Parks	564	——-	——-	——-
Cultural Affairs	2,684	950	1,110	——-
Real Property	73	——-	——-	——-
GRAND TOTAL: BRONX	$12,892	$3,211	$1,110	$0
Brooklyn Program				
Children's Services	$130	——-	——-	——-
Economic Development	2,276	5,689	11,000	13,311
Housing Authority	600	——-	——-	——-
Higher Education	1,030	——-	——-	——-
Human Resources	175	——-	——-	——-
Brooklyn Public Library	2,777	3,026	2,390	3,500
Parks	6,516	1,640	3,000	2,289
Cultural Affairs	15,790	9,645	3,810	6,300
Public Buildings	225	——-	——-	——-
Traffic	650	——-	——-	——-
GRAND TOTAL: BROOKLYN	$30,169	$20,000	$20,200	$25,400

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

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

FY 2002-2005 Borough Presidents' Allocations*
(City Funded Appropriations $ in thousands)

	2002	2003	2004	2005
Manhattan Program				
Education	$500	——-	——-	——-
Economic Development	401	——-	——-	——-
Housing	1,450	400	——-	——-
Health	780	——-	——-	——-
Higher Education	899	——-	——-	——-
Hospitals	201	——-	——-	——-
Highways	1,800	400	——-	——-
New York Public Library	111	——-	——-	——-
Parks	473	150	——-	——-
Cultural Affairs	852	300	——-	——-
Public Buildings	200	——-	——-	——-
Sanitation	63	——-	——-	——-
Transit	250	250	250	——-
GRAND TOTAL: MANHATTAN	$7,980	$1,500	$250	$0
Queens Program				
Education	$628	——-	——-	——-
Economic Development	575	1,500	1,500	500
Higher Education	807	——-	——-	——-
Hospitals	2,000	——-	——-	——-
Highways	562	——-	——-	——-
Queens Borough Public Library	427	——-	450	——-
Parks	3,994	1,935	1,935	——-
Cultural Affairs	21,635	17,023	12,300	——-
Public Buildings	106	——-	——-	——-
Traffic	——-	1,000	——-	——-
GRAND TOTAL: QUEENS	$30,734	$21,458	$16,185	$500
Staten Island Program				
Education	$2,300	——-	——-	——-
Economic Development	500	——-	——-	——-
Higher Education	131	——-	——-	——-
Highways	2,361	2	——-	——-
Parks	5,192	——-	——-	——-
Police	150	——-	——-	——-
Cultural Affairs	1,074	——-	——-	——-
Public Buildings	40	——-	——-	——-
Transportation Equipment	40	——-	——-	——-
GRAND TOTAL: STATEN ISLAND	$11,788	$2	$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 15 client agencies.

Capital Asset Inventory and Maintenance Program

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

Value Engineering

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

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

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

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

FINANCING PROGRAM

The City's financing program projects $30.9 billion of long-term borrowing, excluding refunding, for the period of 2001 through 2005 to support the City's current capital program. Over 85 percent of the financing will be implemented through four bond issuing entities: the City, through its general obligation (GO) bonds, the New York City Transitional Finance Authority (TFA), the New York City Municipal Water Finance Authority (NYW) and TSASC, Inc. In addition, the City will utilize the New York State Dormitory Authority (DASNY), the New York City Industrial Development Agency (IDA) and the Jay Street Development Corp. (JSDC) to fund several capital initiatives. The IDA will finance a portion of the costs for a new New York Stock Exchange (NYSE) building in downtown Manhattan through the issuance of bonds secured by City payments. The JSDC will issue bonds secured by City rental payments to fund the construction of a court building at 330 Jay Street in Brooklyn. Also through financing lease arrangements, DASNY will issue bonds for the City's court facilities program and the expansion and reconstruction of three hospital facilities. A portion of the Lincoln Center capital improvement project and a portion of certain stadium improvement costs may also be funded through the issuance of bonds by a conduit entity, secured by City payments. The annual financing amount during the plan period for each of the bond issuing entities is listed in the table below. As shown, the City will issue approximately $12 billion of its GO bonds, which represents the largest share, 40 percent, of the total program. NYW's annual bonding amount will increase gradually from $1.3 billion in 2002 to $1.9 billion in 2005. The aggregate NYW financing during the plan period will account for approximately 26% of the total program. TSASC, Inc. will have an annual issue of about $630 million in each of the next three fiscal years. It is also assumed in this financing program that the TFA will fully utilize its bonding authorization of $11.5 billion by June 30, 2004.

2001-2005
CAPITAL FUNDING PROGRAM
(In Millions)

	2001	2002	2003	2004	2005	Total
SOURCES OF FUNDS:						
City General Obligation Bonds (1)	$2,984	$2,025	$1,785	$2,535	$4,230	$13,559
Transitional Finance Authority Bonds (2)	1,030	1,350	1,500	1,147	0	5,027
TSASC Bonds (3)	20	695	695	630	0	2,040
Water Authority Bonds (4)	950	1,366	1,816	2,007	1,919	8,058
DASNY and Other Conduit Debt (5)	633	1,722	396	290	388	3,429
Other Sources (6)	156	(1,295)	50	96	84	(909)
Total	$5,773	$5,863	$6,242	$6,705	$6,621	$31,204
USES OF FUNDS:						
City Capital Improvements (7)	$4,407	$5,484	$5,899	$6,385	$6,365	$28,540
City General Obligation Refinancing	1,139	0	0	0	0	1,139
Water Authority Refunding	69	0	0	0	0	69
Reserve Funds and Other (8)	158	379	343	320	256	1,456
Total	$5,773	$5,863	$6,242	$6,705	$6,621	$31,204

(1) *The City has issued $2.379 billion of general obligation bonds during fiscal year 2001, of which $1.139 billion was for refunding purposes. The City expects to issue the remaining $600 million in May 2001.*

(2) *Transitional Finance Authority Bonds excludes bonds issued to defease bond anticipation notes and includes bond anticipation notes and capitalized interest thereon.*

(3) *TSASC Bonds includes a $150 million loan pursuant to the Transportation Infrastructure Finance and Innovation Act ("TIFIA"), estimated to be drawn down by $20 million in fiscal year 2001 and $65 million in each of the fiscal years 2002 and 2003. The size of future TSASC bond issues will be approximately $630 million each in fiscal years 2002, 2003, and 2004. The City expects to derive net proceeds of approximately $2.4 billion from TSASC for capital purposes, including the $604 million of proceeds from the November 1999 TSASC financing and the $150 million TIFIA loan.*

(4) *Water Authority Bonds includes commercial paper and certain revenue bonds issued to date and expected to be issued for the water and sewer system's capital program, and includes reserve amounts. Figures do not include bonds that defease commercial paper.*

(5) *DASNY and other conduit debt includes DASNY financing of the City court capital program, three HHC projects, Jay Street Development Corp financing of the 330 Jay Street project, New York City Industrial Development Agency financing of the New York Stock Exchange project, and other conduit financings. The amounts reflected in fiscal years 2001 through 2005 include a total allocation for reserve funds and other costs of issuance during the period of $486 million.*

(6) *Other Sources includes changes in restricted cash balances, and federal and state grants.*

(7) *City Capital Improvements include capital cash expenditures for various City agencies, including the Department of Environmental Protection, the City's court capital program, Lincoln Center capital improvement, and three projects in HHC's hospital reconstruction program.*

(8) *Reserve Funds and Other comprises amounts necessary to fund certain reserves, certain costs of issuance of securities, and allocation for original issue discounts, capitalized interest, and other uses in connection with the issuance of City, Water Authority, TSASC, and DASNY bonds.*

Transitional Finance Authority

In June 2000, the TFA received an additional $4 billion of bonding capacity, increasing its overall authorization to $11.5 billion. In addition, the State legislature increased the TFA and the City variable rate bond limits to 20% of their respective debt capacities, or $6.1 billion for GO and $2.3 billion for TFA, doubling the existing variable rate capacity.

The TFA's well-established credit structure and market acceptance continue to provide the least costly source of capital financing for the City. For the twelve TFA bond financings (totaling $7.5 billion) issued to date, the average interest rates were approximately 10 basis points lower than those for the City GO bonds with comparable maturities.

Since 1998, the TFA has maintained three bond financings a year, averaging $500 million to $600 million per issue. In 2001, TFA also implemented three transactions: Series 2001A in October 2000, Series 2001B in February 2001 and Series 2001C in April 2001. The TIC for the three tax-exempt financings ranges between 4.7% for Series 2001C to 5.36% for Series 2001A.

During 2001, the TFA also added $300 million to its $750 million floating rate debt portfolio. The bonds have averaged 3.7 percent for the first 10 months of 2001, resulting in at least $16 million of savings in interest costs on an annual basis compared with fixed-rate debt. The TFA plans to issue $100 million of variable rate bonds in each of its future financings during the plan period, increasing its adjustable-rate debt to $1.85 billion. It is expected that by the end of 2004, TFA will exhaust its full bond capacity of $11.5 billion.

The TFA Bond Anticipation Note (BAN) program, initiated in November 1999, continues to provide low-cost interim financing for the City. The 2001 Series 1 BANs issued in February 2001 realized a true interest cost (TIC) of 3.1 percent, which was 10 basis points lower than the MIG-1 index. (The MIG-1 index is a short-term index for notes.) This was the most favorable spread achieved to date compared with an average 3 basis point spread in the previous TFA BAN issues.

The City's personal income tax revenues are projected to grow at an average of 1.9 percent between 2001 and 2005 despite the elimination of various surcharges and implementation of tax cuts. Recognizing the resilience of the TFA revenues as well as its strong legal framework and credit structure, two rating agencies raised TFA's rating in October 2000. S&P raised the rating from AA to AA+, Moodys from Aa3 to Aa2. Fitch maintains the rating at AA+.

New York City General Obligation Bonds and Cash Flow Financing.

With the TFA assuming $5 billion of the City's new money financing needs and TSASC taking up $1.8 billion, the NYC GO will handle the preponderance of the remaining financing requirement at $12 billion during the Financial Plan period through FY2005. The amount of annual GO financings will average about $1.9 billion for new money purposes during the plan period of 2001-2003. Beginning in FY2004, as the TFA approaches its bonding limit and TSASC completes its bonding program, the City will increase its GO financing program to $2.5 billion and $4.2 billion in FY2004 and 2005, respectively.

Currently the debt service for the City and its related financing entities (GO, MAC and lease debt) is 8.1 percent of the City's total budgeted revenues in FY 2001.The ratio will rise to 9.6 percent in FY 2005. As a percentage of tax revenues, the debt service ratio is 14.1 percent in FY 2001 and will increase to 15.8 percent in FY 2005.

Taking advantage of a lower interest rate environment, the City issued three GO refundings in this fiscal year, totaling $1.1 billion. The first refunding issued in October 2000, Series 2001 B&C, generated $22 million of net debt service savings by the end of 2003, with an equity contribution of $15 million in 2001. Similarly, the Series 2001 D&E issued in December 2000 utilized a $31 million cash contribution from the City to defease non-advance-refundable high-coupon debt and generated a net total budget savings of $30 million by the end of 2002. On a present-value basis, both financings achieved 5 percent debt service savings with overall TIC of 5.29 percent for Series B&C and 4.91 percent for Series D&E. After the issuance of the Series 2001 D&E bonds, the Federal Reserve lowered the Federal funds rate by 100 basis points in two separate actions before February. These moves created additional budget saving opportunity for the City through refinancing of those GO bonds previously left out for lack of economic benefits. In February 2001 the City took such opportunity and issued $697.5 million of refunding bonds, (Series 2001F&G) realizing $44 million of gross budget savings and over 5% of present value savings.

Electronic bidding, first implemented in April 1999 for NYC GO, has become the norm for both the GO and TFA's competitive transactions. In October 2000, the City employed the same electronic bidding system for its

Revenue Anticipation Notes (RANs) for the first time. A total of 28 bids were submitted through the Internet, in an amount of $4 billion. The 9-month note was sold with a TIC of 4.22 percent. The City will continue to utilize this technology for its bond and note financings where appropriate.

The City has also increased its use of electronic media to communicate with its investors in the last year. The City, TFA, TSASC and NYW have all posted their preliminary official statements on the web. In addition, the City made available an "electronic road-show" in conjunction with the provision of the preliminary official statement on a related web site, password restricted for institutional investors only, during the sale of GO Series 2001B&C. Marketing the City's bonds through the "virtual" world which can be accessed by a greater number of investors and viewed anytime and anywhere with a computer connection, provides an additional service to institutional investors in City debt.

Since the first conversion of $140 million of floating-rate bonds (VRDBs) into auction-based floating-rate securities in April 1999, the City has continued to monitor their performance relative to other variable-rate bonds. The all-in cost of the auction program, inclusive of credit enhancement and auction agent fees, has been nearly 10 basis points lower than traditionally remarketed variable-rate paper. In addition, the new product broadens the City's investor base, reaching high-net-worth individuals. The City added $100 million of tax-exempt auction rate bonds and implemented the first $100 million of taxable auction-rate bonds in its recent new money issue, the GO Series 2001H. These new series employ a modified auction procedure, allowing three broker-dealers to participate in the same auction bidding process. It is expected that the competition among the dealers will further reduce the yields on the auction-rate debt.

In 2001 to date, short-term interest costs as reflected in the GO $2.9 billion of VRDBs have been 3.7 percent on average for tax-exempt debt and 6.4 percent for the taxable floating rate debt. These VRDBs, which have been traded on average at rates that are at least 150 basis points lower than those for the fixed-rate debt are expected to generate an annual debt service savings of over $40 million.

The City's seasonal borrowing has declined considerably in recent years. From a high of $3.65 billion of RANs and TANs issued in 1991, the City issued only $500 million of RANs in 1999 and $750 million of RANs in 2000 and 2001. The City currently projects issuance of $1.4 billion of RANs in 2002.

Lease Appropriation Debt

On various occasions the City issues debt through a conduit to be repaid by a subject-to-appropriation lease obligation. This has been done through the New York State Housing Finance Agency, the New York State Urban Development Corporation, the New York City Educational Construction Fund and DASNY. The most visible recent projects the City has financed in this manner include Health and Hospitals Corporation projects under the Municipal Health Facilities program, and the City's courts capital program.

Since December 1993, DASNY has completed two bond issues for the City's court capital program, totaling $707 million. These bonds are supported by rental payments from the City, (which are subject to appropriation) and enhanced by a State aid intercept. The intercept is triggered if the City fails to make the rental payment to DASNY. The City plans to raise up to another $300 million of capital funds for courts through DASNY, utilizing the same lease appropriation structure in late 2001. The total court facilities capital program is expected to amount to about $2.3 billion over the next decade as shown in the City's Ten-Year Capital Strategy.

While lease appropriation debt is generally rated at a notch below G.O, on the strength of the State aid intercept, all three rating agencies (Moody's, Fitch and S&P) rated the program at the same level as that of GO in DASNY's 1999 financing for courts. Subsequent to the December 1999 financing, the City's G.O. ratings were increased in the fall of 2000 to A by S&P, A2 by Moody's and A+ by Fitch. However, the court program did not receive a ratings adjustment from Moody's or Fitch. The City intends to seek rating upgrades from all three rating agencies to bring the court program more in line with the City GO ratings and other State appropriation credits.

The City also plans to issue in 2001 lease appropriation bonds through the newly established Jay Street Development Corp. (JSDC) to finance the construction of a large multi-court facility at 330 Jay Street in Brooklyn. The size of the initial issue is expected to be approximately $275 million, with the remaining construction costs to be financed by JSDC over the next four years. It is expected that the first issue, to be priced in May 2001, will be all variable rate debt, with both VRDBs and auction rate securities in order to achieve flexibility and the cheapest cost of debt.

Through DASNY, the City plans to finance three hospital projects in early 2002 totaling approximately $600 million. The projects include a new DNA lab, ambulatory service facilities at Bellevue hospital and the phase-two reconstruction of Kings County Hospital. Through the IDA with a similar lease appropriation structure, approximately $600 million of capital funds will also be raised in early 2002 for the site purchase and a portion of the construction costs for the new New York Stock Exchange facility. Both programs are expected to pursue floating-rate exposure for a portion of the financing. Other lease appropriation debt issuance planned for the coming fiscal years includes $150 million for the renovation of Lincoln Center and $600 million for stadium improvements.

The New York City Municipal Water Finance Authority

NYW was created in 1985 to finance capital improvements to New York City's water and sewer system. Since its first bond sale in November 1985, the Authority has sold $14.88 billion in General and Second Resolution bonds, including $4.48 billion of refunding bonds. Of this aggregate bond par amount, $9.865 billion is outstanding, $4.04 billion was refinanced with lower cost debt, and $1.03 billion was retired with Authority revenues as it matured. In addition to this long-term debt, NYW utilizes a tax-exempt $600 million commercial paper program as a source of flexible short-term financing.

In February, NYW's General Resolution bonds were upgraded to "Aa2" from "Aa3" by Moody's Investors Service, recognizing as key factors the extraordinary legal protections similar to operating company securitizations, and a well-managed capital program. This rating upgrade brings the views of the three major rating agencies more closely in line. NYW is rated "AA" by Standard and Poor's and "AA" by Fitch.

To date in 2001, the Authority has completed three financing transactions. The First Resolution Series A and B issuances consisted of bond sales directly to the public. The Second Resolution Series 1 bonds were issued to the New York State Environmental Facilities Corporation (EFC) and secure a temporary direct loan from EFC to the Authority. The projected financing activity for the remainder of 2001 will consist of a bond sale by the Authority directly to the public for approximately $200 million and approximately $200 million in bonds issued to EFC. Additionally, the Authority expects to take advantage of potential refunding opportunities during the year if the interest rate environment is favorable. These financings are discussed in more detail below.

On November 20, 2000, the FY2001 Series A bonds were offered for sale with a par amount of $328 million. The transaction structure consisted of a single term bond with a maturity of 2033. The fixed-rate, uninsured bonds sold at a 5.66 percent yield, with a TIC of 5.7 percent. This yield was only 13 basis points over the Municipal Market Data (MMD) triple–A scale, representing one of the best (lowest) relative yields ever achieved by NYW. The bond sale was oversubscribed by approximately two times. Proceeds from this sale defeased a portion of the Authority's Series One and Five commercial paper, funded the debt service reserve fund, and paid certain costs of issuance.

Taking advantage of an improvement in interest rates, the Authority's second issuance followed shortly thereafter on December 8, 2000, with an advance refunding of $60 million of FY 2000 Series B bonds. These FY 2001 Series B bonds were offered for sale with a par amount of $68.7 million and resulted in net present value savings of $3.9 million. The transaction structure included serial bonds from 2002 through 2020 and a single term bond maturing in 2031. The term bond sold at a 5.41 percent yield, a very favorable 7 basis points over the MMD triple-A scale. The TIC cost of the issue was approximately 5.4 percent.

On December 14, 2001 the Authority received a direct loan from EFC. EFC offered this $99.5 million bridge loan in anticipation of the restructuring of bond amortizations from 20 years to 30 years — the longer amortizations which are now allowed in New York State by the United States Environmental Protection Agency (EPA). Proceeds from EFC bond sales assist in the financing of federally mandated clean water and safe drinking water projects for municipalities like New York City. NYW used the direct loan proceeds to defease commercial paper previously issued to fund clean water improvements to the system. The subsidized interest cost of this direct loan was a very favorable 2.74 percent. Going forward, NYW expects to issue 30-year Second Resolution bonds to EFC with EFC issuing its 30-year bonds directly to the public.

In the spring of 2001, the Authority expects to sell an additional $200 million of tax-exempt bonds as well as approximately $200 million of bonds to EFC. Additionally, the interest rate environment may allow for refunding opportunities during 2001 and 2002, resulting in net present value savings on the Authority's debt service.

During the period of 2002 and2005, the Authority expects to sell an average of approximately $1.8 billion of new debt per year. Of this amount, NYW plans to issue a minimum of $300 million per year through EFC, taking advantage of the 33 to 50 percent interest rate subsidy available for qualifying projects, and minimizing the overall costs of its financing program.

TSASC, Inc.

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

TSASC postponed its second financing from April 2001 to April 2002 and will delay the third and fourth series of bonds to be issued by a year from the original schedule as well. In addition, TSASC is currently negotiating a $150 million federal government loan, which will be made to TSASC under the Transportation Infrastructure Financing and Innovation Act (TIFIA). This is being reflected as a $50 million reduction in net proceeds in each of the remaining three financings. With additional reductions of bonded amounts otherwise required for liquidity reserves and capitalized interest, the size of the remaining three TSASC public bond issues will be approximately $630 million each. TSASC expects to complete the $150 million TIFIA loan agreement with the Federal Department of Transportation in the next few months. The loan will be secured with TSRs, on a parity with other TSASC senior program bonds, and will have an interest rate comparable to that borne by Treasury obligations. Proceeds from the TIFIA loan will be used to fund a portion of the reconstruction of Whitehall and St. George Ferry Terminals and the purchase of three ferryboats.

TSASC has acquired the City's 3.4% share of the national total TSRs payable under the Master Settlement Agreement (MSA) entered into between 46 States and the manufacturers of over 97 percent of cigarettes sold in the US. After TSASC retains sufficient TSRs to pay for its debt service and operating expenses, the excess TSRs flow to the City through ownership of a residual certificate. The MSA provides for an upfront payment, four Initial Payments payable on each January 10, beginning in 2000 and continuing through 2003 and an Annual Payment payable on every April 15, beginning in 2000. TSASC received the upfront payment of $84 million in December 1999. The first two Initial Payments in amounts of $73 million and $66 million were also deposited into the Collection Account on January 6, 2000 and January 8, 2001, respectively. The 2001 Initial Payment was about $10 million less than what was originally forecasted. This is largely due to an $8 million adjustment for an overpayment of the Annual Payment made in April 2000. The remaining $2 million shortfall is attributable to lower than anticipated cigarette shipments in the US in calendar year 2000 by the four largest cigarette manufacturers, referred to in the MSA as the Original Participating Manufacturers (OPMs). The Initial Payments are based solely on cigarette shipments by the OPMs.

In addition, TSASC also received the first two Annual Payments of $118 million and $136.5 million in April 15, 2000 and April 16, 2001, respectively. All planned debt service due in 2001 and 2002 was fully funded by January of each fiscal year upon receipt of the Initial Payment. The 2000 Annual Payment was about $4 million less than originally forecast in TSASC's 1999 Official Statement due to a Non Participating Manufacturer adjustment. The 2001 Annual Payment received to date was about $1 million less than projected, largely due to delayed payments by some Participating Manufacturers. In general, the Annual Payments vary according to an inflation factor and the annual amount of cigarettes shipped in the US by tobacco manufacturers participating in the MSA, among other factors. Also, the amounts of TSRs received to date are subject to modification as the Independent Auditor receives updated cigarette shipment information from various sources. The adjustments were and will be made against subsequent TSRs.

Recognizing the lower-than-expected receipt from the actual January 2001 Initial Payment and the April 2001 Annual Payment, the City is revising downward its estimate of residual from the 2001 TSRs by $13 million. However, at this time, the City is not adjusting the original TSASC forecast for future TSRs assuming the average annual cigarette consumption decline of approximately 2 percent contained in the original forecast will be the longterm trend. In addition, with the postponement of the TSASC 2001 series, the City expects to realize additional residual revenue, resulting from reduced debt service retention.

MAYOR'S NEW ANNUAL STATEMENT OF DEBT POLICY

Mayor Rudolph Giuliani has established a procedure, set forth in an Executive Order, by which in each fiscal year, at the time of submission of the Executive Budget in April, the Mayor shall review the City's Debt Policies. The first statement of debt policy is included herein. The City's Debt Policy shall include at a minimum the following:

- The maximum debt burden and debt affordability levels deemed desirable as a matter of policy, considering the City's capital investment needs and the cost for financing that investment; Recommended changes in Local Finance Law constraints on issuance by the City and its public financing authorities and recommended changes in the limitations on the issuance of short-term debt as contained in state law;

- The form and structure of borrowing by the City whether directly, through its financing authorities, or by means of subject-to-appropriation borrowings. Such policies should deal at a minimum with the use of competitive versus negotiated sales, fixed versus floating rate debt and the extent of use of swaps or other derivative instruments.

The following policies shall collectively be deemed the Mayor's Debt Policy for the City of New York.

1. AFFORDABLE LEVELS OF DEBT BURDEN:

The Mayor's Office of Management and Budget shall monitor trends in the City's capital program in order to ensure that aggregate debt service of the sum of City General Obligation, lease and MAC debt does not exceed 15 percent of total City revenues and does not exceed 20 percent of City Tax revenues. Use of statutorily limited debt Authority, such as the TFA, will also be noted.

The capital budgeting process of the City, managed by the Office of Management and Budget ("OMB") on behalf of and with the active oversight of the Mayor, must balance the large infrastructure and other capital investment needs of the City against the cost of the debt used to finance the City's capital program. In addition to reviewing the Capital Commitment Plan quarterly, OMB every two years coordinates a comprehensive review of agency requests and existing capital program culminating in the publication of a new Ten-Year Capital Strategy, in Preliminary form in January and in final form in April. Also taken into account are the results of the Comprehensive Asset Condition and Maintenance Report also compiled annually. The capital planning process weighs the impact of debt service costs against the costs of delaying or not implementing needed capital improvements on a ten-year horizon.

Constitutional and statutory debt limits are too blunt an instrument to be used as a mechanism for fine-tuning the affordability of City debt issuance. The City also requires limits on amounts of affordable debt established as a matter of policy, not law. Most commonly used yardsticks of debt burden overstate the relative burden of New York City's debt relative to other large cities. This is because New York City funds a total capital program which in other cities is funded not only by the municipality, but shared among one or more counties, one or more school districts and various special districts. New York City has a large population base and a strong and diverse economy; its resources easily sustain its debt burden. However, measures such as per capita debt or debt as a percent of personal income make New York City's debt burden look disproportionately high. This is because in other cities the amount of debt incurred by the municipality is small relative to other "overlapping debt" of counties, school districts and special districts and relative to their population size and economic base. Data gathering to add such overlapping debt into the debt burden of other large cities is difficult, time-consuming and subject to error and interpretation.

On the other hand, debt service as a percentage of either the total budget or in proportion to local taxes more accurately measures debt burden relative to the resources and responsibilities of each particular city. On these measures, the debt burden of New York City is not high. New York's debt service is 8.1 percent of total budgeted revenues in 2001 rising to 9.6 percent in 2005 compared to a mean of 13 percent for the 15 largest cities excluding New York City. As a percent of local tax revenues, New York City's debt service is 14.1 percent in FY2001 and will rise to approximately 15.8 percent in 2005, compared to a mean for the 14 largest cities of 17.4 percent.

These ratios appropriately exclude debt service on TFA bonds, which have their own statutory and covenanted maximums on debt and debt service, debt service on TSASC bonds, which are self-supporting from non-City revenues, and debt service on Water Authority bonds which are fee-supported revenue bonds of the type excluded from the ratios for the other large cities. In addition, in calculating the debt ratio, the general obligation (GO) bond debt service is reduced by the amount of rental payments from the Water System to the extent equal to debt service on GO bonds issued for water and sewer purposes prior to the creation of the Water Authority. Pre-payments of debt service from prior or current year surplus, which has an effect of artificially reducing or increasing the annual debt service costs, are also excluded from the calculation. This methodology is consistent with the format historically used by the Mayor's Office of Management and Budget.

New York City's debt ratios are particularly favorable compared to the largest cities when unfunded pension liabilities are taken into account. Many analysts view unfunded pension liabilities, which are accounted for as long-term liabilities, as an add-on to bonds in calculating debt ratios. For New York City, there is no significant unfunded liability in the aggregate for the major pension systems, a circumstance dramatically different from that of many large cities.

TFA bonds, which also have a statutory cap of $11.5 billion of debt issuance, have a covenant with bondholders preventing additional debt issuance if it would result in TFA debt service in excess of $330 million per quarter. This has the practical effect of limiting the issuance of TFA debt to approximately $12 billion, depending on interest rates at the time of issuance.

2. LIMITATIONS ON CASH FLOW FINANCINGS:

Provisions of the Financial Emergency Act requiring that City note financings for cash flow purposes be secured by clearly identified revenues or taxes and prohibiting cash flow borrowing over fiscal year end should be incorporated permanently into the State Local Finance Law to ensure that these guidelines will continue to exist after the sunset of the Financial Emergency Act in 2008. Bond Anticipation Notes can be a useful way to access the short-term capital market as an alternative to variable rate bonds or as a construction period financing device and should not be limited to maturity to the fiscal year in which issued.

3. LIMITATIONS ON DEBT ISSUANCE IN LOCAL FINANCE LAW:

The Local Finance Law as it applies to debt issued to finance the capital program of New York City must be reviewed annually to advise the State Legislature of recommended amendments and modernization to permit the City to incorporate in its borrowings the latest prudent cost saving financial techniques.

The Local Finance Law contains a long list of restrictions and compliance rules for the issuance of New York City GO and TFA debt. These include:

- limitations on the amount of variable rate indebtedness.
- requirements that amortization of debt be in relation to statutorily specified periods of probable usefulness (“PPUs”) of assets financed.
- formulations which have the effect of requiring roughly level or declining annual debt service.
- limitations on capital purposes for which the proceeds of indebtedness may be used.
- the requirement that advance refunding must either result in present value savings or produce the defeasance of certain state covenants contained in bonds to be refunded.
- the requirement that bonds issued for advance refunding purposes be amortized separately from bonds amortized to fund the City’s ongoing capital program.
- limitations on the use of negotiated or private sale of bonds as alternatives to advertised bids and making such sales subject to approvals by the State Comptroller.

The legislative proposals of the City for calendar year 2001 contain several technical but important amendments to the Local Finance Law which would afford the opportunity for significant cost savings for taxpayers without relaxing or foregoing the City’s conservative and prudent approach to debt issuance. These include the proposal that refundings and new money be permitted to be structured together to meet amortization requirements when new money issues are combined with bonds issued to refinance previously issued debt. This change would apply to both general obligation and TFA financings. In addition, the City is proposing that it be expressly authorized to utilize interest rate swaps (as is currently the case for at least one State financing authority), to issue bonds with detachable call provisions, and to issue debt payable in foreign currencies for sale in international markets for debt not qualifying for tax-exempt status. Foreign borrowings would be required to be entirely hedged so that the liability of the City for debt repayment would be paid in dollars at a known cost.

4. VARIABLE RATE DEBT ISSUANCE:

Variable rate indebtedness up to a level of 20 percent of overall indebtedness represents a prudent and balanced approach to liability management for the City.

In calendar 2000, the State Legislature responded to the City's request that statutory limits on variable rate indebtedness for GO and TFA bonds be raised to 20 percent. The City is currently utilizing the 20 percent variable rate debt target as a guideline for all of its sources of financing including the Water Authority and for the City's overall debt service budget including subject-to-appropriation lease financings.

5. COMPETITIVE VERSUS NEGOTIATED BOND AND NOTE SALES:

- *Issuance of bonds in amounts of less than $250 Million per issue and notes in amounts of less than $2 Billion should be sold by competitive sale (Advertised bids) unless market conditions are sufficiently unsettled or the particular credit being marketed is so complicated as to warrant negotiated sale.*
- *Negotiated financings as small as $100 Million in size are also appropriate 1) when a smaller "emerging" securities firm among several lead firms in a larger financing program has earned a book running position but is not experienced in running deals of $250 Million or larger and 2) when a securities firm has structured and earned the right to lead a financing which for various reasons, technical or market, ends up smaller than $250 Million in size.*
- *Financings larger than these amounts should be marketed by negotiated sale in order to mobilize optimal underwriter support and to make possible the use of retail pre-sale order periods necessary to ensure the lowest interest cost on the borrowing.*
- *At least once every four years underwriters for negotiated sales should be reviewed and selected in a competitive process by means of a formal request for proposals process. The Mayor's underwriter's selection committee consisting of the Director of Management and Budget, the corporation Counsel, the Deputy Mayor for Finance and the Commissioner of Finance ensures that this process is fair and equitable.*

The City together with its financing authorities is a recognized leader in the development of the technique of presale retail order periods which have significantly broadened the market for New York City bonds and contributed to the reduction in relative interest rates on City-related financings. Retail order periods are particularly helpful for the large financings which are common for New York City. Such presale retail marketing can only be accomplished as part of a negotiated bond sale.

6. INTEREST RATE SWAPS AND OTHER DERIVATIVE INSTRUMENTS:

Any use of these techniques should only be upon express approval of the budget director on the Mayor's behalf, and pursuant to the standards on the use of swaps and derivatives instruments enumerated below.

The City has not utilized interest rate swaps and other derivatives in recent years. There is a good case to be made that utilization of such financial products, in limited amount, and as a prudent hedge (for example against foreign exchange risk on international borrowings) or as a means to achieve a balanced liability structure (for example fixed-to-floating swaps used as an alternative to variable rate debt) can be useful tools in the City's overall debt management. To ensure that they are used prudently, swaps and derivative instruments should be used only upon express approval of the Mayor or his designated representative and pursuant to the following guidelines dealing with the extent and criteria for the use:

- risks (including counterparty risk, interest rate risk, renewal risk, basis risk and leveraging) should be carefully identified and compared to benefits obtained.
- the City should seek to obtain at least a 10 basis point benefit and should obtain a greater benefit if the derivative product is leveraged or if the product is long-dated (greater than 10 years in duration).
- counterparties used should have long-term bond ratings in the double-A rating category or higher

and, where possible, should be required to collateralize their obligations if their ratings are downgraded below the double-A rating category.
- the City should seek to diversify its counterparties.
- products should be favored which have well-established and liquid markets to facilitate termination of the contract where desirable or necessary.

7. INVESTMENT OF BOND PROCEEDS AND OF DEBT SERVICE FUNDS:

The City and its financing Authorities will invest bond proceeds and monies set aside to pay debt service subject to written investment guidelines or statutory or bond indenture criteria. All Investments including investments of open market securities for escrows on advance refundings will be obtained by competitive bidding where possible.

In the case of the Water Authority and TFA, the Boards of those respective authorities have formally adopted Investment Guidelines. TSASC and the Jay Street Development Corporation investments are pursuant to their respective bond indentures. Proceeds of City GO bonds and notes are invested by the City Comptroller pursuant to formal investment guidelines approved by the Comptroller. The State Comptroller invests City property taxes set aside to pay debt service on City GO bonds and on City revenue and tax anticipation notes pursuant to statutory guidelines.

Providers of advice and other services relating to the investment of proceeds of bonds and of assets of the City's pension systems must be precluded from making political contributions to City elected officials or candidates for elected office, a prohibition similar to existing prohibitions on political contributions by underwriters to candidates for City offices.

The City and its financing authorities do not engage in leveraged investment transactions of the type which resulted in the bankruptcy in Orange County, California. The City's consistent policy of requiring competitive bidding for escrows on advance refundings kept City financings from any shadow of suspicion during the investigations of "yield burning" over the past five years.

8. PAY-AS-YOU-GO-CAPITAL:

The City's conservative practice of paying for assets with lives of three and four years out of the operating budget rather than borrowing to pay for such assets amounts to a significant $150-to-$200 Million pay-as-you-go policy. This amount should contine to be presented separately as Pay-Go in the City budget and debt reports.

Most local governments across the country borrow for at least a large portion of assets with lives of three years or longer. The fact that New York City pays for assets with lives under five years out of the operating budget is a significant and conservative budgeting and debt management practice which deserves greater attention by the public, the rating agencies and investors.

As a matter of principle and policy, the average life of the financing sources of the City's capital program should be long and roughly match the long average life of the assets being financed. This ensures intergenerational equity among the taxpayers using bond financed assets over the approximate twenty-year average life of those assets. For this reason, pay-as-you-go-capital, paid only by today's taxpayers, should appropriately be limited in amount.

9. ADVANCE REFUNDINGS (REFINANCINGS OF EXISTING DEBT):

The City will continue its conservative practice of requiring that advance refundings produce savings at least equal to 5 percent.

Current federal government regulations for the use of tax-exempt municipal financing limit state and local governments to one advance refunding of previously issued debt (if issued after 1987, otherwise to two refundings). The 5 percent savings target utilized by the City on advance refundings ensures that should interest rates decline further in the future the City will be able to capture additional debt service savings for taxpayers. This savings threshold also ensures that the savings obtained for taxpayers is in excess of five times the fees paid to underwriters to execute the transaction.

10. INVESTOR RELATIONS:

The City will continue to commit resources and utilize the latest technologies to ensure that the borrowings to fund its capital program will continue to be viewed by investors as representing state of the art investor relations techniques.

This will be a crucial factor in ensuring that the City's borrowing costs are the lowest possible in the marketplace.

11. OTHER SOURCES OF INFORMATION FOR THE PUBLIC AND FOR INVESTORS ON NEW YORK CITY DEBT MANAGEMENT:

New York City has the most extensive and transparent reporting on financial management including debt management in the country. In January and April of each calendar year, the City publishes an extensive textual discussion as a part of the release of its Preliminary Budget (in January) and Executive Budget (in April), with a time horizon of four fiscal years. This text includes a lengthy textual presentation and review of both the City's Capital Program and its Financing Program. Biennially, the City publishes in January and April respectively its Preliminary Ten Year Capital Strategy and then its Ten Year Capital Strategy. The City also annually publishes its Asset Condition and Maintenance Schedules for Major Portions of the City's Capital Plant. At the time of publication of the Ten Year Capital Strategy, the City publishes an additional report comparing the recommended levels of funding in the Asset Condition and Maintenance Report with actual proposed budgeted funding levels. Annually in April, the Mayor publishes his Annual Statement of Debt Affordability and his Annual Capital Program Affordability Certificate. In June, after budget adoption, the Mayor publishes his Annual Declaration of Need and Proposed Transitional Capital Plan. In addition, the City Comptroller publishes in December of each calendar year his Annual Report on Capital Debt and Obligations.

Analysis of Agency Budgets: Mayoral Agencies

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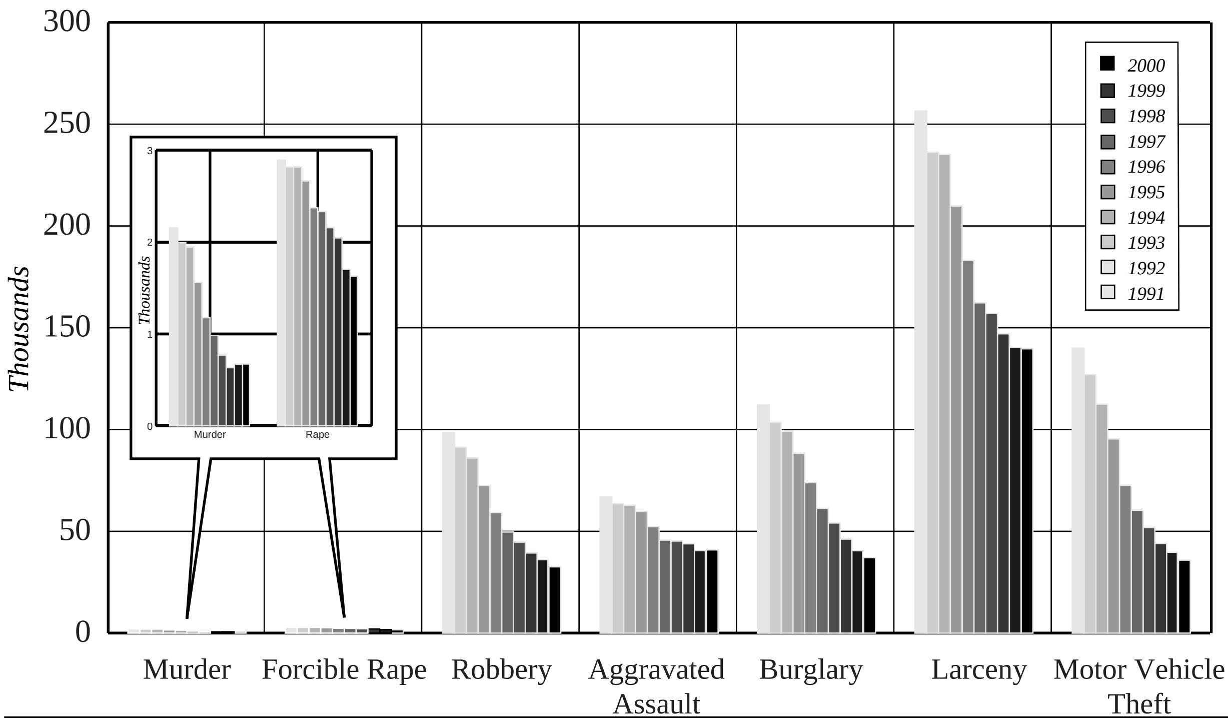
Overview

As a result of the Administration's focus on crime-fighting and quality-of-life issues, reported crime in New York City continues to dramatically decrease. From calendar years 1993 to 2000, FBI Index crimes declined by 52 percent. During this period, crime in all seven major categories declined significantly. Motor vehicle theft experienced the largest decrease (68 percent), followed by murder (65 percent), burglary (62 percent), robbery (62 percent), forcible rape (42 percent), larceny (41 percent) and aggravated assault (35 percent).

In addition, the FBI Crime Index for New York City showed a four percent overall decrease from calendar years 1999 to 2000. The number of robberies, motor vehicle thefts and burglaries experienced the largest changes, decreasing 10 percent, 10 percent and 8 percent, respectively.

NEW YORK CITY FBI INDEX CRIMES

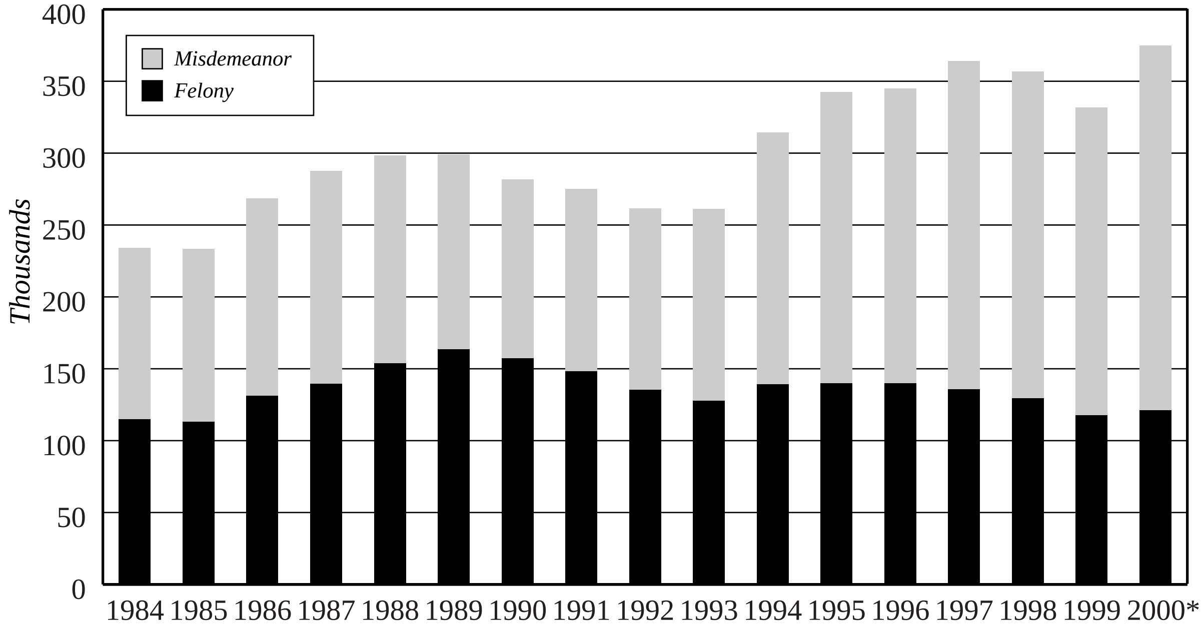
Calendar Years 1991-2000



Arrests totaled 387,233 in 2000, an increase of 46 percent from 1993. Misdemeanor arrests increased by 90 percent during the same period, from 133,446 in 1993 to 253,704 in 2000. The steady increase in misdemeanor arrests reflects the Police Department's focus on quality of life improvements.

NEW YORK CITY FELONY & MISDEMEANOR ARRESTS

Calendar Year 1984-2000



** Preliminary*
1984 – 1999 as per Official Crime Comparison Reports

The average daily inmate population (ADP) has decreased recently. From 2000 through March 2001 the ADP fell by 7 percent, from 15,531 to 14,489. The decrease in ADP is primarily attributed to decreases in state contract inmates, pretrial detainees and parole violators. The average length of stay for parole violators decreased by 15.7 percent during this period, from 70 days in 2000 to 59 days through March 2001. March year-to-date jail admissions declined by 4 percent, from 93,530 in 2000 to 89,925 in 2001.

Productivity Initiatives

CITY-WIDE DRUG INITIATIVE

A central focus of the City's strategy to fight crime has been to aggressively pursue illegal drug activity. Since 1996, the Police Department's Narcotics Division has employed drug initiatives, which focus narcotics enforcement through a command center and coordinates uniform, undercover and detective components. In January 2000, the Police Department began an aggressive initiative to enhance the Citywide Drug Initiative and increase its anti-drug policing activity. Known as Operation Condor, the NYPD initially deployed 100 daily additional narcotics modules on the street regularly on officers' scheduled days off. The effects were swift and substantial, as felony arrests soared and crime declined. The program has since been modified to include quality of life enforcement.

TRANSFER OF RESPONSIBILITIES TO THE CCRB

In January 2001, the Mayor and Police Commissioner announced a plan to transfer certain prosecutorial responsibilities from the Police Department to the Civilian Complaint Review Board (CCRB). Under this plan, the CCRB will assume the duties of prosecuting police officers with substantiated cases of police abuse before Administrative Law Judges at the Office of Administrative Trials and Hearings (OATH). Currently, the CCRB investigates allegations of police abuse and refers substantiated cases to the Police Department. Currently, all uniformed personnel above the rank of police officer are prosecuted within the Department. The 2002 Executive Budget reflects the shift in this function from the NYPD to the CCRB and OATH.

POLICE DEPARTMENT

In 2002, the Department is projected to achieve a peak uniform headcount of 40,710 demonstrating the Administration's continued commitment to fighting crime and improving the quality of life for the people of New York City.

The Department has also continued its efforts to improve its facilities. The 2001 Executive Budget included over $4 million for the repair and maintenance of precincts and other department buildings. The 2002 Executive Budget provides funding for the hiring of 60 custodians and 200 full time equivalents dedicated to cleaning and maintaining the Department's 97 precincts, transit districts and public service areas. Funding for the replacement of precinct furniture is also included in the budget.

DEPARTMENT OF CORRECTION

Beginning in September 2001, 350 new recruits will be trained to serve as correction officers in City jails. The new officers will replace attrition and will enable the Department to continue to control overtime expenditures in 2002.

Because of the 7 percent decrease in population, from 2000 to March 2001, City jails have remained under capacity for most of the year. This has enabled the Department to consolidate beds and close entire housing areas, thereby operating more efficiently and effectively.

Population management strategies also enable the Department to close beds to perform necessary reconstruction and improvements within jail facilities. The Department expects to commit $188 million for capital improvements to existing capacity in 2002. These projects improve the overall security, conditions, fire safety, and food service in the jails.

Other Criminal Justice Programs

In 2002, the Department of Juvenile Justice (DJJ), in conjunction with the VERA Institute of Justice, will pilot the Portable Adolescent Therapy (PAT) Program. PAT is a program designed to provide drug treatment to substance abusing adolescents. This treatment program will follow the adolescent regardless of their point within the City or State juvenile justice systems. The program anticipates drug treatment in order to reduce the likelihood of adolescents returning to the juvenile justice system. The City has allocated $3 million over three years to implement the PAT program.

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. In 2002, the Department will reach a peak uniform headcount level of 40,710 complemented by a planned civilian headcount of 8,586. These numbers include the personnel of forces in all operational, patrol, and support functions.

Financial Review

The New York Police Department's 2002 Executive Budget provides for an operating budget of $3.24 billion, a decrease of $166 million from the $3.41 million forecast in 2001. This decrease is due primarily to a reduction in overtime combined with certain federal funds and private grants that are not yet reflected in the budget. Capital commitments in the Four-Year Plan total $391.6 million.

Revenue Forecast

The Police Department collects revenue from fees charged for pistol licenses, rifle permits, fingerprint fees, accident records, tow fees, and unclaimed cash and property that is abandoned or confiscated as a consequence of the commission of a crime. The Department expects to collect $32.8 million in 2002.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- The 2002 Executive Budget includes $30 million for the purchase of new Police vehicles. Due to an aging fleet and an expanding police force, the Department's vehicle fleet has been chronically below quota and many vehicles have exceeded their lifecycle. The expenditure of $30 million over two years will address the urgent need for replacement of deteriorating patrol cars and other vehicles within the fleet, and will ensure rapid response to emergencies throughout the City.

- Much of the Police Department's success in reducing crime has been due to the Citywide Narcotics Initiative. Begun in 1996, the initiative is aimed at eliminating illegal drugs from the City's streets. The 2002 Executive Budget includes funding of $33.3 million to continue the Narcotics Initiative, through March 2002.

- In January 2000, the NYPD began an overtime enhancement program to the Narcotics Initiative known as Operation Condor. This aggressive effort has produced thousands of additional drug arrests and is credited with keeping the City's crime rate at historically low levels. The 2002 Executive Budget allocates $75 million to continue this program through March 2002.

- To further improve its awareness of the communities it serves, the Department will contract with an independent marketing firm to conduct a neighborhood satisfaction survey. This survey will assess the perception of neighborhood residents toward the Police Department and the quality of the services they receive. The results of this survey will then be developed into a planning document to develop strategies for improvements in services and community relations.

- The Department is taking steps to attract qualified police officer candidates through a recruitment and outreach campaign. This effort will include advertisements in newspapers, on public displays, and on radio and television. The Executive Budget includes $6.6 million for this campaign. In addition to advertisements, the Department will expand the frequency and locations of its examinations. The NYPD, in conjunction with DCAS, will offer the police exam three times a year at citywide locations as well as at selected military bases across the nation, and at colleges and universities in the New York region.

- The 2002 Executive Budget includes funding to hire 60 new custodians and 200 full time equivalents for the cleaning and upkeep of Department facilities. The additional staffing is required to bring the NYPD's 97 Precincts, Transit Districts and Public Service Areas to an improved state of cleanliness and order. A funding commitment of $5.8 million in 2002 is dedicated to this effort.

- As part of his 2001 State of the City Address, the Mayor announced a new program to target criminals with outstanding warrants. Known as Operation Discover, the initiative doubles the size of the Department's Warrants Squad and $4 million is provided in the Executive Budget for equipment such as cars, radios, computers and other technical support.

- The Executive Budget contains funding for additional School Crossing Guards. Announced as part of the Mayor's 2001 State of the City Address, $1.9 million has been allocated annually for increasing the number of Crossing Guards to bolster safety near City schools.

- In order to eliminate the City's backlog of DNA evidence, $3.7 million is included in the Executive Budget for a contract to process DNA kits currently waiting analysis in sex offender cases.

Summary of Agency Financial Data

The following table compares the 2002 Executive Budget with the 2002 Preliminary Budget, the 2001 forecast and actual expenditures for 2000.

Summary of Agency Financial Data

($000's)

					Increase/(Decrease)	
			2002		2001	2002
	2000 Actual	2001 Forecast	Preliminary Budget	Executive Budget	Forecast	Preliminary Budget
Expenditures						
Personal Service	$2,989,529	$3,178,579	$3,029,968	$3,075,552	($103,027)	$45,584
Other Than Personal Service	198,350	235,722	161,284	172,360	(63,362)	11,076
Total	$3,187,879	$3,414,301	$3,191,252	$3,247,912	($166,389)	$56,660
Funding						
City	$2,836,670	$3,035,061	$3,005,034	$3,016,378	($18,683)	$11,344
Other Categorical Grants	121,050	124,566	72,403	80,167	(44,399)	7,764
Capital IFA	1,330	1,797	1,797	1,797	—	—
State	15,252	15,219	5,800	5,852	(9,367)	52
Federal						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	1,500	1,500	1,500
• Other	111,922	107,093	17,433	53,433	(53,660)	36,000
Intra-City Other	101,654	130,565	88,785	88,785	(41,780)	—
Total	$3,187,879	$3,414,301	$3,191,252	$3,247,912	($166,389)	$56,660
Personnel (at fiscal year-end)						
City	48,656	49,381	46,649	49,222	(159)	2,573
Non-City						
• IFA	38	74	74	74	—	—
• CD	—	—	—	—	—	—
• Other	575	—	—	—	—	—
Total	49,269	49,455	46,723	49,296	(159)	2,573

Programmatic Review

The 2002 Executive Budget reflects the Police Department's effort to build on its success in reducing crime to record levels while improving its infrastructure and emergency response capabilities.

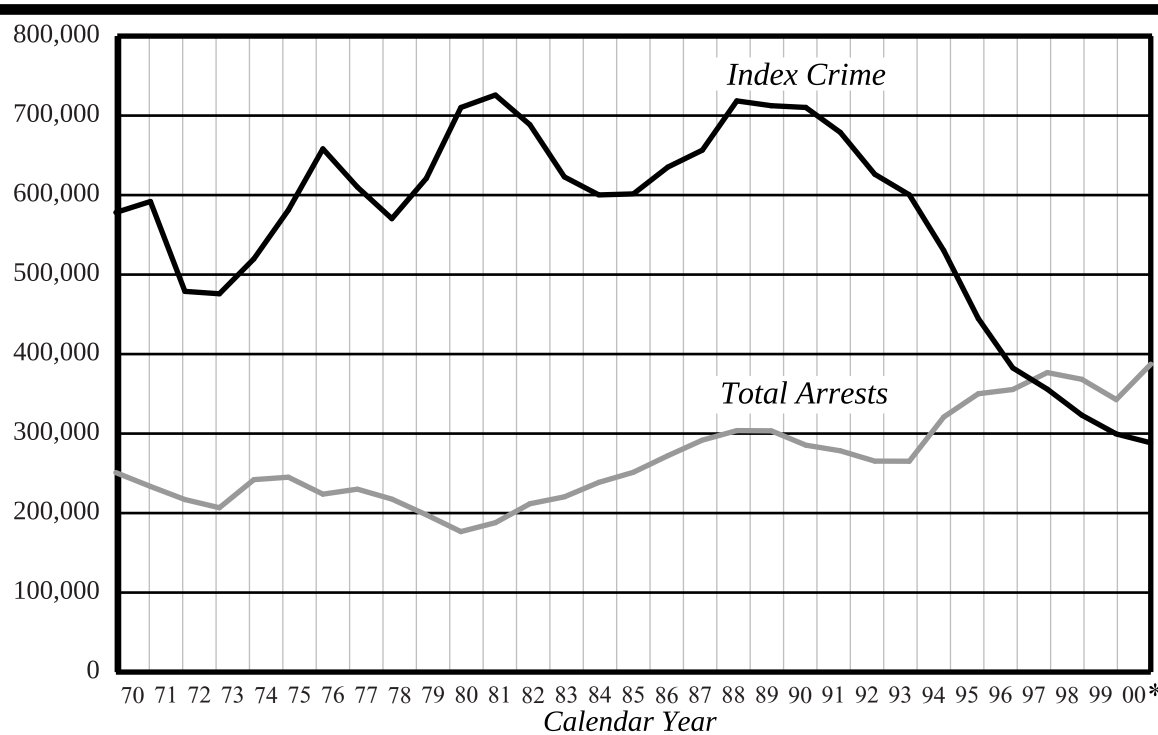
In 2001, the Department expanded the police force to its largest size in history. In 2002, the NYPD will engage in a recruitment and outreach program aimed at attracting top candidates within and outside of New York City and increasing the number of police exams administered each year.

To address a shrinking and aging vehicle fleet, the Department increased its replacement purchases of vehicles and will begin replacing the mobile data terminals within them. Upgrades and replacement of Department helicopters will further enhance the NYPD's abilities to rapidly respond to emergencies throughout the City. In response to a steady rise in call volume to the City's emergency 9-1-1 call center, the City is exploring the feasibility of a non-emergency 3-1-1 call taking system. This system would increase public access to information and services, improve the quality and responsiveness of public services, and provide volume relief to the critical lines of communication to the emergency 9-1-1 call center.

In 2001, the Department received over $4 million to improve the physical state of its facilities. In 2002, the NYPD will hire 60 additional custodians and 200 full time equivalents to clean and maintain the 97 precincts, transit districts and public service areas in the City. The increase in staffing, along with additional funding for the replacement of precinct furniture, will ensure that police facilities are property maintained for the public and for the employees of the Department.

Crime rates reached an historic low in 2000. Complaints received for the seven major crimes in the FBI index totaled 288,368 in calendar year 2000, which is lower than any single reported year since 1970. According to preliminary data, arrests in calendar year 2000 totaled 387,233, an increase of 46 percent compared to 265,229 total arrests in calendar year 1993. While felony arrests are down, misdemeanor arrests have increased steadily since 1994. The increase in misdemeanor arrests is indicative of the Police Department's focus on quality of life improvements.

INCREASED ARRESTS AND REDUCED CRIME

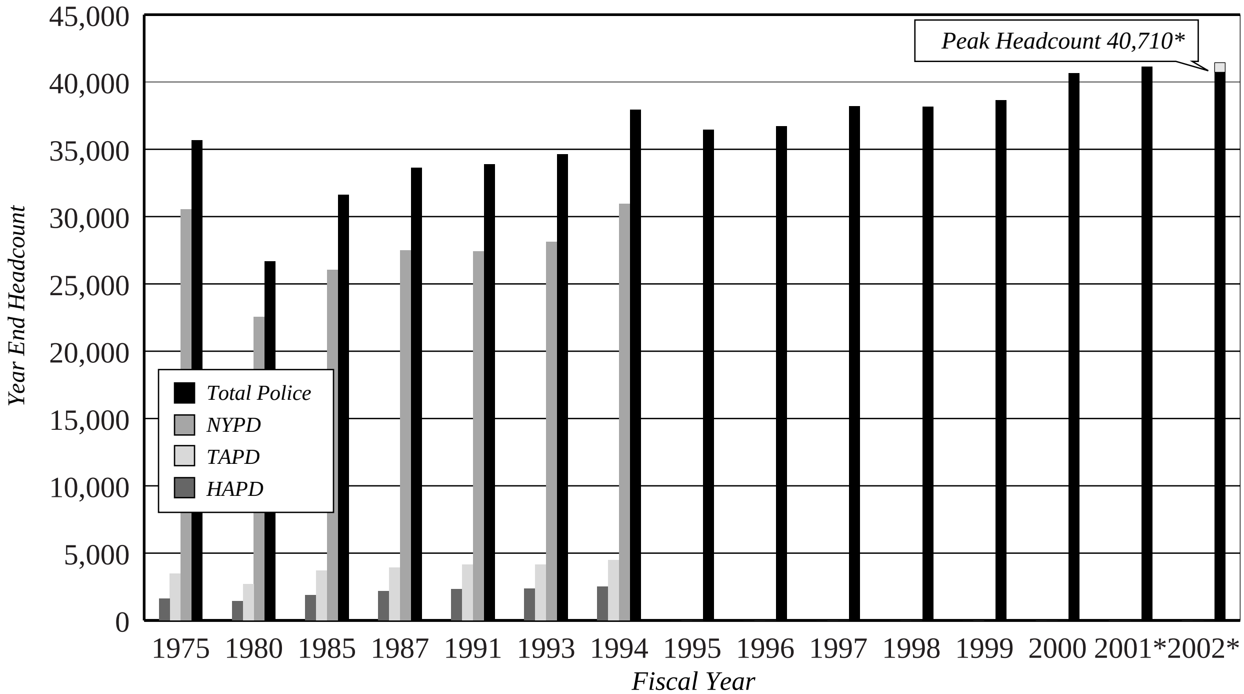


* NYPD Preliminary Data

Uniformed Headcount

The Department hired 1,339 recruits in September 2000. Included in this class were 500 new federally funded police officers hired above the mandated headcount level of 40,210, expanding the police force to its largest size ever. The next class is scheduled for June 2001, and will bring the uniform headcount to 40,710. The 2002 Executive Budget reflects recruit classes scheduled in June of each year so that the peak uniform headcount level will remain at 40,710.

TOTAL CITY, TRANSIT AND HOUSING POLICE FORCE



Note: Merger of the TAPD and HAPD with NYPD was completed in FY 95. ** Projection*
The FY02 recruit class schedule results in a peak uniform headcount of 40,710 in FY02.

Capital Review

The Ten-Year Capital Strategy allocates $824 million and the Four-Year Program allocates $391.6 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 the Department's helicopters and boats.

The Ten Year Capital Strategy and Four Year Program includes the following major items:

Police Facilities

- the replacement of the 40th, 42nd, 46th, 52nd, 63rd, 103rd, 110th, 88th, 66th and 70th precincts ($163 million)

- the rehabilitation and reconstruction of the 10th, 1st, 5th, 9th, 78th, Central Park and 20th precincts ($67.2 million)

- the replacement of major building components for citywide precincts ($40 million)

- the construction of a new Queens South Taskforce facility ($8.3 million)

Communications and Computer Equipment

- the lifecycle replacement of the Department's radio system ($123 million); portable radios ($67.4 million) and mobile radios ($9.3 million)

- the lifecycle replacement of Police Headquarters' telephone system ($3 million)

- the purchase of a handheld parking ticket device system ($29 million)

- the acquisition of equipment for the Department's new arrest processing program ($16 million)

- the lifecycle replacement of the online warrant system ($16 million)

- the lifecycle replacement of mobile data computers ($18.7 million)

The table below shows capital plan commitments by program area over the 2001-2005 period.

Capital Commitments

($000's)

	2000 Actual		2001 Plan		2002 Plan		2003 Plan		2004 Plan		2005 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	25,683	26	62,524	62,524	48,521	48,521	35,080	35,080	19,240	19,240	48,209	48,209
Computer Equipment	1,975	1,975	7,116	27,116	22,001	22,001	2,143	2,143	7,775	7,775	22,650	22,650
Communications	2,367	2,367	90,842	104,223	48,880	48,880	15,657	15,657	20,441	20,441	27,968	27,968
Equipment	1,896	1,896	4,448	4,448	24,586	24,586	2,891	2,891	2,959	2,959	2,850	2,850
Vehicles	4,774	4,774	4,723	4,723	11,410	11,410	8,190	8,190	12,861	12,861	7,330	7,330
Total	36,695	11,038	169,653	203,034	155,398	155,398	63,961	63,961	63,276	63,276	109,007	109,007

The 2002 Capital Commitment Plan for the Police Department is $155 million. The Plan includes the following major items:

- the enhancement and lifecycle replacements of communications equipment ($49 million)

- the replacement of operational and support vehicles ($11.4 million)

- the replacement and upgrading of computer equipment ($22 million)

- various police facility improvements ($48.2 million)

- various Department equipment citywide ($24.6 million)

DEPARTMENT OF CORRECTION

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

Financial Review

The 2002 Executive Budget for the Department of Correction provides for a total operating budget of $867 million, an increase of $33 million from the amount forecast in 2001. The increase is primarily due to service enhancements and required collective bargaining funding. Capital commitments in the 2002 Ten-Year Plan will total $1.8 billion.

Revenue Forecast

The Department of Correction collects revenue from prison commissary operations, vending machines, meal fees, inmate fines and sundry accounts. In 2002, the Department expects to collect $17 million from all revenue sources.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- In September 2001, 350 new recruits will complete training and will begin to serve as Correction Officers in City jails. These new officers will replace attrition and will enable the Department to continue to control overtime expenditures in 2002.

- In 2001, in conjunction with several City agencies, the Department began providing discharge planning for mentally ill inmates. The Department will provide 43 uniform positions at a cost of $3 million to escort inmates to their discharge planners.

Streamlining

- The Department has managed the recent decline in inmate population by closing facilities and consolidating beds. This effective capacity management has saved the City millions of dollars. The Department will reduce planned annual overtime expenditures by $19 million in 2002 and by $10 million in 2003.

- The Department received $39 million in 2001 through the U.S. Department of Justice State Criminal Alien Assistance Program. Another $20 million is anticipated in September 2001. The reimbursements offset costs associated with the jailing of illegal immigrants.

Summary of Agency Financial Data

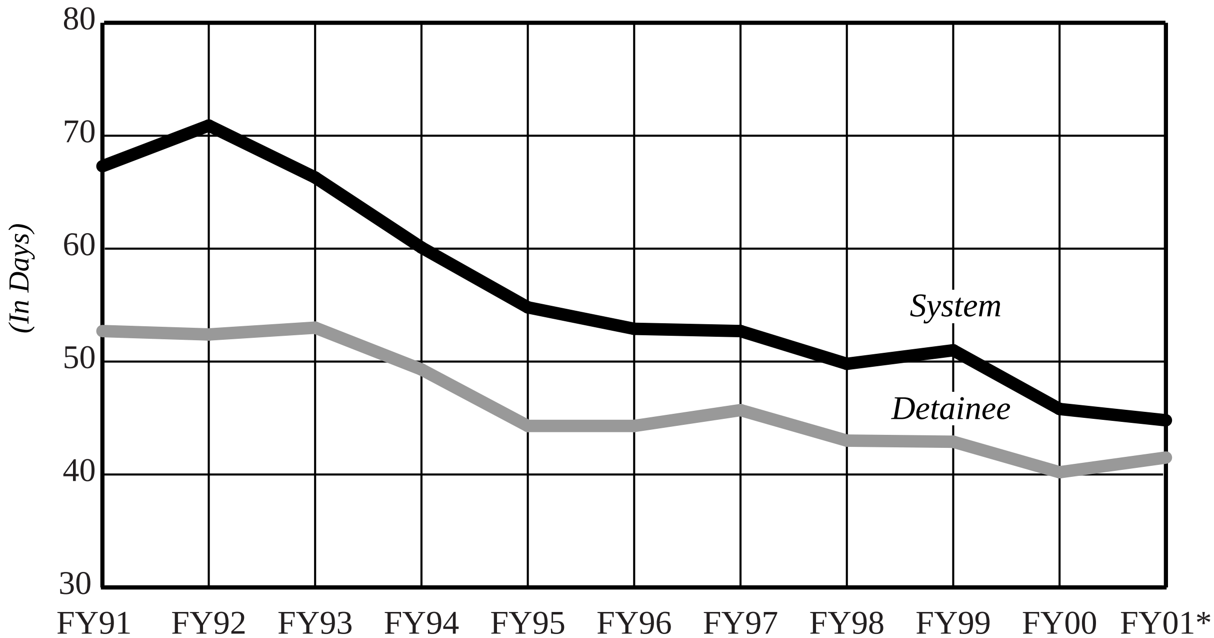
The following table compares the 2002 Executive Budget with the 2002 Preliminary Budget, the 2001 forecast and actual expenditures for 2000.

Summary of Agency Financial Data

($000's)

	2000 Actual	2001 Forecast	2002 Preliminary Budget	2002 Executive Budget	Increase/(Decrease) 2001 Forecast	Increase/(Decrease) 2002 Preliminary Budget
Expenditures						
Personal Service	$728,124	$720,090	$755,457	$750,617	$30,527	($4,840)
Other Than Personal Service	106,057	113,894	108,524	116,130	2,236	7,606
Total	$834,181	$833,984	$863,981	$866,747	$32,763	$2,766
Funding						
City	$752,913	$734,292	$826,584	$829,350	$95,058	$2,766
Other Categorical Grants	523	412	—	—	(412)	—
Capital IFA	—	—	—	—	—	—
State	47,851	37,542	34,560	34,560	(2,982)	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	32,104	60,983	2,082	2,082	(58,901)	—
Intra-City Other	790	755	755	755	—	—
Total	$834,181	$833,984	$863,981	$866,747	$32,763	$2,766
Personnel (at fiscal year-end)						
City	11,553	11,683	11,889	11,809	126	(80)
Non-City						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	858	861	858	858	(3)	—
Total	12,411	12,544	12,747	12,667	123	(80)

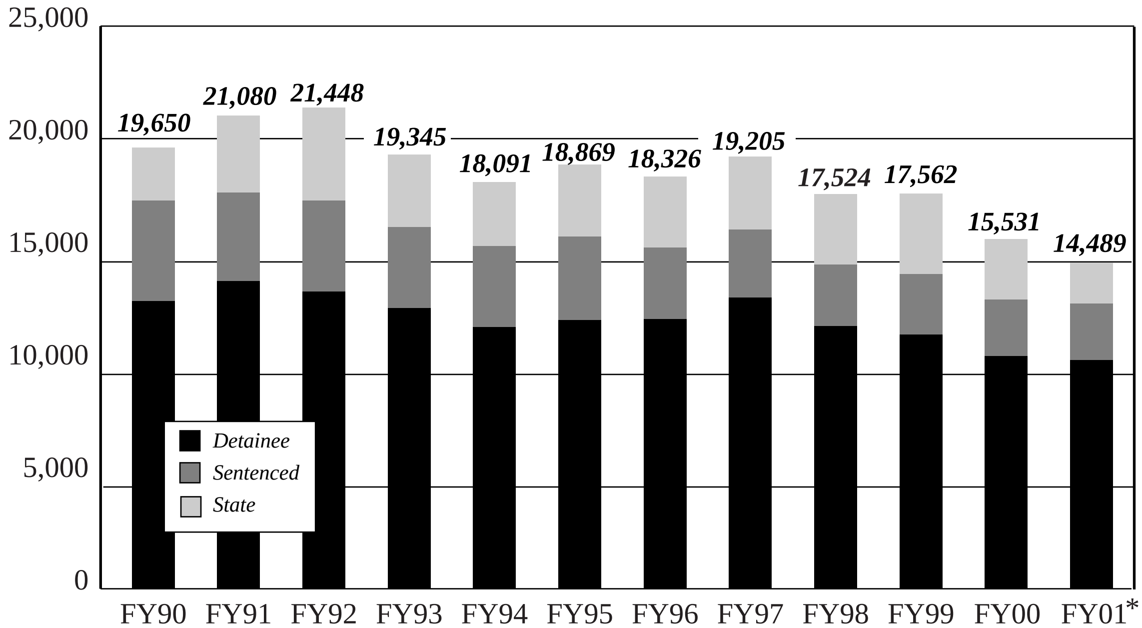
AVERAGE LENGTH OF STAY (By Fiscal Year)



* YTD through March 31, 2001

AVERAGE DAILY INMATE POPULATION

By Fiscal Year



* YTD through March 31, 2001

The average daily population through March 2001 was 14,489, a decrease of 7 percent compared to 2000. The decrease in ADP is primarily due to decreases in State contract inmates, pretrial detainees, and parole violators. The loss of State contract inmates accounts for almost half of the population decline from the previous year. The rest of the decreases is explained by a decline in detainee admissions and the shortened length of stay of alleged parole violators.

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

Capital Review

The Department's 2002-2011 Ten-Year Strategy totals $1.8 billion for capital improvements and equipment purchases to the City's jail system. The Four-Year Plan totals $590 million. The Four-Year Plan includes $286 million for capacity replacement, $33 million for construction of support space, $217 million for major overhaul of building systems and infrastructure, and $54 million for acquisition of new equipment.

The table below shows capital plan commitments by program area over the 2001-2005 period:

Capital Commitments

($000's)

	2000 Actual		2001 Plan		2002 Plan		2003 Plan		2004 Plan		2005 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	8,293	8,293	(1,139)	(1,139)	100,372	100,372	15,544	15,544	117,438	117,438	52,864	52,864
Support Space	9,492	9,492	9,538	9,538	8,515	8,515	9,700	9,700	3,380	3,380	11,359	11,359
Building Systems and Infrastructure	40,423	40,423	92,506	96,256	66,842	66,842	36,743	36,743	22,773	22,773	90,800	90,800
Equipment	1,211	1,211	21,912	21,912	11,897	11,897	12,521	12,521	12,372	12,372	16,736	16,736
Total	59,419	59,419	172,868	176,618	187,626	187,626	74,508	74,508	155,963	155,963	171,759	171,759

Capacity Replacement

The Department's capital program funds the replacement of aging modular and sprung structures with permanent structures. Nine new housing areas (eight additions to existing facilities and one new facility) will be constructed at a total estimated cost of $998 million (inclusive of commitments prior to 2002). Design of the first facility, the 448-cell addition at the George R. Vierno Center (GRVC), began in 1999. It was designed as the Department's new Central Punitive Segregation Unit. Construction will commence in 2002.

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

The 2002 Ten-Year Strategy allocates $970 million for the completion of the modular replacement program. Commitments during the first four years include:

- construction of a 448-cell addition to the GRVC ($100 million).
- design completion and construction of an 800-bed addition to the Rose M. Singer Center ($88 million).
- design completion and construction of a 200-bed addition to the Adolescent Reception and Detention Center ($27 million).
- design and construction for a 224-cell addition to the Eric M. Taylor Center ($45 million).
- design of a 448-cell addition to the George Motchan Detention Center ($11 million).

Building Systems and Infrastructure

Population reductions will allow the Department to undertake significant improvements to building systems, infrastructure, and support space. The Ten-Year strategy includes $752 million. Commitments during the first four-year years include:

- completion of the upgrades to the fire safety systems in the borough houses and on Riker's Island ($47 million).
- reconstruction of the Bronx Detention Complex ($22 million).
- reconstruction of the Brooklyn Detention Complex façade ($5 million)

Equipment

The Ten-Year strategy provides $112 million for upgrades and/or replacements of communication equipment, vehicles, computers, and security equipment. Commitments during the first four years include:

- expansion of the DOCNet computer system and upgrade and replacement of existing computer equipment ($30 million).
- replacement of vehicles for inmate transport ($10 million).

DEPARTMENT OF SOCIAL SERVICES

The Department of Social Services provides a range of services and programs to assist individuals and families achieve self-sufficiency. Eligible participants receive employment and support services, Public Assistance, Medical Assistance, and Food Stamps. The Department also provides shelter, housing, and support services to victims of domestic violence, people with AIDS and HIV-illness, and frail and elderly adults.

Financial Review

The Department's 2002 Executive Budget provides for operating expenses of $5.6 billion, of which $3.5 billion are City funds.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- an increase of $8.6 million in total funds in 2002 will provide for 342 new emergency shelter beds for victims of domestic violence, for a total of 1,810 beds by October 2002.

- an additional $287,443 in total funds will support seven staff in the Department's Office of Domestic Violence and Emergency Intervention Services to coordinate and manage shelter information systems, procedures and training initiatives.

- increases of $6.5 million in 2002 and $6.9 million in 2003 in total funds will support additional staff in the Medical Assistance Program for Medicaid outreach, applications assessment and recertification. In 2001 the Department processed over 2,000 additional new applications per month as a result of the HealthSTAT initiative, which began in March 2000.

- the completion of a Special Needs service center, with $7.3 million in City Capital funds, will permit the Department to develop specialized case management units for clients with special needs, including the disabled and those with substance abuse problems.

- in 2002 the agency will continue its initiative to provide temporary subsidized employment to individuals receiving assistance under Federal Temporary Assistance for Needy Families (TANF). Parents who have been participating in employment activities but are at risk of losing TANF benefits because of the federal time limit on assistance will be placed in jobs in public and private settings. Participants will receive case management and other supports to help them gain unsubsidized employment.

Restructuring and Streamlining

- in 2002 the Department will continue its commitment to promoting independence through its "Ladders to Success" initiative. By the end of 2001 all Income Support Centers will be converted into Job Centers. Job Centers provide integrated case management combining employment services with other necessary supports, including childcare and substance abuse services.

- savings of $1.7 million in City funds will be achieved in 2002 through data base matches that will transfer individuals from the City and State funded Safety Net program to the Social Security, Supplemental Security Income and Social Security Disability programs.

- in 2002 the Department will continue to pay contractors providing employment and training services on the basis of performance. The performance-only system will assist the Department to reach a goal of 150,000 unsubsidized job placements for public assistance and Food Stamp recipients in calendar year 2001.

- savings of $3.5 million in City funds will be realized from the conversion to the 100% federally funded Medicare program of 1,700 Medicaid beneficiaries with work histories who were inappropriately placed in the Supplemental Security Income Program (SSI).

Summary of Agency Financial Data

($000's)

			2002		Increase/(Decrease)	
	2000 Actual	2001 Forecast	Preliminary Budget	Executive Budget	2001 Forecast	2002 Preliminary Budget
Expenditures						
Personal Service	$530,595	$538,907	$538,987	$549,370	$10,463	$10,383
Other Than Personal Service	4,909,115	4,974,944	4,965,418	5,043,142	68,198	77,724
Total	$5,439,710	$5,513,851	$5,504,405	$5,592,512	$78,661	$88,107
Funding						
City	$3,404,911	$3,433,591	$3,572,827	$3,513,740	$80,149	($59,087)
Other Categorical Grants	3,639	3,888	—	—	(3,888)	—
Capital IFA	—	—	—	—	—	—
State	808,129	860,008	831,554	797,886	(62,122)	(33,668)
Federal						
• JTPA	—	—	—	—	—	—
• CD	2,081	2,286	2,286	19,570	17,284	17,284
• Other	1,201,076	1,213,871	1,097,663	1,261,241	47,370	163,578
Intra-City Other	19,873	207	75	75	(132)	—
Total	$5,439,710	$5,513,851	$5,504,405	$5,592,512	$78,661	$88,107
Personnel (at fiscal year-end)						
City	10,492	9,410	9,455	9,462	52	7
Non-City						
• JTPA	1	—	—	—	—	—
• CD	—	60	60	60	—	—
• Other	2,661	4,037	3,454	3,454	(583)	—
Total	13,154	13,507	12,969	12,976	(531)	7

Programmatic Review

Family Independence Administration

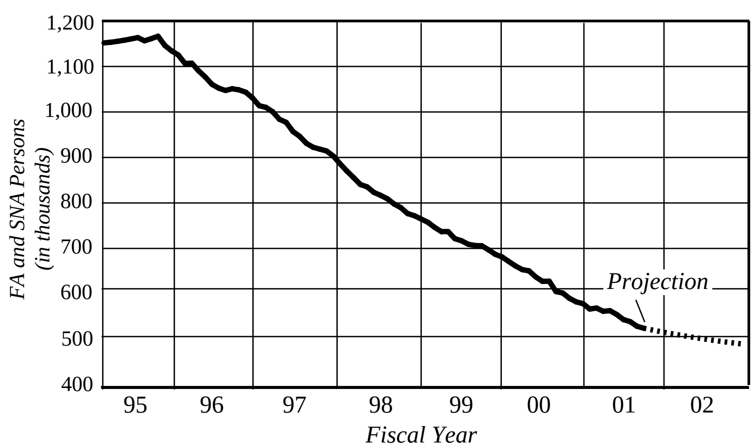
The Family Independence Administration (FIA) administers the Department's Public Assistance and employment services programs. These programs include Family Assistance (FA), Safety Net Assistance (SNA), and Food Stamps. FIA assists individuals with employment, providing access to work experience; job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

As the remaining Income Support Centers are converted to Job Centers staff roles will be expanded to more fully incorporate work-first strategies. Job Center case managers will work directly with clients to connect them with skills assessment, employment and job placement services and to place them in work experience programs. Job Center case managers provide access to information and make referrals to childcare services, Medicaid, Food Stamps and additional employment programs.

FIA offers a wide array of programs and services to help families and individuals achieve independence. In addition to the Employment Service and Placement and Skills Assessment programs, the PRIDE program connects disabled individuals with vendors who offer specialized work experience and job search activities. FIA also coordinates the BEGIN program in partnership with CUNY, the Board of Education and private vendors to offer literacy and ESL program to those needing educational services.

Clients in need of substance abuse treatment are also assessed and referred to appropriate case management services. In 2002, the Department will pilot two new programs using contract vendors to provide services to substance abuse clients. Two providers, serving a total of 2,000 individuals in Brooklyn and the Bronx, will provide comprehensive services, including assessment, referrals and treatment monitoring. Another contractor will provide intensive case management services to 2,000 substance abusing clients with multiple barriers to self-sufficiency.

PUBLIC ASSISTANCE CASELOAD 1995-2002



Total expenditures for public assistance, including FA and SNA payments as well as employment programs and other related services, are projected to be $1.8 billion in 2002, of which $552 million are City funds. In 2002, an average of 494,520 persons is projected to receive public assistance— a decline of 42,005 persons or 7.8% from 2001 projected levels.

Family Assistance, which is partially funded by Federal Temporary Assistance for Needy Families (TANF) and State funds, will assist an average of 408,898 adults and children in 2002, compared with 447,537 for 2001. Expenditures for this program will be $914 million, of which $189 million are City funds. An additional $258 million, of which $129 million are City funds, will be spent in the City/State Safety Net program for an average of 85,623 persons, compared to 88,988 in 2001.

Federal law prohibits states from using TANF funds to provide assistance to a household head that has received assistance for 60 cumulative months. On December 2, 2001, the first New York City families will begin to reach this limit. In June 2000 there were 61,000 families that would have been affected by the time limit, but through the Department's efforts in providing employment opportunities and other services this number had declined to 39,760 as of April 2001. In 2002 the Department will continue to reduce the number further through targeted employment and assessment services that help families move to unsubsidized employment. Federal law permits the exemption of some cases from the time limit but the Department will provide services and assistance to all families that could be impacted. In the event that there are families in this group remaining on Public Assistance in December 2001, they will be eligible for the State Safety Net program. There will be no additional costs incurred because of Federal rules that permit these costs to count towards the TANF maintenance of effort.

Medical Assistance

The Medical Assistance Program (MAP) funds health care services through Medicaid for 1.8 million low-income New York City residents. Medicaid recipients receive a wide range of medical services including primary care, hospital inpatient, emergency room, physician, pharmacy, clinic, nursing home, personal care, dental, rehabilitation, transportation, vision care, laboratory and x-ray.

The 2002 Executive Budget for Medical Assistance is $2.7 billion in City funds (excluding expenditures for the Health and Hospitals Corporation, the Department of the Health and administrative costs).

The 2002 budget increases by $131 million or 5.2 percent, from the 2001 forecast. The primary factors contributing to the cost increases include:

- pharmacy costs are expected to rise due to greater utilization and higher prices, creating an increase of $75 million.

- hospital inpatient expenditures are expected to increase by $22 million.

- rate increases implemented by New York State in 2001 for physician office visits and dental procedures will result in higher costs.

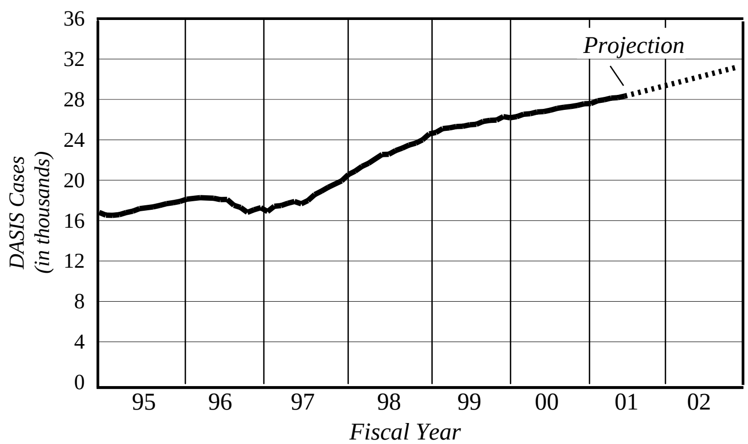
Under HealthSTAT, which began in March 2000, the Department has enrolled 96,000 children and parents into Medicaid and Child Health Plus. This initiative to enroll uninsured New Yorkers into health insurance programs includes a multimedia outreach campaign and the use of advanced technology to facilitate eligibility determinations and enrollment. The Department also deploys a mobile van for community outreach activities to promote education and enrollment. In addition, Helpline, including integrated voice response technology, allows individuals to call and request information or conduct an eligibility prescreening. The 2002 Executive Budget includes an additional $6.5 million in total funds for personnel to conduct outreach, process applications and recertify eligibility.

In 2001, MAP opened a Brooklyn Medicaid recertification office where Brooklyn residents can reestablish Medicaid eligibility and MAP plans to open similar offices in Queens and the Bronx. The Department has also combined non-public assistance Food Stamp and Medicaid recertification in order to simplify the process. MAP will test telephone recertification for child-only cases and continues to work with the State Department of Health to simplify the documentation and processing requirements for children.

In 2002 the Department, in cooperation with the Federal Social Security Administration, will convert individuals with work histories who were inappropriately placed in the Supplemental Security Income Program (SSI) into the Social Security Disability Insurance Program (SSDI). Savings of $3.5 million in 2002 will be realized from conversion of these individuals to the 100% federally funded Medicare program from Medicaid.

Division of AIDS Services and Income Support

DIVISION OF AIDS SERVICES CASELOAD 1995-2002



The Department provides a full range of services to individuals with AIDS, as defined by the Centers for Disease Control, or with advanced HIV-illness, as defined by the New York State AIDS Institute. Client needs may include Public Assistance, Medicaid, Food Stamps, Supplemental Security Income (SSI) and Social Security Disability Insurance (SSDI), housing, home care, substance abuse, mental health counseling and treatment, employment, vocational rehabilitation and referrals to other social services in the community. The caseload is projected to reach 28,921 by June 2001, and is expected to grow by 7.1% to 30,986 by June 2002.

The Department provides emergency transitional housing for formerly homeless clients, permanent housing for more stabilized clients in congregate facilities and scattered-site apartments, and rent supplements for individuals and families to maintain their own apartments. Transitional, congregate and scattered-site housing is provided through contracts with community-based agencies that also provide case management services to clients. The Department has operating contracts for 1,537 congregate supportive housing units and houses clients in another 97 units that are operated with non-City funds. An additional 801 units are in construction or design under the Department of Housing Preservation and Development and will come on line through 2003. The Department operated 2,090 traditional scattered site units and also began the implementation of a new scattered site housing model in 2001. Through the use of 19 performance-based contracts, the Department anticipates placing over 2,000 additional clients in apartments by the end of 2001.

The Department will complete the upgrade of its computer network to facilitate referrals, housing placements, and case management services for all clients. FACTORS/Help Works software will link the Department with its contracted vendors throughout the City. FACTORS/Help Works will allow the Department to connect clients with available housing opportunities and services more effectively.

In addition to critical case management services, financial and medical benefits, housing, and other services, the Department's support system includes the Work Opportunity Program, initiated in April 1998 through a contract with Mobilizing Talents and Skills (MTS). This voluntary program affords clients the opportunity to enter or return to the workforce, and to attain the highest level of self-reliance possible. Clients participate in vocational rehabilitation activities, develop marketable skills, and find employment while retaining necessary support services through a customized transitional benefits program. The program has served 814 individuals and made 162 job placements since its inception.

The Office of Domestic Violence and Emergency Intervention Services (ODVEIS)

The Office of Domestic Violence and Emergency Intervention Services is the Department's planning and coordinating arm for all major municipal emergencies. ODVEIS is responsible for providing food, clothing and shelter in emergency situations.

The Office of Domestic Violence Services

ODVEIS supports contracted and directly operated programs for victims of domestic violence. Emergency and transitional housing is provided in shelters, safe homes, safe dwellings, and Tier II shelters. All programs provide a safe environment as well as counseling, advocacy, and referral services. The Department will increase its emergency shelter capacity by 172 beds by the end of 2001, and by an additional 170 beds in 2002, for a total emergency shelter capacity of 1,810 beds. The Department is also working with the New York State Homeless Housing and Assistance Program (HHAP) to increase the number of domestic violence transitional shelter facilities. The Department currently supports 408 transitional, or Tier II, beds.

The Department also maintains contracts with 15 not-for-profit organizations to provide non-residential services, including a telephone hotline, counseling, information and referral, advocacy, and community outreach in all five boroughs. These programs provide specialized resources to victims of domestic violence, including those for whom language and cultural barriers pose a difficulty in accessing assistance.

The Department will continue to enhance the range of services available to victims of domestic violence in 2002. Domestic Violence Liaison units in Job Centers will be expanded with staff that are trained to assess the needs of domestic violence victims. The Domestic Violence units will also assist domestic violence victims with specialized engagement plans that will include appropriate employment and support services to help participants remain safe while developing skills to move toward self-reliance. An additional $287,443 provided in the Executive Budget will support staff in ODVEIS to manage shelter information systems, to develop policies and procedures, and to monitor training initiatives and other special projects.

The Emergency Food Assistance Program (EFAP)

The Emergency Food Assistance Program (EFAP) supports distribution of food to the City's network of food pantries and soup kitchens and coordinates nutrition education programs. In 2002 EFAP will purchase and distribute more than 10 million pounds of food that will be delivered to over 630 food pantries and soup kitchens, which will serve between 25 and 30 million meals.

Protective Services for Adults

Protective Services for Adults (PSA) supports crisis counseling, financial management, eviction prevention assistance, and referrals to other support services for adults. Each month PSA staff and contractors serve nearly 5,000 clients who are unable to care for themselves due to physical or mental impairment and who are threatened with neglect, abuse, or exploitation. In an effort to reduce the incidence of elder abuse in 2001, PSA implemented a pilot program in Brooklyn that provides outreach, education, and linkages with the District Attorney's Office. In 2002, the Department anticipates expanding this initiative into the other boroughs. In addition, PSA has implemented new contracts for an expanded Eviction Prevention Program and a new model of community-based case management services designed for long-term clients. By the end of 2001, all PSA offices will be outfitted with new computers, and in 2002 PSA will automate its case management and financial management systems to strengthen accountability and improve the ability to manage cases.

Four Year Capital Strategy

The Department's Ten-Year Capital Plan totals $222.1 million including $92.9 million for facilities maintenance and improvement, $97.4 million for technology to streamline Department operations, and $30.1 million for the installation of telecommunications equipment to facilitate data transmission.

Capital Commitments

($000's)

	2000 Actual		2001 Plan		2002 Plan		2003 Plan		2004 Plan		2005 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	$38,647	$42,728	$37,557	$46,017	$30,089	$37,962	$3,295	$4,093	$1,224	$1,224	$3,177	$3,177
Computers	$4,267	$7,896	$19,267	$34,313	$2,928	$6,069	$4,931	$8,843	$5,249	$8,748	$11,458	$21,199
Telecommunications	$1,675	$2,792	$2,788	$5,461	$928	$1,547	$721	$1,201	$1,000	$1,667	$3,555	$5,925
Vehicles	$0	$0	$154	$0	$88	$110	$0	$0	$66	$110	$66	$110
Total	$44,590	$53,416	$59,766	$85,945	$34,033	$45,688	$8,947	$14,137	$7,539	$11,749	$18,256	$30,411

Highlights of the Department's Ten-Year Capital Strategy include:

- reconstruction and furnishing of Job Center facilities that will provide the setting for integrated case management services ($14.4 million).
- imaging projects to eliminate paper records and streamline Department operations ($18.8 million).
- continued development of Local and Wide Area Network systems in order to provide greater connectivity among Department personnel, contract service providers and clients ($45.3 million).
- development of a special needs job center that will centralize services for participants with complex issues, including disabilities and substance abuse ($7.3).

ADMINISTRATION FOR CHILDREN'S SERVICES

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

A cornerstone of ACS's Reform Plan, issued in December 1996, was the implementation of Neighborhood-Based Services (NBS). Under this program, children entering foster care are placed in their own neighborhoods maintaining ties to family, friends and schools. NBS promotes permanency by providing preventive services and other supports in the community. In 2002, ACS will continue with implementation of NBS by working to establish child welfare networks in each community district to ensure that neighborhood resources are utilized to address community-specific child welfare needs. In 2002, ACS will review its agency-wide strategic plan, mapping out integrated goals, outcomes and initiatives for all children's services, including Head Start, Child Care, Child Support Enforcement and Child Welfare.

Financial Review

The Agency's 2002 Executive Budget provides for operating expenses of $2.4 billion, $714 million of which are City funds. This is a $62 million increase over the amount forecast for 2001.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- an increase of $23.8 million in total funds will support adoption subsidy cost-of-living increases for children living in adoptive homes.

- an increase of $625,000 in 2002 and $3.9 million in 2003 in total funds will enhance medical program services, providing medical, mental health, and substance abuse assessment services to children in protective custody and foster care.

- an increase of $3.1 million in total funds will support a foster parent recruitment campaign in 2002. This funding will allow for a media campaign and for babysitting stipends for foster parents.

- an additional $5.3 million in total funds will support specialized programs providing services to severely mentally and physically handicapped children in residential settings.

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

Restructuring and Streamlining

- ACS' move into the newly constructed Children's Center by the end of 2001 will consolidate services currently provided at three separate locations. The facility will house emergency and placement services for children removed from their homes due to abuse or neglect, as well as the Agency's child welfare training and research institute.

- the Agency will continue to move forward with the Safe and Timely Adoption and Reunification (STAR) Program. This program enables foster care providers who reduce children's length of stay in care to invest the savings in additional services to improve outcomes for children and families.

- in 2002 the Agency will continue its information technology initiatives, including document imaging projects, a health information profiling system, an integrated case management system, and a legal tracking system. These initiatives will enhance Agency efficiency by automating record keeping and reducing duplicative paperwork and manual processing.

Summary of Agency Financial Data

($000's)

			2002		Increase/(Decrease)	
	2000 Actual	2001 Forecast	Preliminary Budget	Executive Budget	2001 Forecast	2002 Preliminary Budget
Expenditures						
Personal Service	$322,485	$334,409	$352,689	$359,870	$25,461	$7,181
Other Than Personal Service	1,851,807	2,012,928	1,821,321	2,049,102	36,174	227,781
Total	$2,174,292	$2,347,337	$2,174,010	$2,408,972	$61,635	$234,962
Funding						
City	$646,927	$688,518	$700,707	$714,387	$25,869	$13,680
Other Categorical Grants	710	223	—	—	(223)	—
Capital IFA	—	—	—	—	—	—
State	458,188	514,007	515,322	519,994	5,987	4,672
Federal						
• JTPA	—	—	—	—	—	—
• CD	13,230	27,715	12,855	10,863	(16,852)	(1,992)
• Other	1,054,726	1,116,737	944,989	1,163,578	46,841	218,589
Intra-City Other	511	137	137	150	13	13
Total	$2,174,292	$2,347,337	$2,174,010	$2,408,972	$61,635	$234,962
Personnel (at fiscal year-end)						
City	7,035	7,233	7,457	7,457	224	—
Non-City						
• JTPA	—	—	—	—	—	—
• CD	11	7	7	7	—	—
• Other	75	155	155	155	—	—
Total	7,121	7,395	7,619	7,619	224	—

Programmatic Review

Protective Services for Children

Protective Services for Children investigates allegations of child abuse and neglect and is responsible for monitoring children and families until it is determined whether the children may remain safely in their homes, or must be placed in foster care. The Executive Budget projects that ACS will investigate an average of approximately 53,165 reports of child abuse or neglect in 2001. The number of reports is expected to remain level in 2002.

In order to improve outcomes for children and families, Protective Services has implemented 72-Hour Child Safety Conferences to bring together caseworkers, parents, relatives and service providers to ensure that service and placement decisions are fully informed by everyone involved in the child's life. ACS has also implemented 30-day Family Permanency Conferences to monitor the progress of children and families, with the goal of expediting permanency for children.

By the end of 2001 ACS will have moved its central child protective and placement units into the new Children's Center on the Bellevue campus. Emergency Children's Services, Pre-placement, Placement and Evaluation and the Teen Center will all be located in a state-of-the art, child friendly setting that was designed to minimize disruption and trauma for children entering the child welfare system.

Preventive Services for Children and Families

Preventive services assist families in crisis or at risk of foster care placement. The Agency provides a variety of both direct and contracted preventive services designed to prevent foster care placement or reduce the time that children spend in foster care. The Agency provides intensive services through its direct Family Preservation Program to an average of 246 families per month. In addition, 9,153 general preventive and Family Rehabilitation Program (FRP) slots are provided through contracted providers. In 2002, the number of preventive slots is anticipated to increase to 11,090, including 1,150 FRP slots, which provide intensive services for families with substance abuse issues. Services also include contracts with community-based agencies to provide homemaking services and the housing subsidy program, which provides time-limited rental assistance to families and youth leaving foster care.

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

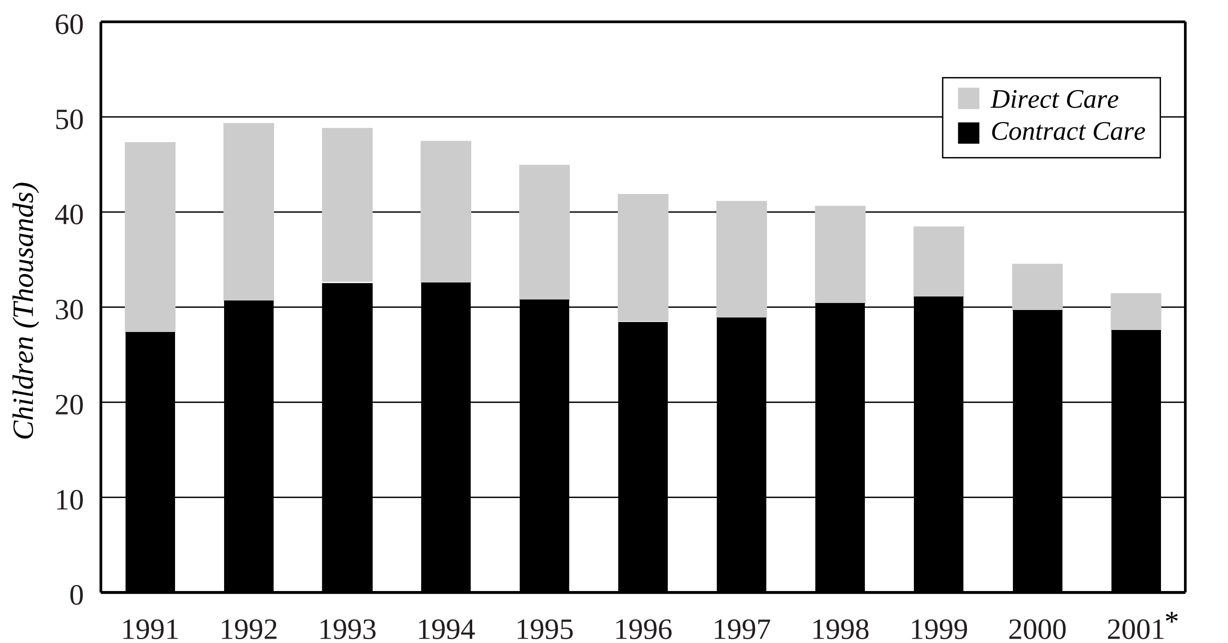
Foster Care

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

The Special Child Welfare Advisory Panel, consisting of nationally respected experts in child welfare, issued a report in December of calendar year 2000 praising ACS for its "remarkable progress" in reforming the child welfare system in New York City. The panel commended ACS for the decrease in the number of children placed in foster care between 1998 and 2000. The foster care caseload is now at its lowest point since 1998, with 31,009 children in foster care as of November 2000. This is a 25% decrease from November 1997, when there were 40,863 children in foster care. Fewer removals, reunification of children with their families and a record number of adoptions over the past five years have contributed to the decrease in the foster care population.

ACS continues its initiatives to enhance foster care service delivery as outlined in the 1996 Reform Plan. Neighborhood-based provider networks, reinvestment in services through the STAR Program and comprehensive evaluation of provider performance will promote improved permanency outcomes for children removed from their homes. The Agency has launched a foster parent recruitment drive with the goal of recruiting an additional 3,500 foster parents from all income levels. The Office of Parent Recruitment and Expedited Permanency (PREP) was established to oversee foster and adoptive home recruitment. The goals of PREP are to build upon neighborhood-based services by recruiting foster parents in high need communities, recruiting homes for children with special needs, increasing the proportion of working foster families and better retaining both the current and newly-recruited foster families.

AVERAGE FOSTER CARE CASELOAD: 1991-2001



** Projected*

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

Adoption

The goal of ACS's adoption services is to provide stable and nurturing permanent homes to children who cannot be reunited with their biological families. Emphasis on finalizing adoptions for the many children who were already legally freed and eligible for adoption has resulted in a record-setting number of adoptions over the past five years. The Agency's adoption recruitment efforts, including the adoption hotline, the award winning Wednesday's Child series, and the recently created New York City Family Album have contributed to a 54% increase in annual adoptions, from 2,312 in 1994 to 3,150 in 2000. ACS has a goal of completing an additional 3,500 adoptions in 2001 and in 2002.

Head Start

The federally funded Head Start program provides early childhood education and development services to low-income three and four-year old children. The program is designed to better prepare children for starting school by working with the entire family to support children's learning and development. In December 2000, there were 18,971 children enrolled in the Head Start Program and ACS projects funding over 20,000 slots during 2002. In addition, the agency is piloting a 60 slot Early Head Start program to provide services to infants, toddlers and pregnant women.

Agency for Child Development

The Agency for Child Development (ACD) promotes the safe and healthy development of children and the self-sufficiency of working families, by providing an array of quality subsidized child care options. Contracted services are provided in group child care centers and family child care homes. ACD also distributes vouchers, which enable parents to choose their own child care settings and providers. Subsidized child care is available to public assistance recipients who are employed or engaged in work activities, low-income working families, and families receiving child welfare services. In February 2001, ACD served nearly 57,000 children and is projected to serve over 67,000 children by the end of 2002.

In 2002, Citywide funding for child care services will rise to an unprecedented $697 million dollars, an increase of $61 million over the 2001 forecast. This increase in funding reflects the centrality of subsidized child care services to the full engagement of families receiving public assistance and to the continued support of safe, stable and self-sufficient families. This funding will enable both ACD and the Department of Social Services' Family Independence Administration to continue expansion and improvement of services begun in 2001.

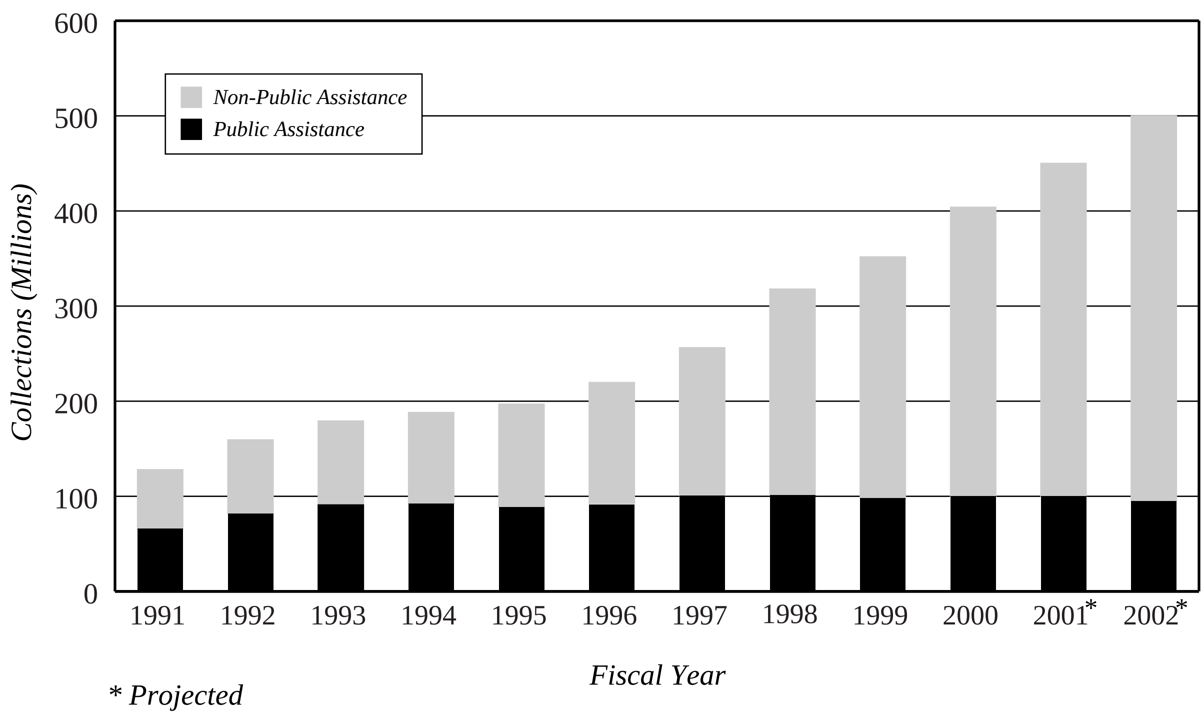
In September 2000, ACS convened a committee to develop recommendations for a child care reform plan to ensure the availability of quality care. Through an extensive planning process involving ACS staff, child care providers, private funders and representatives of several other City agencies the committee will produce a set of principles, goals and recommendations to enhance and expand child care services for New York City's children. During 2002, ACS will continue its collaborative work to incorporate these recommendations into its planning and operations.

Office of Child Support Enforcement

The Office of Child Support Enforcement (OCSE) ensures that non-custodial parents provide financial support for their children. Services provided on behalf of both public and non-public assistance families include establishment of paternity and support obligations, collection, accounting, and disbursement of support payments and the enforcement of court ordered support obligations. In 2001, it is projected that OCSE will collect a total of $100 million in child support for public assistance families and $350 million on behalf of non-public assistance families. In 2002, OCSE projects collection of $500 million, including $95 million for public assistance clients and $405 million for non-public assistance clients. The non-public assistance targets are significantly higher than in past years due to the large number of public assistance families who have achieved self-sufficiency.

The Agency has implemented several additional enforcement actions to improve support collection, including suspension of delinquent parents' driver's licenses and business permits. In 2001, OCSE expanded a successful pilot program providing mandatory employment services to parents who fail to pay child support. This program is operated in conjunction with the Department of Social Services' welfare-to-work initiatives.

CHILD SUPPORT COLLECTIONS



Ten Year Capital Strategy

The Department's Ten-Year Capital Strategy totals $238.0 million including $43.1 million for renovation of congregate foster care facilities, $74.7 million for construction and renovation of child care facilities, $35.2 million for renovation and furnishing of ACS offices, and $84.9 million for technology and telecommunications to streamline agency operations.

Capital Commitments

($000's)

	2000 Actual		2001 Plan		2002 Plan		2003 Plan		2004 Plan		2005 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	$0	$0	$12,185	$12,185	$3,072	$3,278	$2,667	2,667	$2,167	$2,167	$5,000	$5,000
Day Care	$0	$0	$7,008	$7,008	$23,439	$23,485	$10,000	$10,000	$3,075	$3,075	8,120	8,120
Buildings	$0	$0	$6,835	$8,651	$6,256	$7,703	$4,320	$5,816	$3,218	$4,073	$0	$1,000
MIS	$0	$0	$8,228	$12,521	$13,572	$18,586	$7,055	$9,312	$6,530	$9,237	$8,405	$11,172
Total	$0	$0	$34,256	$40,365	$46,339	$53,052	$24,042	$27,795	$14,990	$18,552	$21,525	$25,292

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

Highlights of the Ten-Year Capital Strategy

- renovation and expansion of the Jefferson Group Home for adolescent foster children ($2.6 million)
- code compliance at various group homes operated by ACS ($1.5 million)
- construction of the Williamsburg Day Care Center in Brooklyn ($5.7 million), the Seabury Day Center in the Bronx ($2.8 million), and the Washington Heights Day Care Center ($5 million).
- additional funds for capital work related to initiatives to expand and improve child care services ($25 million).
- development of the Integrated Case Management System, a single case data entry system. ($7.4 million).
- development of a legal tracking system to automate tracking of legal actions involving abused and neglected children ($2.5 million).
- implementation of a document imaging project for paperless retention and management of required financial and child welfare information ($1.6 million).

DEPARTMENT OF HOMELESS SERVICES

The Department of Homeless Services (DHS) provides temporary housing and services to homeless families and single adults and facilitates placement into permanent housing. In 2002, DHS will continue its commitment to providing quality services that enable homeless adults and families to attain self-sufficiency and return to independent living.

Financial Review

The Department's 2002 Executive Budget provides for operating expenses of $491 million, of which $215 million are City funds.

Expense Budget Highlights

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

Budgetary Priorities: Providing Core Services

- an additional $29 million in total funds in 2002 and $51 million in 2003 will enable the Department to increase capacity in transitional housing for families.

- an increase of $290,704 in total funds will support the creation of a Correctional Review Unit (CRU) to screen and process referrals to DHS of mentally ill homeless adults released from jail. The CRU will conduct assessments to ensure that clients are appropriately placed in accordance with their clinical and mental health needs.

Restructuring and Streamlining

- in 2002 the Department will continue the incentive payment program that rewards providers for achieving excellence in areas including long-term placements outside of the DHS system, reducing clients' return to the DHS system, and achieving employment placements.

- in 2002 DHS will continue its efforts to contract out directly operated facilities to not-for-profit providers. The Department will begin the process of phasing out the 850-bed 30th Street Men's Shelter with smaller contracted facilities.

- in 2002 the Department will complete development of its client tracking system and will continue to increase efficiency through the use of new and improved technology, including systems linking contractors to DHS for reporting and payment processes.

Summary of Agency Financial Data

($000's)

	2000 Actual	2001 Forecast	2002 Preliminary Budget	2002 Executive Budget	Increase/(Decrease) 2001 Forecast	Increase/(Decrease) 2002 Preliminary Budget
Expenditures						
Personal Service	$88,578	$92,276	$89,554	$90,021	($2,255)	$467
Other Than Personal Service	344,905	399,106	387,332	400,959	1,853	13,627
Total	$433,483	$491,382	$476,886	$490,980	($402)	$14,094
Funding						
City	$196,772	$214,383	$211,029	$214,880	$497	$3,851
Other Categorical Grants	—	—	—	—	—	—
Capital IFA	—	—	—	—	—	—
State	134,269	166,687	154,924	157,101	(9,586)	2,177
Federal						
• JTPA	—	—	—	—	—	—
• CD	601	404	—	10,976	10,572	10,976
• Other	101,046	109,908	110,933	108,023	(1,885)	(2,910)
Intra-City Other	795	—	—	—	—	—
Total	$433,483	$491,382	$476,886	$490,980	($402)	$14,094
Personnel (at fiscal year-end)						
City	1,682	1,700	1,559	1,567	(133)	8
Non-City						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	3	3	3
• Other	15	—	—	—	—	—
Total	1,697	1,700	1,559	1,570	(130)	11

Programmatic Review

Homeless Individuals

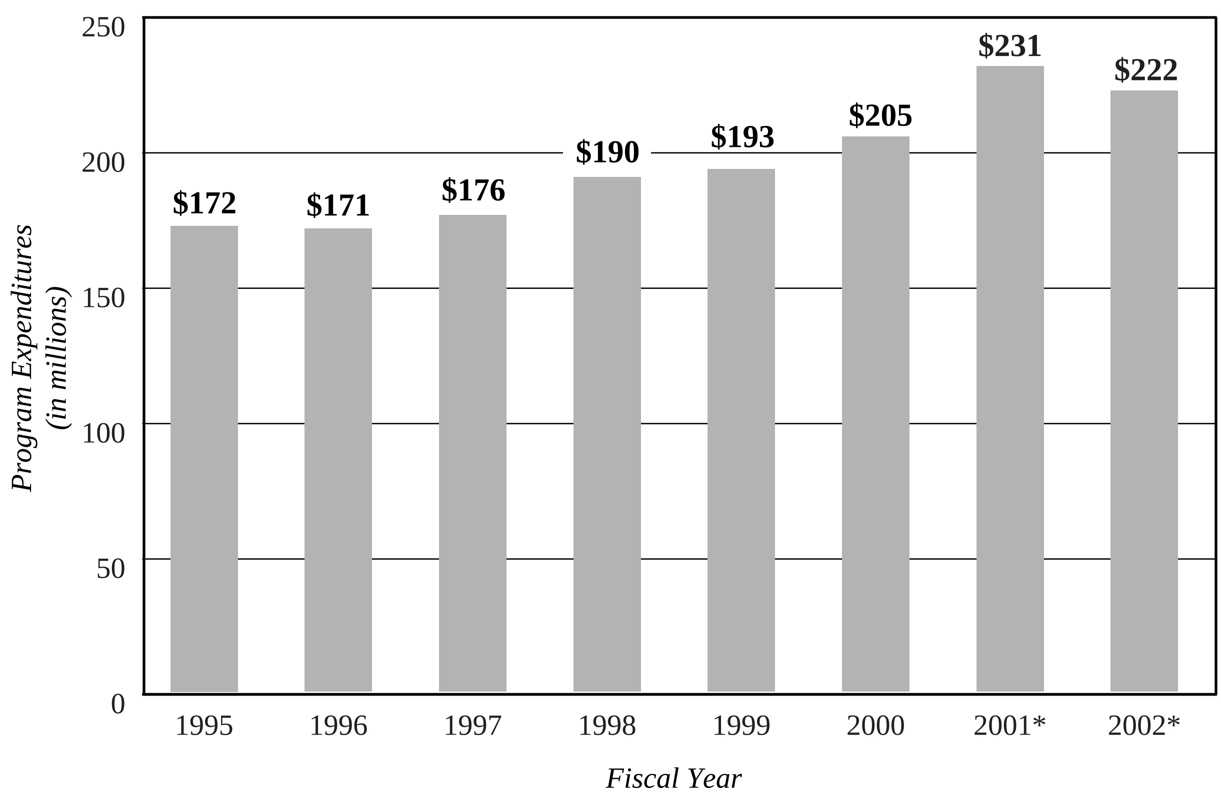
The Department provides a continuum of services to homeless individuals. These services include street outreach and drop-in centers for the hardest to serve, general and specialized transitional facilities, and supportive housing. In 2002, DHS will continue to improve and expand programs and services that provide homeless individuals with substance abuse and mental health treatment and help them secure and retain private sector employment. By the end of 2001, 79 percent of all adult transitional beds will offer assessment or program services.

DHS also provides permanent housing assistance, including referral to supportive Single Room Occupancy (SRO) units operated by a network of not-for-profit providers. In 2001, the Rental Assistance Program (RAP), which will provide time-limited rent subsidies to employed, homeless individuals, began operations. RAP provides supportive services, including employment, job development, and life skills training, and rental subsidies that decrease gradually as participants become increasingly self-sufficient. When fully implemented, RAP will enable approximately 391 homeless individuals to locate and retain permanent housing through the private market.

In 2002, the assessment process for both men and women entering the DHS system will be enhanced with additional medical services staff and the inclusion of mental health reviews. This will better allow the Department to address the immediate needs of clients, especially the most fragile individuals, and will help ensure the most appropriate placement for each client.

The Department also provides outreach services, both directly and through contract, and supports drop-in centers, operated by not-for-profit organizations. Outreach teams identify and engage a diverse population of homeless individuals living in public spaces such as streets, parks, terminals, transportation facilities, and encampments, and link them with services that will eventually enable them to move into protective settings like transitional or permanent housing. Nine drop-in centers (including one supported entirely by non-City funds) provide counseling, crisis intervention, meals, clothing and referrals to a variety of support services to an average of 1,000 individuals daily.

HOMELESS INDIVIDUALS - PROGRAM EXPENDITURES: 1995-2002



** Projected*

In 2002, the cost of serving homeless individuals will be $221.9 million, of which $129.6 million are City funds.

Homeless Families

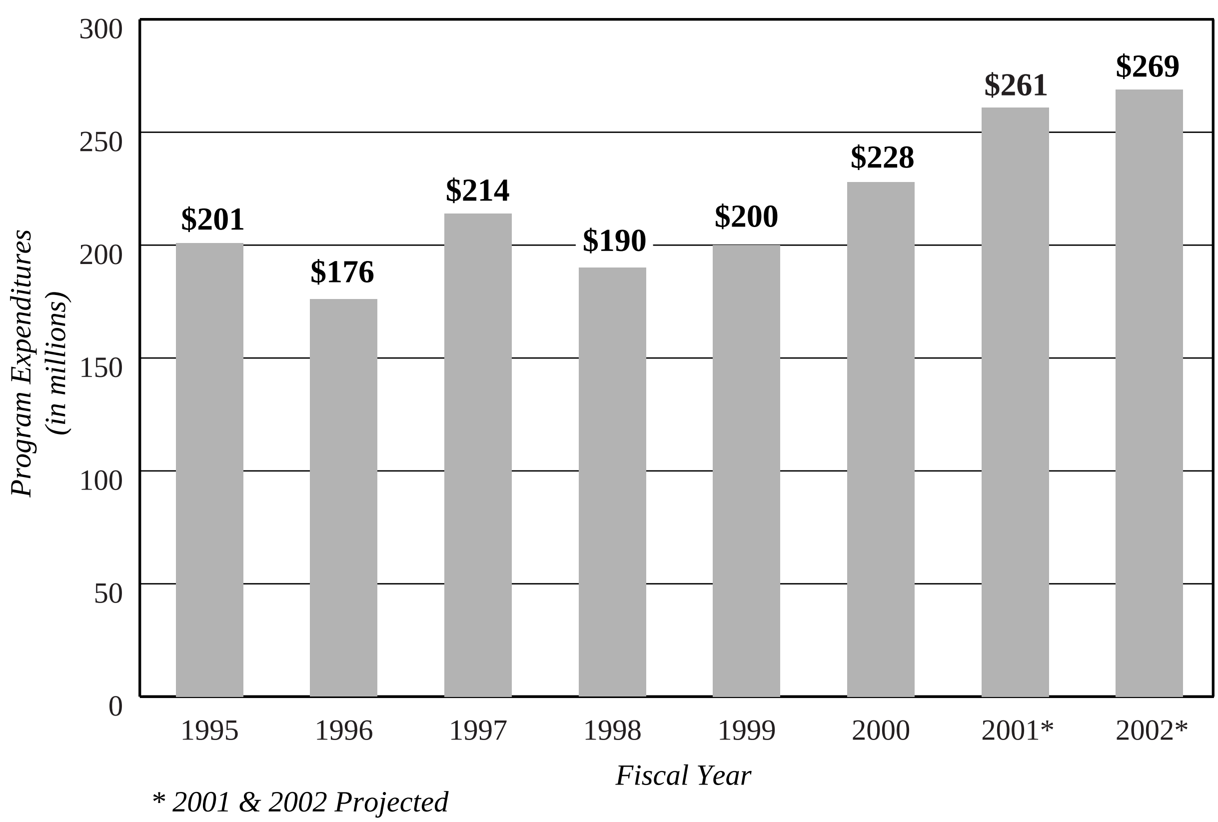
The Department provides services to homeless families through a network of transitional housing facilities. Transitional housing provides families with stable living situations and supportive social services designed to lead to self-sufficiency. Access to permanent housing and follow-up services are also provided to assist families in maintaining independence. In 2002 DHS will increase the number of transitional housing units with $11 million in City funds and $29 million in total funds to keep pace with capacity needs.

The Family Rental Assistance Program (FRAP), which began operations in 2001, will provide time-limited rent subsidies and support services to employed, homeless families. The subsidies will decrease gradually as participants become increasingly self-sufficient. When fully operational, FRAP will enable approximately 108 homeless families to locate and retain permanent housing through the private market.

DHS will continue efforts to increase the number of units of permanent housing available to families in DHS shelters. An increase in the EARP bonus paid to landlords who rent apartments to families coming out of shelters was widely advertised in 2001 and the Department hopes to maximize the use of Federal Section 8 vouchers through this initiative. In 2002 DHS will continue to work with the Department of Social Services to develop additional programs and incentives to increase the number of permanent housing units for homeless families.

Special events and programs for clients and children in transitional housing expanded significantly in 2001 and are expected to continue in 2002. Programs include after-school computer workshops sponsored by New York Life Insurance Company, demonstrations of African American dances sponsored by the Brooklyn Children's Museum and Carnegie Hall, and college basketball tournaments at Madison Square Garden, among others.

HOMELESS FAMILIES - PROGRAM EXPENDITURES: 1995-2002



The cost of housing homeless families in 2002 will be $269.1 million, of which $85.2 million are City funds.

Capital Review

The Department's Ten Year Capital Strategy totals $322.3 million. Funding for facilities for homeless families totals $62.5 million; $248.5 million has been allocated for facilities for single adults, including Single Room Occupancy (SRO) permanent residences; and $11.2 million has been allocated for computer network upgrade and creation of a client tracking system.

Capital Commitments

($000's)

	2000 Actual		2001 Plan		2002 Plan		2003 Plan		2004 Plan		2005 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 .....$	762	762	9,154	9,154	12,692	12,692	8,035	8,035	6,743	6,743	5,000	5,000
Homeless Individuals ...$	4,176	4,176	12,932	12,932	40,529	40,529	17,181	17,181	13,450	13,450	25,000	25,000
Equipment and Vehicles .$	1,060	1,060	1,599	1,599	3,693	3,693	250	250	250	250	1,000	1,000
Administrative Facilities .$	4,746	4,746	224	224	98	98	0	0	0	0	0	0
Total. ....$	10,744	$10,744	$23,909	$23,909	$57,012	$57,012	$25,466	$25,466	$20,433	$20,443	$31,000	$31,000

Highlights of the Department's Ten Year Capital Strategy include:

- development of a new adult facility on the Willow Avenue site to replace the existing building ($10.4 million).

- building upgrade and repairs at adult and family facilities, including $7.0 million at 68 Lexington Avenue, $1.7 million at Dean Street, $1.0 million at Jamaica Assessment Center, $1.0 million at Linden, $1.5 million at Charles Gay Schwartz and $2.5 at Pamoja House.

- $25.3 million for exterior repairs to various facilities. The intent of this program, initiated in July 1998, is to provide building envelope stabilization and restoration for all Department of Homeless Services owned facilities throughout the City. The work includes sidewalk bridges; demolition; repair/replacement of masonry, metals, windows, roofing; and associated plumbing.

- code and regulation compliance at Camp Laguardia ($3.8 million) and Catherine Street/Life ($3.1 million)

- fire safety projects at various sites, including work at Jamaica Armory, Franklin Armory, Charles Gay, Park Slope Armory and Saratoga ($5.3 million).

- upgrades of existing SRO's, including projects at Veterans, Commonwealth, Miracle Makers and Mount Eden ($3 million).

- upgrade of the DHS computer network system, including an integrated client tracking system with enhanced client and shelter information reporting, and computerization of the Rehousing Unit, which tracks and locates permanent housing for homeless families ($1.8 million).

DEPARTMENT FOR THE AGING

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

Financial Review

The Department's 2002 Executive Budget provides for operating expenses of $230.5 million, of which $166.1 million are City funds.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- an additional $1.9 million will support expansion and reorganization of the Elderly Crime Victims Program to provide crime prevention, elder abuse services and crime victim's assistance services throughout the five boroughs.

- in 2002 the Department will fully implement the weekend meals program, which began in 2001 and provides nutritious take-home meals to 12,500 seniors for Saturdays or Sundays.

Restructuring and Streamlining

- in 2002 the Department will streamline administrative operations through the use of imaging technology to store application records and development of a new contract management system that will link payments to contractor performance.

- program services will be enhanced by the migration of the Provider Data System (PDS) and the Uniform Benefits Assessment System (Uni-form) to a web based platform and expanded availability of Uni-form, which allows seniors to complete a single, simplified application for various entitlement benefits.

Summary of Agency Financial Data

($000's)

	2000 Actual	2001 Forecast	2002 Preliminary Budget	2002 Executive Budget	Increase/(Decrease) 2001 Forecast	Increase/(Decrease) 2002 Preliminary Budget
Expenditures						
Personal Service	$19,474	$21,724	$19,804	$20,014	($1,710)	$210
Other Than Personal Service	195,608	218,354	203,359	210,495	(7,859)	7,136
Total	$215,082	$240,078	$223,163	$230,509	($9,569)	$7,346
Funding						
City	$150,888	$164,686	$162,889	$166,132	$1,446	$3,243
Other Categorical Grants	5	5	—	—	(5)	—
Capital IFA	—	—	—	—	—	—
State	20,536	23,450	19,662	19,662	(3,788)	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	691	492	362	4,452	3,960	4,090
• Other	42,403	50,926	40,031	40,031	(10,895)	—
Intra-City Other	559	519	219	232	(287)	13
Total	$215,082	$240,078	$223,163	$230,509	($9,569)	$7,346
Personnel (at fiscal year-end)						
City	138	148	146	149	1	3
Non-City						
• JTPA	5	—	—	—	—	—
• CD	—	—	—	2	2	2
• Other	218	269	234	234	(35)	—
Total	361	417	380	385	(32)	5

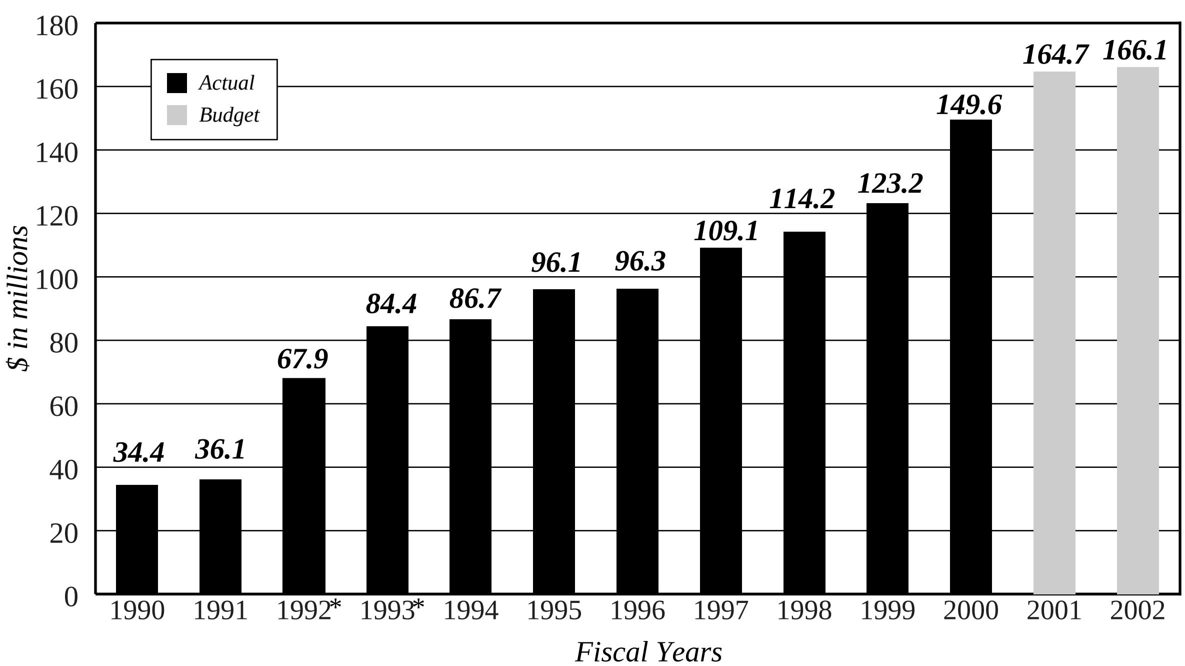
Programmatic Review

In 2002, DFTA will continue to provide services to elderly New Yorkers through a network of 340 senior centers, which serve over 165,000 of the City's elderly. The Department will also provide congregate and home-delivered meals to seniors throughout the five boroughs. Over four and one half million home-delivered meals (including over one million on weekends and holidays) and over nine million congregate meals will be served.

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

The Department manages a number of additional programs that assist elderly New Yorkers including homemaking, housekeeping and social adult day care services for homebound and frail seniors and case management and transportation services to meet special and recurring needs. The Department supports funding for 28 NORC's (Naturally Occurring Retirement Communities), which provide on-site services in complexes with large numbers of elderly residents. Seniors are also engaged in activities with younger New Yorkers through the Department's Foster Grandparent and Intergenerational programs.

DEPARTMENT FOR THE AGING: HISTORICAL TAX - LEVY SPENDING



** Reflects transfer of 177 senior centers from HRA between 1992 and 1993.*

Ten Year Capital Strategy

The Department's Ten-Year Capital Plan totals $43.9 million. Capital projects include the rehabilitation of facilities that provide services to the elderly, technology projects to improve operations and the enhancement of a computerized network to assist seniors to apply for entitlement and benefit programs directly at local senior centers.

Highlights of the Department's Ten-Year Capital Strategy include:

- renovations of senior centers citywide ($30.3 million).
- support for computer systems projects including the Provider Data System (PDS) and Uni-form Benefits Assessment System. These systems will streamline the application and certification process for senior citizen entitlement benefits. In addition, the system will provide the Department with a reliable client database ($2.8 million).
- conversion of PDS and Uni-form to a web based platform ($2.0 million).
- development of a Grants Management computer system to support performance-based contract monitoring and grant-related reporting requirements ($2.2 million).

Capital Commitments

($000's)

	2000 Actual		2001 Plan		2002 Plan		2003 Plan		2004 Plan		2005 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	$1,344	$1,344	$2,175	$2,175	$3,920	$3,920	$1,721	$1,721	$1,000	$1,000	$1,000	$1,000
Building Reconstruction	$249	$249	$18,024	$18,024	$9,474	$9,474	$3,231	$3,231	$2,403	$2,403	$2,943	$2,943
Total	$1,593	$1,593	$20,199	$20,199	$13,394	$13,394	$4,952	$4,952	$3,403	$3,403	$3,943	$3,943

DEPARTMENT OF HEALTH

The Department of Health (DOH) promotes and protects the health and quality of life of New York City residents by enforcing compliance with the City Health Code and operating a broad range of public health services. These include disease monitoring, control, and prevention, as well as health education, environmental health, infant mortality reduction, early intervention, and child health. In addition, the Department's Health Access Division is responsible for overseeing the implementation of mandatory Medicaid managed care in New York City through the monitoring and enforcement of contracts with managed care plans.

Financial Review

The Department of Health's 2002 Executive Budget provides for $916.2 million, which is $27.7 million less than the 2001 forecast. Additional funds of approximately $72 million will be modified during the fiscal year when Federal and State award notifications are received.

Revenue Forecast

The Department of Health generates revenue from licenses, permits, inspections and service fees, and fines for violations of the New York City Health Code. The Department will generate $35.8 million in 2002.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- an increase of $15.5 million for a new contract to provide correctional health services to inmates on Rikers Island.

- an increase of $2 million to fund two major research studies on the impact of drug regimen compliance on heart disease and treatment options for men at risk for prostate cancer.

- an increase of $1.3 million to enhance the Comprehensive Arthropod-Borne Disease Surveillance and Control Program.

- an increase of $558,000 to complete the evaluation phase of the Asthma Symptom Management and Referral Treatment demonstration project.

Summary of Agency Financial Data

($000's)

	2000 Actual	2001 Forecast	2002 Preliminary Budget	2002 Executive Budget	Increase/(Decrease) 2001 Forecast	Increase/(Decrease) 2002 Preliminary Budget
Expenditures						
Personal Service	$198,547	$216,171	$231,028	$224,400	$8,229	($6,628)
Other Than Personal Service	593,578	727,779	604,535	691,835	(35,944)	87,300
Total	$792,125	$943,950	$835,563	$916,235	($27,715)	$80,672
Funding						
City	$361,296	$439,408	$452,524	$456,543	$17,135	$4,019
Other Categorical Grants	76,813	88,377	101,636	101,461	13,084	(175)
Capital IFA	—	—	—	—	—	—
State	193,196	227,636	234,610	235,311	7,675	701
Federal						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	159,981	183,993	45,468	120,009	(63,984)	74,541
Intra-City Other	840	4,536	1,325	2,911	(1,625)	1,586
Total	$792,125	$943,950	$835,563	$916,235	($27,715)	$80,672
Personnel (at fiscal year-end)						
City	2,019	2,457	2,445	2,446	(11)	1
Non-City						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	965	1,041	849	848	(193)	(1)
Total	2,984	3,498	3,294	3,294	(204)	—

Programmatic Review

The mission of the Department of Health is to protect and promote the health of the public through monitoring, prevention, and control activities for individuals, families, and communities in New York City. The Department prevents epidemics and the spread of diseases such as HIV/AIDS, sexually transmitted diseases (STD), and tuberculosis; protects against environmental hazards; prevents unintentional injuries; promotes and encourages healthy behaviors; responds to disasters and assists communities in recovery; and ensures the accessibility of health services.

Agency Initiatives

In 2002, the Department will intensify its efforts to reduce mosquito-borne diseases in New York City. This will be accomplished by implementing enhanced mosquito-borne disease surveillance and control activities, including: (1) intensive surveillance systems to detect mosquito-borne disease in mosquitoes, birds and mammals, and humans; (2) identification, reduction, and elimination of mosquito breeding grounds to reduce mosquito populations; (3) aggressive larviciding efforts to prevent the emergence of adult mosquitoes; (4) judicious use of adulticides when necessary; (5) evaluation of surveillance and control efforts, including the efficacy of pesticides; (6) continuing assessment of the effects of pesticide on the environment, including potential adverse effects on humans; (7) public education to enhance community awareness about the risks for mosquito-borne disease; and (8) professional education for health care providers. These activities will be partially supported by the Federal Centers for Disease Control and Prevention and the New York State Department of Health. The Department, under Section 11.03 of the Health Code, will require health care providers, laboratories, and others to report cases of arboviral diseases diagnosed or identified in New York City.

In 2002, the Department will continue its efforts to mobilize community partnerships to identify and solve health problems and to develop policies and plans that support individual and community health efforts.

The Department continues to expand the Childhood Asthma Initiative, which is now in its fourth year and is quickly becoming a national intervention model for urban settings. The initiative supports Citywide educational programs in high-risk neighborhoods, as well as surveillance and evaluation activities.

The Department is piloting the Asthma Symptom Management and Referral Treatment (SMART) program serving asthmatic children in East Harlem. This program identifies and shares critical asthma events, such as visits to school nurses or emergency rooms, with those who are involved in the management of the child's asthma in order to prevent the progression of symptoms and avert subsequent emergency room visits and hospitalizations. Follow-up care involves the mobilization of the child's "asthma team," which includes the child's primary care doctor and a community health outreach worker. The program, which began in the fall of 2000, will serve approximately 400 families in the coming year.

In 2001, the Department launched the Child Health Initiative, a program involving both Citywide and community-based efforts. The initiative, which will continue in 2002, aims to reduce childhood morbidity through a coordinated, integrated response to lead poisoning, asthma, vaccine-preventable diseases, and conditions affecting children.

Disease Intervention Services

The Department, consistent with Federal initiatives to eliminate tuberculosis in the nation, will continue its efforts to further reduce the incidence of tuberculosis in New York City. While the number of tuberculosis cases continues to go down – tuberculosis cases decreased by 55 percent between 1994 and 2000 - the program will increase its efforts to reach minority communities where significant numbers of the new tuberculosis cases are being identified. The Department is planning for 140,200 tuberculosis visits in 2002 and will ensure that 90 percent of drug-sensitive patients and 80 percent of harder-to-reach, multiple drug-resistant patients complete treatment.

The Department, in its continuing efforts to control AIDS and HIV infection, will enhance health education and risk reduction services for young minority men who have sex with men (MSM) in 2002. Recent surveys conducted by the Department and others show an alarming increase in the proportion of young minority MSM recently infected with HIV. The number of deaths from AIDS in New York City decreased by more than 70 percent between 1994 and 2000, with a concomitant increase in the number of people living with AIDS to approximately 45,000.

The Department also noted an increase in syphilis among MSM in late 1998 and 1999 and will mount an aggressive campaign to control syphilis in MSM in 2002 as part of its syphilis elimination program. This initiative, which is designed to enhance awareness about syphilis, promote safer sex practices, and encourage screening for syphilis and other sexually transmitted diseases, will include a multi-media campaign and public and provider education.

In 2002, the Department will continue its efforts to enforce the State law requiring providers to report HIV-infected individuals, including their partners, and will offer HIV counseling and testing to those who are potentially at risk for HIV infection. As a provider of clinical services, the Department itself will continue to report HIV-infected clients who tested confidentially to the New York State Department of Health and will provide partner notification, counseling, and testing services to providers in the community upon referral of their clients for such services. The Department expects 50,000 visits to its testing sites requiring confidential counseling, testing, and partner notification.

From March 2001 to February 2002, the Department, with guidance from the HIV Health and Human Services Planning Council, will monitor the disbursement of $119 million in Title I Ryan White Comprehensive AIDS Resource Emergency (CARE) funds.

Between 1995 and 2000, the number of new lead cases reported for New York City children dropped by 53 percent. In 2002, the Department will continue to work toward reducing the burden of lead poisoning in communities by: (1) conducting outreach and education; (2) providing medical case management for children reported as lead poisoned; (3) inspecting dwelling units where lead poisoned children spend significant time; and (4) assuring compliance of abatement through follow-up inspections. The Department will also expand its surveillance activities for lead by requiring laboratory tests analyzed in physician offices to be reported directly to the Department.

The Department recently launched the Hepatitis B immunization campaign in participating schools and will continue these activities through 2002. These activities, aimed at providing Hepatitis B immunization to children in the seventh grade who are now required to receive the vaccine as a condition for enrollment, include actively immunizing children against Hepatitis B in participating schools. Through walk-in immunization clinics and collaboration with public and private partners, the Department provides all other vaccines for children who need them. In 2002, the Department maintained its goal of having 100 percent of all public and private hospitals reporting to the Citywide immunization registry and ensuring that providers track their patients' immunization histories.

Family and Community Health Services

In 2002, the Department will enhance its focus on reducing disparities in healthcare in minority communities. These efforts will be coordinated through the newly organized Office of Minority, Immigrant, and Refugee Health. Working with other programs in the Department, the Office will address: (1) the high prevalence of HIV and sexually transmitted diseases; (2) high infant mortality rates; (3) high mortality rates secondary to malignancies;

(4) increased health complications of diabetes; (5) increased complications of cardiovascular disease; and (6) low immunization rates for influenza and pneumonia. The Office will also seek active participation of health care providers, community-based groups, and other entities, including faith-based organizations, in promoting health in minority communities.

The Department provides public health services in all public and selected nonpublic elementary and intermediate schools. These services include a comprehensive review of the child's medical condition, with special emphasis on conditions that may impair daily school activities, attending to emergencies, provision of medication and management of potentially handicapping conditions, vision and hearing screening, case management, and follow-up. The Department anticipates providing 4,000 new admission exams in 2002 and referring the majority of new school entrants to primary health care providers who will provide ongoing direct health care. The school health program will actively identify children in need of health insurance and refer or enroll them into Child Health Plus.

In 2002, the Department will increase its multi-media campaign against tobacco use and will widely publicize its toll-free "Quit Line." This telephone line provides assistance and referral to services for smokers who wish to stop smoking. The Department will also continue to work with selected facilities at the Health and Hospitals Corporation (HHC) in promoting smoking cessation in the community by offering smoking cessation services. In collaboration with the Department of Consumer Affairs, the Department will intensify its efforts to prevent the sale of tobacco products to minors.

In 2002, the Department, in partnership with the HHC, will launch an initiative to enhance knowledge about prostate cancer among minorities, promote screening, and provide management and referral to those in need of additional services. Other partners in this initiative will include academic medical centers engaged in various clinical trials for new treatment regimens for advance prostate cancer.

The Department will continue its efforts to reduce the infant mortality rate, which fell to a record low of 6.8 deaths per 1,000 live births in 1998. However, infant mortality remains unacceptably high in certain neighborhoods in the City. In 2002, the Department will launch a comprehensive program to reduce infant mortality in selected neighborhoods. This initiative, which will focus on early identification of conditions that may lead to poor outcomes of pregnancy, will facilitate access to vital services for women and linkages to these services within the community. The Department anticipates providing 33,000 callers to the Women's Healthline with information about woman and infant health care and arranging 1,800 prenatal care appointments within three weeks of a pregnant woman's initial contact with the Department. The Department will also provide case management services to 1,410 high-risk pregnant women and infants.

The Department will ensure the provision of preventive services to children under the age of 18 through a contract with HHC. HHC plans to provide 163,000 child health clinic visits during 2002.

The Department will continue to administer the Early Intervention Program in partnership with the Department of Mental Health, Mental Retardation, and Alcoholism Services and HHC. This program is designed to: (1) create an efficient system for the early identification and referral of infants and toddlers under the age of three with developmental delays; (2) reduce the duplication of services; (3) provide more timely and efficient evaluation of young children; and (4) provide comprehensive services in a more natural setting for each child. Due to greater public awareness of the Early Intervention Program, children are being identified and referred to the program in larger numbers. As a result, the developmental potential of infants and toddlers is maximized. Since its inception in 1993, over 67,000 children have been referred to the Early Intervention Program. It is anticipated that approximately 15,500 additional children will be referred to the program in 2002.

In 2002, the Department will continue its efforts to meet the increased needs of the Universal Pre-Kindergarten Program, which mandates that all four-year-old children in New York State have the opportunity to access pre-kindergarten services. The Department expects to issue an additional 1,000 group day care permits and to maintain contacts with a total of 19,720 day care facilities. With funding from the State, the Department will increase the sample of family day care and group family day care facilities that it inspects from 10 percent to 20 percent in calendar year 2001.

Regulatory and Environmental Health Services

The Department is prepared to respond 24 hours a day to radiological, chemical, hazardous material, and food-borne illness emergencies.

In 2002, with support from the New York State Department of Health, the Department will enhance its drinking water monitoring program to ensure the safety of the drinking water supply. This enhancement will include intensive oversight of the New York City Department of Environmental Protection's water main replacement activities, plans for modifications of plant operations, biological and heavy metal monitoring programs, and cross-connection control activities. The Department will also enhance its monitoring for bacterial pathogens in drinking water at consumer access points.

In 2002, the Department plans to conduct 23,600 initial restaurant inspections. The Department will continue to conduct inspections of food service establishments in the evenings and on weekends, enabling the Department to enforce the Smoke-Free Air Act and to maintain a consistent presence in establishments that operate during nontraditional business hours. The results of the Department's restaurant inspections will continue to be accessible by the public through NYC Link.

In 2002, the Department will continue to implement the Enhanced Pest Control Program, which identifies strategic geographic areas with rodent problems and develops customized plans to address rodent infestation. These areas are identified through complaints from citizens, elected officials, and community boards, or by the Department based on the results of inspections and/or information about known chronic problem areas. Site-specific plans are developed and implemented within an appropriate time frame after the identification of critical geographic areas. In 2002, the Department anticipates making 16,000 inspections in response to complaints.

Health Care Access

This division is responsible for developing, implementing, and monitoring various initiatives for expanding the availability of critical health services.

The Division of Health Care Access oversees New York City's Medicaid managed care program in conjunction with the New York City Human Resources Administration and the New York State Department of Health. Mandatory enrollment of Medicaid clients began in August 1999 into the Phase 1 neighborhoods of South Brooklyn, Southern Manhattan, and Staten Island. Mandatory enrollment in the Phase 2 neighborhoods of Northern Bronx and Northeast and Central Queens will begin in early spring 2001. The Department will continue to execute contracts and contract amendments with Medicaid managed care plans and enforce the terms and conditions of managed care contracts. The Department will work with the State Department of Health and the New York State AIDS Institute to develop HIV Special Needs Plans (SNPs) for Medicaid recipients with HIV/AIDS. Enrollment into HIV SNPs is expected to begin in 2001.

The Department has also been working toward reducing barriers to health insurance coverage. The HealthPass program, which began in 2000 and is administered by the New York Health Purchasing Alliance, will continue in 2002 and will enable businesses with 50 or fewer employees to offer their staff a choice of health insurance plans and benefit options.

In addition, the Division of Health Care Access has been involved with the administration's HealthStat initiative to identify and enroll uninsured New Yorkers into health insurance. Through the newly created Health Insurance Services Unit, the Department is involved in the following activities: (1) outreach and referral – programs in the Department provide outreach to communities and make referrals for facilitated enrollment; (2) facilitated enrollment – trained enrollers assist families with the child health insurance application process; and (3) lead agency function – Department staff review and process all children's health insurance applications completed by facilitated enrollers at the Department and other City agencies.

Correctional Health Services

The Department continues to contract with HHC to provide health services to approximately 16,000 inmates daily. Services include new admission examinations, infirmary services, sub-acute treatment, preventive care, dental services, and prenatal services. These services are provided to inmates on Rikers Island through a subcontract with Prison Health Services, which began operations on January 1, 2001. This provider was selected through a request for proposals (RFP).

Office of the Chief Medical Examiner

The Office of the Chief Medical Examiner (OCME) operates an accredited Forensic Biology Laboratory that processes DNA evidence from over 3,000 homicide and sexual assault cases. The Laboratory also analyzes positive cases from 16,000 evidence kits of historical sexual assault cases held by the New York City Police Department (NYPD). These cases are tested by an outside laboratory for semen and retested by the OCME if positive indications of semen are found. In October 2000, the Laboratory opened a new evidence examination annex located on the fourth floor of the Bellevue Hospital Administration Building. This annex has enabled faster examination of evidence that has reduced the turnaround time for DNA analysis of sexual assault cases to an average of 30 days for regular cases and seven days for rush cases.

By the start of 2003, the OCME will expand its DNA laboratory with the opening of a new High Sensitivity Laboratory to be located on the ninth floor of the Bellevue Hospital Administration Building. This laboratory will isolate and profile small amounts of DNA found on a wide variety of evidence gathered from crime scenes, including various parts of stolen vehicles, telephones, doorknobs, cigarette butts, or soda cans. The laboratory will validate the methodology, procedures, and equipment needed to process 35,000 fingerprint cases. It will also provide the necessary training for a core group of scientists who will enable the laboratory to handle 70,000 fingerprint cases annually. The new laboratory will also include a program to train evidence collection teams from the NYPD on collection and evaluation methods for this type of analysis.

The High Sensitivity Laboratory will be the training ground for the staffing of a new DNA facility scheduled to open by the end of 2004. This new building will consolidate the three existing laboratories into a world class, custom-built facility for forensic DNA analysis. This twelve-story, 300,000 square foot building will be located on the campus of Bellevue Hospital. The new building will house the following expanded functions: (1) a new evidence delivery area capable of accepting over 100,000 pieces of evidence per year; (2) high-density storage systems to house 12 years of evidence as retained specimens; (3) an expanded casework laboratory to handle 16,000 cases annually, up from the current level of 3,000; (4) a total of 70,000 fingerprint cases, up from the 35,000 cases to be processed in the High Sensitivity Laboratory; (5) a high-volume, high-throughput exemplar laboratory to perform DNA profiling from blood and saliva taken from suspects, elimination samples, and postmortems; (6) a mitochondrial laboratory to perform DNA typing of hair samples in cases such as body identifications, where regular DNA from blood and semen is unavailable; (7) an in-situ laboratory that will use DNA testing of the brains and serum of deceased individuals to ascertain the level of pain, stress, or fear of homicide victims immediately before death; and (8) training facilities and conference rooms essential for supporting programs on proper evidence collection.

Capital Review

The 2002-2011 Capital Plan totals $169.5 million for facility renovations and equipment.

Capital Commitments

($000's)

	2000 Actual		2001 Plan		2002 Plan		2003 Plan		2004 Plan		2005 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Equipment	$16,467	$16,467	$30,195	$30,195	$5,242	$5,242	$990	$990	$1,262	$1,262	$7,449	$7,449
Renovation	7,080	7,080	22,856	22,856	31,821	31,281	21,952	21,952	22,726	22,726	23,094	23,094
Total	$23,547	$23,547	$53,051	$53,051	$37,063	$37,063	$22,942	$22,942	$23,988	$23,988	$30,543	$30,543

Highlights of the Ten-Year Plan include:

- $35.7 million for the upgrade of the heating, ventilation, and air conditioning (HVAC) and fire alarm systems, electrical service, plumbing, and general conditions at the Department's Public Health Laboratory facility located at 455 First Avenue.
- $31.8 million for laboratory equipment replacement.
- $10.1 million for the construction of a free-standing mortuary at Kings County Hospital.
- $7.6 million for computer replacement.
- $7.6 million to complete Phase II of the renovation of the Jamaica Health Center, which includes the construction of a new tuberculosis clinic.
- $6.3 million for the renovation of the Manhattanville Health Center.
- $5.6 million for the renovation of the Center for Animal Care and Control (CACC) Manhattan shelter and acquisition of a Queens shelter.
- $5.5 million for the renovation of STD clinics.
- $3.9 million for vehicle replacement.
- $3.0 million for a human surveillance system for vector control.

DEPARTMENT OF MENTAL HEALTH, MENTAL RETARDATION, AND ALCOHOLISM SERVICES

The Department of Mental Health, Mental Retardation, and Alcoholism Services (DMH) is a contracting and supervisory agency that plans, evaluates, and monitors mental health, mental retardation, alcoholism, and substance abuse services for New York City residents. The Department also provides court-ordered psychiatric evaluations through its criminal court mental health clinics. In addition, the Department funds public education, prevention services, and training while maintaining culturally responsive, cost-effective, and high quality care for its clients.

Financial Review

The Department of Mental Health's 2002 Executive Budget provides for $585.4 million, which is $25 million less than the 2001 forecast. Additional funds of approximately $49 million will be modified during the fiscal year when Federal and State award notifications are received.

Eighty three percent of the Department's City tax levy budget funds programs provided by the voluntary service sector and HHC. The distribution of these funds among program areas is as follows: mental health, 39 percent; mental retardation, 15 percent; and alcoholism and substance abuse, 29 percent. The remainder is allocated to prison mental health, criminal court, and administration.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- an increase of $5.3 million for enhanced discharge planning services and community-based forensic LINK programs for mentally ill individuals released from the City's jails and courts.

Summary of Agency Financial Data
($000's)

	2000 Actual	2001 Forecast	2002 Preliminary Budget	2002 Executive Budget	Increase/(Decrease) 2001 Forecast	Increase/(Decrease) 2002 Preliminary Budget
Expenditures						
Personal Service	$12,776	$12,999	$12,887	$12,887	($112)	$—
Other Than Personal Service	493,681	597,390	568,575	572,502	(24,888)	3,927
Total	$506,457	$610,389	$581,462	$585,389	($25,000)	$3,927
Funding						
City	$69,186	$97,368	$102,611	$96,302	($1,066)	($6,309)
Other Categorical Grants	—	—	—	—	—	—
Capital IFA	—	—	—	—	—	—
State	159,919	190,346	118,486	123,140	(67,206)	4,654
Federal						
• JTPA	—	—	—	—	—	—
• CD	492	553	553	553	—	—
• Other	21,869	22,683	14,335	19,925	(2,758)	5,590
Intra-City Other	254,992	299,439	345,477	345,469	46,030	(8)
Total	$506,457	$610,389	$581,462	$585,389	($25,000)	$3,927
Personnel (at fiscal year-end)						
City	138	157	159	159	2	—
Non-City						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	82	99	82	82	(17)	—
Total	220	256	241	241	(15)	—

Programmatic Review

The Department of Mental Health, Mental Retardation and Alcoholism Services provides planning, funding, and oversight for the provision of mental health, mental retardation, alcoholism, and substance abuse services for New York City residents. In addition the Department funds public education, prevention services, and training while maintaining culturally responsive, cost-effective, high quality care for its clients.

The Department serves 388,000 patients annually through 333 contracts with voluntary mental hygiene service providers and the Health and Hospitals Corporation (HHC) facilities.

Mental Health

The Department plans and funds a variety of mental health services, including outpatient services to adults and families, outreach services, and services to special populations, including recent immigrants. The Department's priority services include programs for children and adolescents, the homeless, the severely and persistently mentally ill, and the mentally ill forensic population.

Mental Retardation and Developmental Disabilities

The Department plans and funds services for people with developmental disabilities, including mental retardation, cerebral palsy, epilepsy, autism, and other neurological impairments. The services provided to these populations include adult vocational programs, employment programs, diagnostic evaluations, clinic treatment programs, family support programs, counseling, after-school and weekend recreation and respite programs, special continuing education, sleep-away camp, transportation, information and referral, and public education. In addition, the Department will continue to administer the Early Intervention Program for toddlers under the age of three with development delays through an intracity relationship with the Department of Health (DOH).

Alcoholism

The Department plans and funds an array of services to assist individuals in need of alcoholism treatment, including inpatient detoxification, alcohol crisis centers, comprehensive outpatient services, and community residences. The priority populations include homeless persons, pregnant women, families, and adolescents.

Substance Abuse Services

The Department funds a variety of services to assist individuals in need of substance abuse treatment, including integrated outpatient services for adult substance abusers and mentally ill chemical abusers (MICA), family centered adolescent substance abuse and MICA treatment, and comprehensive integrated substance abuse services focusing on sobriety and employment readiness.

Performance-Based Contracting

The Department continues to implement performance-based contracting across all disability sectors. Currently, 100 programs are covered, including Assertive Community Treatment (ACT) teams, clubhouse programs, alcoholism treatment clinics, and vocational programs. In the next three months, an additional 100 programs will be covered, including mental health, intensive case management, supportive case management, Temporary Assistance to Needy Families (TANF), and forensic LINK programs, resulting in over 200 programs under performance-based contracts.

During 2002, the Department anticipates that 70 additional programs will be included in performance-based contracting, including supportive housing, children’s day treatment, adult continuing day treatment, medically supervised outpatient treatment, and drug-free outpatient treatment.

Forensic Services

An additional $5.3 million allocated to the Department’s budget during the November Financial Plan will allow the Department to provide enhanced discharge planning services to mentally ill individuals released from the City’s jails in order to facilitate linkages to community-based care.

In addition to expansion of jail-based discharge planning, these funds will also enable the Department to establish five court-adjacent Service Planning and Assistance Network (SPAN) offices where discharge plans can be developed or completed for individuals released from court.

Lastly, the additional funding will enable the Department to enhance existing community-based forensic LINK programs with 32 additional transition managers. Transition managers work closely with the jail-based discharge planners and clients to facilitate a smooth transition into the community following release from confinement. These transition services are provided in the community and are conducted on an intensive basis, for approximately two months, with less intensive follow-up conducted for two additional years.

Case Management Services

As part of a Statewide Office of Mental Health initiative, an estimated $32.5 million of additional case management funding for adults and children will be allocated to New York City next year. An integral component of this initiative is the implementation of a Single Point of Accountability system. Under this initiative, services to high-risk populations, such as forensic and Assisted Outpatient Treatment clients, will be prioritized.

FIRE DEPARTMENT

The Fire Department is responsible for protecting the lives and the property of the citizens of New York City from fire, medical and other emergencies, and from building hazards. The Fire Department extinguishes fires, promotes fire prevention awareness, investigates suspicious fires, provides ambulance and pre-hospital emergency medical services, and inspects for building safety. The 362 fire companies provide fire and rescue services, while public outreach and enforcement of New York City's fire codes promote fire prevention. The Department's Fire Marshals investigate arson cases and apprehend perpetrators. The Bureau of Emergency Medical Services (EMS), assisted by the Certified First Responder – Defibrillation (CFR-D) trained personnel responding from Engine Companies, provide ambulance transport and pre-hospital emergency medical care. Building inspectors enforce the various building code regulations.

Financial Review

The Fire Department's 2002 Executive Budget provides for operating expenses of $1.09 billion. This increase of $22.7 million from the amount forecasted for 2001 is primarily due to the anticipated transfer of the building inspection program from the Department of Buildings to the Fire Department. Capital commitments of $246.3 million are also provided in 2002. The increase of $60.3 million is a 32.4 percent change from 2001 and includes funding for a new computer aided dispatch system, firehouse rehabilitation and renovation, EMS station construction, and new mandated firefighting and support vehicles.

Revenue Forecast

The Fire Department issues permits and collects fees for the inspection of fire suppression and electrical systems, places of public assembly, laboratories, high-rise buildings, and the storage and use of combustible materials. In addition, the Department realizes revenues from fees charged to out-of-state fire insurers doing business in New York City and to private fire alarm companies. In 2002, it is estimated that the Department will collect $58.3 million in revenue that includes certain fees and permits formerly collected by the Department of Buildings.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- an increase in firefighter availability, due to hiring over quota, to strengthen response to structural fires and to non-fire emergencies, such as hazardous materials spills.

- an allocation of $0.6 million in 2002 to procure cold water rescue equipment, rebar cutters, and pharmaceuticals to maintain emergency readiness.

- the hiring of 150 Fire Cadets to improve minority recruitment and to enhance fire prevention programs citywide.

- the re-certification (CFR-D) training for First Responder firefighters, who respond to life-threatening medical incidents, citywide.

Streamlining

- the Department will outsource the Medical Necessity Review process for Ambulance Call Reports (ACRs).

- upon retirement, 75 uniformed personnel on extended limited duty assignments will be replaced by 75 civilians.

- thirty citywide administrative civilian positions, vacant due to early retirement, will be eliminated.

Summary of Agency Financial Data

($000's)

			2002		Increase/(Decrease)	
	2000 Actual	2001 Forecast	Preliminary Budget	Executive Budget	2001 Forecast	2002 Preliminary Budget
Expenditures						
Personal Service	$987,994	$981,775	$987,816	$1,001,617	$19,842	$13,801
Other Than Personal Service	90,352	84,393	79,591	87,255	2,862	7,664
Total	$1,078,346	$1,066,168	$1,067,407	$1,088,872	$22,704	$21,465
Funding						
City	$1,003,941	$996,406	$992,520	$1,014,626	$18,220	$22,106
Other Categorical Grants	72,213	67,306	72,120	72,445	5,139	325
Capital IFA	—	—	—	—	—	—
State	2,109	2,201	2,512	1,546	(655)	(966)
Federal						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	83	255	255	255	—	—
Intra-City Other	—	—	—	—	—	—
Total	$1,078,346	$1,066,168	$1,067,407	$1,088,872	$22,704	$21,465
Personnel (at fiscal year-end)						
City	15,977	15,686	15,586	15,986	300	400
Non-City						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	10	17	16	10	(7)	(6)
Total	15,987	15,703	15,602	15,996	293	394

Programmatic Review

In 2002, the Department expects that over one half of the responses by its fire companies will be to medical and other non-fire emergencies. Despite this increased response to medical and other non-fire emergencies, the Department's citywide response time to structural fires is estimated to be less than four and one half minutes. The Department anticipates that its ambulances will respond to over one million medical incidents in 2002.

Fire Extinguishment

The Fire Department provides fire and rescue operations via 203 Engine Companies, 143 Ladder Companies, seven Squads, five Rescue Units, three Marine Companies, and one Hazardous Materials Unit.

Emergency Medical Services

The Department continues to acquire sites throughout the City to be used as community-based EMS stations to increase ambulance availability. All ambulance personnel have been trained in asthma treatment. Engine Companies' personnel have received CFR-D training, and re-certification continues through 2002 for those whose initial certification will expire.

Fire Prevention and Building Safety

The Bureau of Fire Prevention is responsible for enforcing the City's fire codes through the inspection of public and private properties, and for providing fire safety education and community outreach. The recruitment of 150 Fire Cadets, who also perform fire safety instruction as part of their responsibilities, has augmented existing efforts. In addition, the Bureau will assume the responsibility for building safety, which is accomplished by the inspection of public and private properties for enforcement of the Building Code and the Electrical Code, the Multiple Dwelling Law, zoning regulations, and energy laws.

Fire Investigation

The promotion of 25 Firefighters to the rank of Fire Marshal in 2002 will improve efficiency in the Bureau of Fire Investigations.

Capital Review

The Capital Commitment Plan allocates $683.0 million over the next ten years. This funding will be used for the purchase of firefighting apparatus, equipment and support vehicles, emergency medical equipment, and the upgrade and replacement of computer and communications systems. It will also fund the acquisition and construction of EMS ambulance stations, and the renovation and modernization of firehouses and training facilities.

Capital Commitments
($000's)

	2000 Actual		2001 Plan		2002 Plan		2003 Plan		2004 Plan		2005 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Fire Alarm Communications	14,705	14,705	22,815	22,815	24,583	24,583	686	686	713	713	724	724
Electronic Data Processing	2,701	2,701	26,715	26,715	16,887	16,887	151	151	0	0	200	200
Reconstruction/Modernization of Facilities	22,695	22,695	100,239	100,239	143,700	143,700	18,193	18,193	19,573	19,573	14,166	14,166
Vehicles and Equipment	8,595	8,595	36,247	36,247	61,138	61,138	35,457	35,457	33,105	33,105	20,912	20,912
Total	48,696	48,696	186,016	186,016	246,308	246,308	54,487	54,487	53,391	53,391	36,002	36,002

Highlights of the Ten-Year Capital Strategy and 2002 Executive Budget

- the replacement of front-line firefighting apparatus according to mandated replacement cycles and support vehicles and equipment ($349.5 million).
- the renovation of firehouse components such as apparatus doors, apparatus floors, boilers, electrical upgrades, kitchens, roofs, toilets, waterproofing, and windows ($123.3 million).
- the complete restoration of nine firehouses ($42.0 million).
- the construction of new joint firehouse and EMS stations in Staten Island ($7.8 million) and Rockaway ($8.6 million).
- the construction of new training facilities at Fort Totten ($50.5 million).
- the purchase of communications equipment for the five borough communication offices and for the continued operation of the call box network ($13.1 million).
- the procurement of a joint Fire/EMS Computer Aided Dispatching (CAD) system ($12.0 million).
- the purchase and upgrade of computer equipment to support agency operations ($5.3 million).

The 2002 Plan for the Department totals $246.3 million and highlights include:

- the replacement of front-line firefighting apparatus and support vehicles and equipment ($50.8 million).

- the replacement and upgrade of building components ($14.9 million), the complete rehabilitation of three firehouses ($16.5 million), the design for the rehabilitation of three additional firehouses ($1.2 million), the construction of a new joint firehouse and EMS station in Staten Island ($7.8 million) and Rockaway ($8.6 million), and the renovation of the communications offices ($26.2 million).

- the development of a joint Fire/EMS Computer Aided Dispatching (CAD) system ($12.0 million).

- the purchase of new mobile radios for all front-line vehicles ($15.0 million).

- the design and construction of new training facilities at Fort Totten ($50.5 million).

- the upgrade of the Fire Prevention Information Management System (FPIMS) ($4.4 million).

- the permanent installation of emergency generators in firehouses ($2.2 million).

DEPARTMENT OF SANITATION

The Department of Sanitation is responsible for protecting the public health by maintaining and enforcing sanitary conditions through the collection, management, and disposal of municipal solid waste. The Department is one of the oldest, largest, and most diverse public solid waste organizations in the United States providing collection service to residents in the City's 59 Community Districts. The Department collects refuse and recyclables, cleans streets, disposes of waste, processes recyclables, removes snow, and enforces portions of the City's health and administrative codes.

Financial Review

The Department of Sanitation's 2002 Executive Budget provides $986.2 million for operating expenses, an increase of $44.4 million from the amount forecasted in 2001. This increase is primarily attributed to the cost of exporting waste. Capital commitments of $292.8 million are also provided in 2002, an increase of $75.3 million from the 2001 Plan amount.

Revenue Forecast

The Department of Sanitation generates revenues from privately bid contracts for the removal of abandoned vehicles from City streets and property, concession fees on methane gas extracted from the Fresh Kills landfill, the sale of recycled paper to private processors, and from an assortment of miscellaneous fees and minor sales. The Department's 2002 revenue estimate is $10.1 million from these sources.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- as of March 2001, the Department has completed all five phases of the interim waste export program diverting waste from all five boroughs from the Fresh Kills landfill, nine months ahead of the planned closure date of December 31, 2001.

- in November 2000, the Department secured City Council approval for the City's Comprehensive Solid Waste Management Plan (SWMP) Modification.

- as part of the SWMP Modification, an additional $0.5 million has been provided for a preliminary Commercial Waste Study to provide information related to refuse tonnage, truck routes and the characterization of the commercial waste stream of private transfer stations.

- as part of the SWMP Modification, an additional $5.2 million has been provided for advertising campaigns for education and outreach related to waste prevention and recycling.

- as part of the SWMP Modification, an additional $6.3 million has been provided for a three-year pilot designed to reduce waste through recycling and waste prevention involving community-based coordinators whose focus will be low-diversion communities.

- as part of the SWMP Modification, an additional $0.4 million per year and eight full-time personnel have been provided to the Permit and Inspection Unit (PIU) to increase the frequency of inspections of private transfer stations to enforce regulatory compliance of these facilities.

- as part of the SWMP Modification, an additional $0.4 million has been provided for procurement training to educate agency personnel on increasing the City's purchases of recycled-content and waste reducing products as well as other environmentally preferable goods and services.

- the Department maintains the ability to handle a major snow emergency.

Streamlining

- the Department continues its efforts to acquire dual-bin collection trucks for recycling collection in low-density communities and at New York City schools to increase the recycling diversion rate and to enhance collection productivity.

Summary of Agency Financial Data

($000's)

			2002		Increase/(Decrease) 2001	Increase/(Decrease) 2002
	2000 Actual	2001 Forecast	Preliminary Budget	Executive Budget	Forecast	Preliminary Budget
Expenditures						
Personal Service	$589,882	$609,536	$586,939	$583,183	($26,353)	($3,756)
Other Than Personal Service	248,417	332,288	399,044	403,041	70,753	3,997
Total	$838,299	$941,824	$985,983	$986,224	$44,400	$241
Funding						
City	$819,240	$916,159	$961,188	$955,376	$39,217	($5,812)
Other Categorical Grants	360	147	1,600	1,600	1,453	—
Capital IFA	5,893	8,468	6,321	11,908	3,440	5,587
State	—	—	—	—	—	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	9,385	10,479	10,364	10,794	315	430
• Other	—	—	—	—	—	—
Intra-City Other	3,421	6,571	6,510	6,546	(25)	36
Total	$838,299	$941,824	$985,983	$986,224	$44,400	$241
Personnel (at fiscal year-end)						
City	9,684	10,324	10,014	9,793	(531)	(221)
Non-City						
• IFA	94	203	124	203	—	79
• CD	199	227	227	227	—	—
• Other	—	—	—	—	—	—
Total	9,977	10,754	10,365	10,223	(531)	(142)

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.

Planning for the Closure of the Fresh Kills Landfill

In the spring of 1996, Mayor Rudolph W. Giuliani and Governor George F. Pataki announced that the Fresh Kills landfill would close by the end of 2001 and established a joint Task Force. The Fresh Kills Task Force explored various options available to the City to reduce the use of the Fresh Kills landfill and develop a plan for its closure. The Fresh Kills Task Force Report provided various recommendations regarding the City's waste management programs such as reducing waste disposed at Fresh Kills, decreasing the City's waste stream, and exploring various recycling initiatives. The Department has allocated resources to implement these recommendations and programs.

The Department of Sanitation (DOS) is responsible for administering the City's waste management programs. The Department has developed both an interim and a long-term plan to meet the Fresh Kills closure mandate. DOS was disposing approximately 13,000 tons of waste per day at Fresh Kills at the end of 1996. The interim plan is a phased reduction of waste disposed at Fresh Kills through the use of private contracts to receive, transfer, and transport waste to out of City sites. The Department began this program in fiscal year 1998 and as of March 2001, the final phase of the interim waste export program was fully implemented. Therefore, all five boroughs are currently diverting a total of 11,600 tons of waste per day (based on fiscal year 2001 year-to-date information) from the Fresh Kills landfill. The borough of Queens, which was the last borough of the phased Waste Export program, was completed nine months ahead of the December 31, 2001 Fresh Kills closure deadline as the recommended date set by the Fresh Kills Task Force Report. The budget has been continuously evaluated and updated to reallocate funds required for this program.

Long Term Solid Waste Management

The Bureau of Long Term Export is responsible for analyzing, planning, and developing long-term waste disposal strategies for the City's waste. The Comprehensive Solid Waste Management Plan (SWMP) of 1992 (updated in 1996) included the City's ten-year solid waste management plan. The City is required, as part of the long-term plan, to amend the SWMP to reflect how it will manage its future waste disposal due to the closure of the Fresh Kills landfill.

In November 2000, the Department submitted a Draft Modification of the Comprehensive Solid Waste Management Plan (SWMP) and a supporting Draft Environmental Impact Statement (DEIS) to the City Council replacing the SWMP Draft Modification proposed in April 1998. The DEIS provides an evaluation of the potential environmental impact of the proposed long-term residential waste export program and feasible long-term export alternatives. On November 29, 2000 the City Council voted to submit the SWMP Draft Modification as amended to the State. On December 19, 2000 the Mayor signed into law Intro. 282-A, a bill to approve the submission to the State of the Comprehensive SWMP Draft Modification as amended. On February 27, 2001 the New York State Department of Environmental Conservation (NYSDEC) gave final approval of the City's SWMP Modification. Important elements of this plan are expanding waste prevention, recycling, and developing marine and rail based waste transportation options.

Design for the Staten Island Transfer Station project has been completed and is currently in the Uniformed Land Use Review Process (ULURP). This transfer station will provide the borough of Staten Island with the ability to transfer waste, collected by trucks, to freight containers for shipment out of New York City.

Bureau of Waste Prevention, Re-use, and Recycling

The Department continues its efforts to reduce the quantity of solid waste the City must dispose. The Department manages the largest and most aggressive recycling program in the United States.

The Bureau of Waste Prevention, Re-use, and Recycling studied and implemented many of the Fresh Kills Task Force recommendations. These include extensive educational outreach programs and the expansion of materials to be included in the City's recycling program. For example, the City expanded its recycling program to include mixed paper and household metal bulk collection. Also, pursuant to Local Law 59 of 1998, the City has expanded alternate week recycling collection to a weekly collection schedule in an effort to augment recycling participation and waste diversion rates. In April 2000, the Department implemented the final phase of weekly recycling, providing all New York City residents with weekly collection services. The Department also expanded its leaf and Christmas tree collection to increase composting. In September 2000, the Department convened a task force with the Board of Education to examine issues related to recycling in New York City schools. In January 2001, based on task force recommendations, the Department started a pilot for dual-bin recycling and refuse collection at public schools. As of April 2001, 362 New York City schools were receiving this service. In October 2001, the Department plans to implement dual-bin collection to include 699 schools citywide.

These efforts are evident in the City's diversion rates. For the first four months of 2001, the citywide diversion rate was 19.9 percent of the residential and curbside waste stream and 35.6 percent of the total Department managed waste stream (including recycled construction and demolition debris and tires). This represents a 0.7 percent and a 2.6 percent increase respectively, compared to the first four months of fiscal year 2000.

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. As a result of refuse diverted from the landfill, workload reductions have occurred at the marine transfer stations and at the Fresh Kills landfill. Staffing levels at these facilities have been reduced through attrition and redeployment to other divisions.

BWD is also responsible for the Fresh Kills landfill closure activities. The Financial Plan includes funds for closure activities including the final capping of the landfill, leachate treatment and control, methane gas collection and flaring, maintenance and security of the site and waterways, and environmental monitoring.

The Bureau of Cleaning and Collection

The Bureau of Cleaning and Collection (BCC) is primarily responsible for collecting household refuse and recyclables, cleaning City streets, and enforcing recycling regulations and portions of the City's health and administrative codes. BCC provides refuse collection services two or three times a week depending on the population density of the community. Additional resources have been provided for this function due to increased travel time to export refuse to out-of-city private transfer stations and to ensure that collection schedules are completed on time.

The Financial Plan also includes additional resources for citywide weekly recycling collection. Due to the increase in recyclables collected, the Department will deploy additional trucks to ensure that collection schedules are completed. The Department's pilot study of dual-bin collection trucks to pick up paper, metal, glass, and plastic in one collection truck has been successful in low tonnage districts. The Department has been expanding the use of dual-bin trucks in low-density districts to improve collection productivity.

In order to maintain street cleanliness, BCC deploys mechanical street sweepers to clean over 6,000 miles of streets. The Department deploys Work Experience Program (WEP) participants to assist in the cleaning of City streets. This initiative has contributed to an improvement in citywide street cleanliness. The Department's street cleanliness rating for the first four months of fiscal 2001 is 86.5 percent acceptably clean. BCC cleaning operations include supplemental cleaning of recreational areas and beaches (during the summer season), vacant lot cleaning, and the cleaning of illegal dumpsites.

The Department will continue the cleaning strategy embodied in Operation SLICE (Streets, Lots, Intensive Cleaning and Enforcement) to perform intensive street cleaning in problem areas citywide. In 2002, the Department will continue its enforcement efforts to maintain improved street and lot conditions and work closely with other City agencies to identify those properties that require better maintenance. Also, as part of the Mayor's ongoing effort to improve quality of life in the City, the Department implemented an Anti-Graffiti Program in 1999. The Department continues to keep all of its facilities, vehicles and equipment free of graffiti.

Support Bureaus

The Bureau of Motor Equipment (BME) provides services related to the acquisition, repair, and maintenance of the Department's motor equipment including collection trucks, street sweepers, salt spreaders, cranes, tractors, and other vehicles and equipment. BME operates an extensive repair and maintenance facility to ensure that equipment is available to implement the Department's operational functions. This Bureau researches and develops equipment specifications to improve productivity, vehicle design, and alternative fuel vehicles.

The Bureau of Building Maintenance continues to provide facility management services. BME provides maintenance and emergency repair work for the Department's 204 facilities.

Capital Review

The Department's 2002-2011 Ten-Year Capital Plan totals approximately $2.9 billion. The Ten-Year Capital Plan provides the Department with funding to construct, rehabilitate, purchase, and develop the necessary infrastructure and assets to support refuse collection, recycling, cleaning, waste disposal, and support operations. Sanitation's Capital Budget consists of two major components – garage construction and rehabilitation, and equipment purchases. These two major programs represent 81 percent of the total 2002-2011 Ten-Year Capital Plan.

The Department supports its collection and cleaning operations through its garage program. The garage program will be expanded and developed to compliment the size of the Department's fleet and work force. Garages and facilities will be constructed and rehabilitated in all five boroughs. The Department continues to replace equipment, in accordance with established replacement schedules, including collection trucks, dual-bin trucks, mechanical brooms, and salt spreaders in order to support operations.

The Department's Capital Plan includes funding for the rehabilitation of its marine infrastructure. Associated with this funding and in accordance with the Long Term Solid Waste Management Plan, five Marine Transfer Stations including West 135th Street, East 91st Street, and West 59th Street in Manhattan, Hamilton Avenue in Brooklyn, and North Shore in Queens will be renovated in order to facilitate and support the long-term waste export plan.

In order to reduce the amount of solid waste to be disposed, the Department supports recycling projects. The Capital Plan provides funds to increase the City's composting capabilities by developing sites for composting.

The table below shows capital commitments by program area over the 2000-2005 period.

Capital Commitments

($000's)

	2000 Actual		2001 Plan		2002 Plan		2003 Plan		2004 Plan		2005 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Bureau of Waste Disposal	8,150	8,150	-7,320	-7,320	30,607	30,607	39,709	39,709	10,000	10,000	15,318	15,318
Solid Waste Management Plan	315	315	1,268	7,518	5,525	5,525	0	0	0	0	12,500	12,500
Garages	41,818	41,818	111,125	111,125	179,489	179,489	16,913	16,913	224,200	224,200	213,568	213,568
Equipment	147,330	147,330	99,217	106,217	77,189	77,189	80,082	80,082	82,096	82,096	87,996	87,996
TOTAL	197,613	197,613	204,290	217,540	292,810	292,810	136,704	136,704	316,296	316,296	329,382	329,382

Highlights of the Ten-Year Capital Strategy and 2002 Executive Capital Plan

- construction of the Southwest Brooklyn Marine Export Facility ($31.7 million).

- rehabilitation of and improvements to the Marine Transfer Stations in accordance with the Long Term Solid Waste Management Plan ($204.6 million).

- construction of various garages ($808.9 million), including the construction of the Queens 14 garage ($30.4 million), Manhattan 4/4A/7 garage ($121.5 million), Manhattan 6/8/8A garage ($123.4 million), Brooklyn 13/15 garage ($65.3 million), and Brooklyn 3/3A garage ($49.6 million).

- rehabilitation of garages and various facilities ($547.7 million).

- replacement of collection trucks and mechanical brooms in accordance with established replacement cycles ($705.9 million).

- construction of new composting sites ($22.0 million).

The 2002 Plan provides $292.8 million including:

- replacement of collection trucks and mechanical brooms ($54.8 million) and salt spreaders ($4.6 million) in accordance with established replacement cycles.

- replacement of all other equipment ($17.8 million).

- construction of Manhattan District 4/4A/7 garage ($121.5 million).

- construction of Queens District 14 garage ($30.4 million).

- rehabilitation of multiple garages and facilities, citywide ($18.3 million).

- construction of the Staten Island Waste Export Facility ($27.4 million).
- construction of salt sheds, citywide ($1.2 million).
- construction of new composting sites ($2.0 million).
- development of and improvements to technology and computer systems ($4.0 million).
- site acquisition for Sanitation facilities ($1.9 million).

DEPARTMENT OF PARKS AND RECREATION

The Department of Parks and Recreation maintains one of the oldest and largest municipal park systems in the country. The Department maintains 28,346 acres of developed, natural, and undeveloped parkland, which constitutes 13.7 percent of the City's landmass. The municipal park system includes 614 turf ball fields, 550 tennis courts, 33 outdoor swimming pools, 10 indoor swimming pools, 35 recreation centers, 14 miles of beaches, 13 golf courses, six ice rinks, five stadia, and four zoos. The Department is also responsible for 500,000 street trees and 2 million park trees.

The Department of Parks and Recreation provides recreation programs for all age groups at parks, playgrounds and indoor recreation centers citywide. Structured programs include basketball, track and field, softball, boxing and swimming instruction.

Financial Review

The 2002 Executive Budget for the Department of Parks and Recreation provides for operating expenses of $194.1 million, which represents a net decrease of $14.7 million from the amount forecasted in 2001. This decrease is primarily due to one-year grants and initiatives included in 2001, but not in 2002. Capital commitments for 2002 of $282.1 million are also provided, a decrease of $105.2 million from the 2001 capital plan of $387.3 million.

Revenue Forecast

The Department of Parks and Recreation collects revenue from fees for the use of City tennis courts, ball fields, admission to the Kate Wollman skating rink, and revenue from stadium rentals and concessions on Parks property. In 2002, the Department will collect $47.2 million from these sources, compared to $55.0 million in 2001. Increased stadium rent collections in 2001, as a result of the successful baseball season, and additional concession revenue, from increased fees on bids, account for the change.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- maintaining the City's parks, playgrounds, infrastructure, and safety equipment.
- operating pools and beaches, employing lifeguards at beaches and providing instructional and recreational programs.
- maintaining and operating recreation centers throughout the City.
- maintaining cleanliness and overall condition park ratings.
- maintaining funding subsidies for the Central Park, Flushing Meadows-Corona Park and Prospect Park zoos.
- maintaining a 10-year tree pruning cycle by continuing funding for climbers and pruners and supplemental contracts.
- coordinating with the United States Department of Agriculture and the New York State Department of Agriculture and Markets in fighting the Asian longhorned beetle by injecting 8,800 trees with insecticide.

Impact of Reducing the Size of Government

- reducing seasonal playground associates while continuing to provide recreational services to communities.
- reducing headcount through targeted early retirement incentives.

Summary of Agency Financial Data

($000's)

	2000 Actual	2001 Forecast	2002 Preliminary Budget	2002 Executive Budget	Increase/(Decrease) 2001 Forecast	Increase/(Decrease) 2002 Preliminary Budget
Expenditures						
Personal Service	$146,281	$150,864	$139,636	$142,270	($8,594)	$2,634
Other Than Personal Service	51,796	57,957	48,940	51,818	(6,139)	2,878
Total	$198,077	$208,821	$188,576	$194,088	($14,733)	$5,512
Funding						
City	$163,828	$164,017	$152,077	$157,589	($6,428)	$5,512
Other Categorical Grants	4,812	5,784	—	—	(5,784)	—
Capital IFA	14,679	14,951	14,951	14,951	—	—
State	716	1,540	—	—	(1,540)	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	3,364	5,637	5,304	5,304	(333)	—
• Other	252	573	—	—	(573)	—
Intra-City Other	10,427	16,319	16,244	16,244	(75)	—
Total	$198,077	$208,821	$188,576	$194,088	($14,733)	$5,512
Personnel (at fiscal year-end)						
City	1,768	1,696	1,662	1,662	(34)	—
Non-City						
• IFA	222	296	296	296	—	—
• CD	35	76	76	50	(26)	(26)
• Other	—	—	—	—	—	—
Total	2,025	2,068	2,034	2,008	(60)	(26)

Programmatic Review

The Department of Parks and Recreation will focus on maintaining parkland, playgrounds, beaches, pools, recreational facilities, and street trees. Overall condition ratings for parks have increased over the last six years from 42 percent in 1994 to 85 percent in 2001. Cleanliness ratings of parks and playgrounds have improved from 74 percent in 1994 to 91 percent in 2001. An additional $4.3 million has been allocated to augment maintenance and operations staff to continue to improve park ratings. This will increase to $4.8 million in 2002, and the ensuing years. Rodent control remains a priority with continued efforts in inspecting reported infestations and performing site remediation. Finally, the Department has standardized and begun to collect special event fees to recoup the cost of cleaning, maintenance, and/or damages beyond the normal park usage. This new fee schedule will enable the Department to provide sufficient staff to maintain these parks.

Beginning this year, Parks will generate revenue from rent, naming rights and parking at the new minor league stadium in Coney Island. The new stadium will house the Brooklyn Cyclones, a minor league affiliate of the New York Mets.

Capital Review

The Ten-Year Plan totals $1,024.9 million, including $15.2 million of non-city funding. The table below shows capital commitments by program area over the 2002 - 2011 period.

Capital Commitments

($000's)

	2000 Actual		2001 Plan		2002 Plan		2003 Plan		2004 Plan		2005 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Beaches and Boardwalks	1,536	1,594	2,446	2,446	2,993	2,993	500	500	500	500	1,072	1,072
Land Acquisition and Tree Planting	8,818	9,151	21,331	22,838	8,193	8,492	7,000	7,000	8,000	8,000	8,820	9,640
Major Recreation Facilities	13,845	14,367	28,812	29,337	10,672	13,330	4,207	4,207	5,303	5,303	8,107	8,107
Neighborhood Parks and Playgrounds	49,692	51,567	123,085	124,825	70,173	73,708	14,500	14,500	13,000	13,000	13,986	13,986
Vehicles, Equipment and Facility Reconstruction	16,055	16,661	25,688	25,688	14,467	14,467	9,895	9,895	10,270	10,270	21,800	21,800
Large, Major and Regional Park Reconstruction	51,430	53,371	172,283	182,167	161,499	169,069	46,173	46,173	45,560	45,560	34,672	34,672
Zoos	0	0	0	0	0	0	1,935	1,935	0	0	0	0
Total	141,376	146,711	373,645	387,301	267,997	282,059	84,210	84,210	82,633	82,633	88,457	89,277

Highlights of the Ten-Year Capital Strategy and the 2002 Executive Budget

- reconstruction and replacement of safety surfaces, play equipment and paths ($130.0 million).
- planting an average of 14,000 street trees per year ($69.4 million).
- reconstruction of bridges within parks ($49.5 million).
- rehabilitation of stadia ($46.2 million).
- replacement of aging vehicles ($42.7 million).
- replacement and upgrade of computer, information technology and communication systems ($13.9 million).
- reconstruction of pools ($10.7 million).
- reconstruction of roofs ($10.1 million).
- replacement of boilers ($10.0 million).
- construction of the Hudson River Park ($98.0 million).

- transferring funds from the Economic Development Corporation for the construction of Brooklyn Bridge Park ($43.8 million).

- reconstruction of East River Park including bulkheads along the waterfront ($17.2 million).

- reconstruction of Conference House Park ($10.9 million).

- construction of a park in the Bronx at Barretto Point ($5.0 million).

- reconstruction of the Washington Square Arch ($1.1 million).

DEPARTMENT OF ENVIRONMENTAL PROTECTION

The major functions of the Department of Environmental Protection (DEP) include the collection, storage and delivery of the City's water; the conveyance and treatment of stormwater and sanitary flow; the enforcement of air, noise and water use regulations; water use billing, revenue collection and customer service; the management of environmental issues and natural resource protection; and the construction and reconstruction of the related infrastructure. The City is reimbursed for the costs of operating the water and sewer system by the New York City Water Board and the Department's capital program is financed through the New York City Municipal Water Finance Authority.

Financial Review

The Department of Environmental Protection's 2002 Executive Budget provides $677.7 million in operating expenses, an increase of $27.2 million from the amount forecast in 2001. It also provides capital commitments of $2.1 billion in Water Finance Authority Funds, $8.7 million in City funds and $76.6 million in State funds for a total of $2.23 billion.

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 from these sources for 2002 is $46.9 million. DEP also collects the data used to generate bills for customers and collects water and sewer fees for the New York City Water Board.

The Bureau of Environmental Compliance, which deals with 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. Combined, the 2002 revenue from these sources is projected at $8.4 million. The Environmental Control Board will collect $33.8 million in 2002, a decrease of $8.2 million from 2001. This increase in 2001 is attributable to the clearing of a temporary backlog of non-compliance cases.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- the Department will add thirteen new positions under Water and Sewer Operations to help maintain and improve operations of facilities that chlorinate the City's water supply ($1.0 million).

- six positions will be added for cross connection inspections. These positions will provide blackflow inspections at high-risk facilities as a proactive measure to prevent waste from entering the water distribution system ($0.2 million).

- an additional seven DEP Police Officer positions have been added for the purpose of patrol and protection of New York City's upstate watersheds and facilities ($0.2 million).

- as a continuance of DEP's program for acquiring land around the upstate watersheds, the agency will extend the term of four positions on the Land Acquisition Team for three years and add two positions for the stewardship of newly acquired land ($0.3 million).

- the Bureau of Water Supply will add a total of eleven positions for Regulatory Compliance issues and mandates set forth by the USEPA and NYSDEC within the upstate watersheds. The positions will oversee contracts and compliance monitoring ($1.7 million).

- eight positions will be added to the Bureau of Water Supply to oversee and manage the contracts and upgrades of approximately 115 non-City owned wastewater treatment plants located within the upstate watershed. These positions will also review other watershed projects to ensure their compliance with stormwater regulations ($0.4 million).

Productivity and Restructuring Initiatives

- the Department will evaluate various interim strategies that ensure continued compliance with current State nitrogen discharge limits prior to implementation of the City's long-term Comprehensive Nitrogen Management Plan for its wastewater treatment facilities. To ensure compliance DEP will hire twenty-six employees, at an annual cost of $1.2 million, for various nitrogen removal projects.

Public/Private Competition

- DEP expects to expand its program to privatize the reading of water meters to the boroughs of Brooklyn, Manhattan, and Queens via cooperative agreements with public utilities or other contractors that will incorporate water meter readings as part of their operations. The reading of customers' meters in Staten Island and the Bronx will continue to be performed by private vendors.

- the Bureau of Water and Sewer Operation will contract with private vendors who will carry the materials from cleaning the City's 140,000 catch basins to landfills located outside of the City.

- the Department will continue to contract for sewer dragging services for Springfield Gardens in Queens and for the Third Avenue in Brooklyn to alleviate the accumulation of silt during 2002.

- the Department will continue managing its successful program regarding the disposal of dewatered sludge (or biosolids) produced from the City's wastewater treatment plants (WTPs). Through private vendors, the biosolids are transported throughout the country for beneficial use (i.e. compost and fertilizer).

Summary of Agency Financial Data

($000's)

	2000 Actual	2001 Forecast	2002 Preliminary Budget	2002 Executive Budget	Increase/(Decrease) 2001 Forecast	Increase/(Decrease) 2002 Preliminary Budget
Expenditures						
Personal Service	$298,427	$300,540	$299,787	$308,111	$7,571	$8,324
Other Than Personal Service	301,731	349,959	341,228	369,630	19,671	28,402
Total	$600,158	$650,499	$641,015	$677,741	$27,242	$36,726
Funding						
City	$566,650	$613,157	$604,943	$642,389	$29,232	$37,446
Other Categorical Grants	—	—	—	—	—	—
Capital IFA	32,396	35,580	35,580	34,860	(720)	(720)
State	247	353	—	—	(353)	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	183	899	—	—	(899)	—
Intra-City Other	682	510	492	492	(18)	—
Total	$600,158	$650,499	$641,015	$677,741	$27,242	$36,726
Personnel (at fiscal year-end)						
City	275	286	286	290	4	4
Non-City						
• IFA	678	823	823	799	(24)	(24)
• CD	—	—	—	—	—	—
• Other	4,612	4,889	4,889	4,975	86	86
Total	5,565	5,998	5,998	6,064	66	66

Programmatic Review

Water Supply Strategies

The federally mandated Surface Water Treatment Rule (SWTR) requires all surface water providers to filter drinking water unless they can demonstrate that their supply meets increasingly strict federal standards without a filter system. In 1997, the U.S. Environmental Protection Agency (EPA) gave the City a five-year conditional waiver from a filtration mandate for the Catskill and Delaware water systems. A filtration plant for the Catskill and Delaware systems would cost over $4 billion to construct. DEP continues to implement an innovative strategy to protect and monitor both the upstate source waters and the in-City distribution system. To preserve the source waters, the Department's plan includes purchasing environmentally sensitive land around the City's reservoirs, increasing water quality monitoring, upgrading City-owned and non-City owned WTPs, enhancing laboratory analysis, and improving agricultural and resource management practices. Within the City, the Department has focused on various programs to improve the distribution system by eliminating cross connections, improving valve maintenance, flushing mains, and increasing water sampling and laboratory analyses.

To aid with the enforcement of the Watershed Rules and Regulations, the City hired 70 additional watershed police officers during the past two years and seven new officers will be added during 2002. Presently these officers are divided among the City's three watersheds where they are presently enhancing security by guarding the reservoirs and aqueducts from potential polluters.

The Croton system did not receive a waiver from filtration and the City is under federal and state mandate to construct a water filtration plant. In February 2001, the New York State Court of Appeals ruled that New York City is required to obtain State legislation authorizing alienation of park land before it could build the Croton Water Treatment Plant beneath the Mosholu Golf Course and Driving Range within Van Cortlandt Park in the Bronx. This decision, reversing a lower Federal court decision which determined there was no alienation because the plant would be entirely below ground and parkland would be restored above it, will result in a delay in the construction of the Croton Plant. The City will be moving ahead on several paths simultaneously: seeking state legislation authorizing the City to construct and operate the plant at the Mosholu site; evaluating other siting alternatives; and evaluating when and how the Croton System will be used as part of the City's overall water supply and its effects on water quality.

In July 1998 Stage One of City Tunnel Number Three began transporting drinking water to New York City residents for the first time. Work continues on Stage Two and when completed in 2008, the Tunnel will enhance and improve the adequacy and dependability of the entire water supply system and improve service and pressure to the outlying areas of the City. It will also provide the opportunity for the Department to inspect and repair the other two tunnels, which have been in continuous service since their respective completions in 1917 and 1936.

Wastewater Treatment Initiatives

The renegotiated federal consent order governing the disposal of New York City's dewatered sludge (or biosolids) allows the City to replace its prior management program with an improved and more cost-effective program. Beginning in 1999, under the new program, DEP's biosolids disposal strategy has realized annual cost savings of approximately $45 million while obtaining greater environmental benefits through increased recycling or reuse. The Department will continue managing this successful program in 2002, with 100 percent of its dewatered sludge beneficially used at a projected cost of approximately $50 million.

According to a recent Harbor Survey issued by the Department, water quality in New York Harbor and its surrounding rivers continues to improve. The Harbor Survey has provided ongoing monitoring of water quality at 53 sampling stations throughout the Harbor since 1909. For example, coliform bacterial counts, which are indicators of sewage pollution, have continued to decline and, since 1993, compliance with New York State standards continues at the highest levels recorded by this program. Improvements have also been realized in the measure of dissolved oxygen (DO) in the City's surrounding waters. DO is a universal indicator of overall water quality in aquatic systems and its concentrations in most areas of the Harbor have been notably higher throughout the 1990s than in the prior decade. These improvements are primarily in response to the following Department initiatives: continued wastewater treatment plant (WTP) reconstruction and upgrades throughout the City; the abatement of illegal discharges; improved surveillance and sewer maintenance; decreased water consumption, and increased capture of wet weather flows.

Customer Services Programs

The Department services approximately 828,000 water and sewer customer accounts. Of these, approximately 714,000 are billed for water and sewer services based on metered consumption and 114,000 are billed on an annual flat-rate system. The accounts billed on a flat-rate basis include approximately 31,000 properties, which are already metered, but are being billed flat rate during a transition period which requires the owners to install water saving devices and conduct water leak audits.

As required by the NYS Department of Environmental Conservation and the NYC Water Board, the number of unmetered accounts has diminished each year as the Department progresses towards its goal of universally metering all properties. The major goals of universal metering include water conservation, improved water supply system management and rate equity. Owners of 43,000 unmetered properties were issued $188.0 million in surcharges on July 1, 2000. Owners of properties that still have not taken steps to have meters installed will continue to be billed surcharges as part of their annual flat rate bills.

DEP has made significant progress in improving the quality of its water and sewer bills. The percentage of metered bills based on estimated consumption has been reduced from 42 percent to about 17 percent over the past 4.5 years. It is anticipated that DEP's plan to contract for meter reading services City-wide will further reduce the rate of estimated bills. Since customers are more likely to pay bills based on actual consumption, these improvements will continue to help DEP meet its collection targets each year.

The Department has expanded the use of private contractors to read water meters. After successfully privatizing meter reading in Staten Island and the Bronx, the Department plans to expand the program Citywide during 2002.

The Department's outreach program continues to offer communities an opportunity to have local meetings during which customers can speak directly with customer service representatives about their water and sewer bills, have inspections performed and billing adjustments made, and learn about water conservation. The meetings target customers from particular communities and focus on the needs of groups of customers with common concerns and interests including the needs of owners and managers of multiple dwellings, co-ops, and condos and non-English speaking customers.

DEP has improved convenience for customers paying their water and sewer bills by entering into an agreement with privately operated Neighborhood Payment Centers (NPCs). Previously, customers could pay by check or money order at one of the Department's five borough offices or by mailing their payments to a "lockbox". Now they can make payments by cash, check, or money order at NPCs. There are currently over 400 NPCs processing water/sewer payments.

DEP has enhanced the capabilities of its Interactive Voice Response (IVR) system so that customers now hear key information about their accounts including current balance due, payment received, and data from their last meter reading. In addition, customers may now view current charges, payments and bills for the last year on the City's NYCServe Website. During 2002 NYCServe will be enhanced to allow customers to pay their water and sewer bills on line with an electronic check or credit card.

The Department's conservation programs will also conduct 12,000 annual surveys for water leaks on customers' properties and supply low-flow showerheads and faucet aerators at no cost to its customers. Where leaks are detected and promptly corrected, customers may qualify for a "forgiveness" program that reduces increased charges caused by the leaks. The program was recently expanded to service both residential and commercial properties.

Environmental Compliance

The Bureau of Environmental Compliance responds to hazardous material emergencies, maintains a Citywide database of facilities containing hazardous materials under its Right-to-Know Program (RTK), monitors emissions and environmental impacts from alternative fuel vehicles, inspects in-progress asbestos abatements for all City-owned properties, investigates air quality and noise complaints, maintains four air monitoring stations on Staten Island, and assists environmental economic development.

In December 1996, the RTK Program was consolidated into the Division of Emergency Response & Technical Assessment (DERTA). This Division responds to hazardous material emergencies and inspects chemical facilities and locations with associated hazardous substance risks. Inspectors identify facilities, conduct investigations, and issue violations to non-compliant facilities and the Department maintains a Citywide Facility Inventory database. A Memorandum of Understanding (MOU) was reached between DEP and Con Edison in February 2001 which will allow DEP to inspect approximately 25,000 underground vaults with transformers and/or other equipment utilizing fluids which may contain polychlorinated biphenyls (PCBs), and approximately 20,000 pole-mounted transformers utilizing fluids which may contain PCBs.

The Asbestos Control Program (ACP) was created to certify asbestos handlers, provide telephone response service to contractors and the public, provide laboratory analysis of asbestos materials, and inspect asbestos remediation projects. ACP also inspects the cleanup of parks containing soil and dust contaminated by lead-based paint (LBP) from nearby bridges.

Other Services

Working with local businesses, the Department fosters economic development and environmental protection via its Environmental Economic Development Assistance Unit (EEDAU). This program promotes environmentally sound business practices and offers assistance to City businesses on issues relating to compliance and pollution prevention.

The Department continues to maintain a 24-hour complaint and emergency Help Center, which responds to infrastructure-related and quality-of-life complaints and monitors the Department's response to emergencies. Complaints are entered into the automated complaint system and electronically routed to field offices.

Capital Review

Overview

In total, the Ten-Year Capital Strategy provides $9.3 billion from the following sources: $8.9 billion in Water Finance Authority Funds; $29.7 million in City funds; and $346.6 million in State funds. The major elements of the Ten-Year Capital Strategy include:

- continuing construction of Stage Two of City Tunnel Number 3 for $519.3 million. Work on this stage of tunnel construction will be in Queens and Manhattan. Stage Two is expected to be operational in 2008. Stage One went into operation in July 1998.

- allocating $584.6 million for the continuation of programs upstate to enhance water quality, including the reconstruction of dams, watershed improvements, land acquisition and programs related to the Watershed Memorandum of Agreement.

- replacing and extending trunk and distribution water mains ($803.1 million).

- construction of the Croton Water Filtration Plant ($782.8 million).

- replacing and constructing sewers to improve and expand the collection and transport of storm and waste water ($1.2 billion).

- upgrading the Newtown Creek Wastewater Treatment Plant to provide secondary treatment ($955.6 million).

- stabilizing in-City wastewater treatment facilities that are in need of system-wide reconstruction to ensure their continued compliance with mandated permit requirements ($1.7 billion).

- retrofitting wastewater treatment facilities and other related projects to reduce the amount of nitrogen discharged into New York Harbor, Jamaica Bay, and the Long Island Sound ($144.2 million).

- reconstructing or replacing individual components at in-City wastewater treatment facilities to ensure their continuous and reliable operation ($262.2 million).

- reconstructing in-City wastewater pumping stations, regulators, tide gates, and force mains to minimize leakage or back-ups in the sewer system ($178.1 million).

- implementing initiatives that address water quality problems attributable to combined sewer overflow (CSO) discharges into the City's surrounding waterways during rainstorms. These include an estimated $250.0 million in New York State funds, as part of the Clean Water/Clean Air Bond Act of 1996, for various water quality improvement projects that are included in the Ten-Year Plan ($1.0 billion).

- remediating two closed City-owned landfills: Pennsylvania Avenue, and Brookfield Avenue Landfills. Pennsylvania Avenue is scheduled to be remediated in 2002 and will cost $54.8 million: $8.7 million in City funds and $46.1 million in State funds. Brookfield Avenue is scheduled to be remediated in 2004 and will cost $66 million: $21 million in City funds and $45 million in State funds.

Major projects scheduled for 2002 include:

- continuing the upstate land purchase program which will protect environmentally sensitive land around the City's reservoirs ($37.7 million).

- construction of Hillview Chlorination Building for ($42.0 million).

- continuing the construction for Stage Two of City Tunnel Number 3 for 2002 ($88.8 million).

- replacing and constructing sewers ($247.1 million).

- upgrading portions of the Newtown Creek Wastewater Treatment Plant ($198.2 million).

- retrofitting wastewater treatment facilities and other related projects to reduce the amount of nitrogen discharged into New York Harbor, Jamaica Bay, and the Long Island Sound ($18.2 million).

- reconstructing or replacing individual components at in-City water pollution control wastewater treatment facilities to ensure their continuous and reliable operation ($79.9 million).

- reconstructing in-City wastewater pumping stations, regulators, tide gates, and force mains ($123.0 million).

- construction of various water quality improvement projects ($150.2 million) including: Alley Creek CSO ($36.5 million), Flushing Bay CSO ($50.0 million), and Paerdegat Basin CSO ($78.4 million).

- remediation of a closed City-owned landfill at Pennsylvania Avenue ($8.7 million G.O. funds and $46.1 million State funds).

- $25.0 million in New York State funds, as part of the Clean Water/Clean Air Bond Act of 1996, for water quality improvement projects in 2002.

The table below shows capital commitments by program area over the 2000-2005 period.

Capital Commitments

($000's)

	2000 Actual		2001 Plan		2002 Plan		2003 Plan		2004 Plan		2005 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	444,368	448,178	1,105,794	1,138,132	1,171,981	1,202,412	1,119,199	1,144,199	655,210	680,210	482,234	507,234
Water Mains	232,953	233,010	528,332	528,332	402,514	402,514	1,003,162	1,003,162	239,161	239,161	107,339	107,339
Sewers	251,491	251,625	175,406	176,011	247,192	247,192	200,625	200,625	108,203	108,203	98,812	98,812
Water Supply	97,265	97,265	169,993	169,993	112,771	112,771	272,000	272,000	430,000	430,000	46,800	46,800
Equipment	75,249	86,319	135,124	212,561	155,198	201,329	41,840	41,840	55,723	100,723	46,723	46,723
Total	1,101,328	1,116,397	2,114,649	2,225,029	2,089,656	2,166,218	2,636,826	2,661,826	1,488,297	1,558,297	781,908	806,908

The 2002-2011 Capital Strategy provides $9.3 billion in funding. The major elements of the Ten-Year Plan are described below in the context of the four major program areas.

Water Supply

DEP provides water for consumption and fire fighting in the City, and in many upstate communities, by maintaining 18 reservoirs and three controlled lakes in three watersheds, with a storage capacity of about 550 billion gallons. A network of three aqueducts, three City water tunnels, and 106,312 hydrants, 94,358 valves and 6,794 miles of water mains are or will be used to convey water from upstate to distribute this water within the City and to several upstate communities. Highlights of the Ten-Year Capital Plan include construction on Stages One and Two of City Tunnel Number 3, the replacement and construction of distribution water mains and trunks and improvements to the water supply system upstate.

The Stage One portion of City Tunnel Number 3 is 13 miles long and directs water south from the Hillview Reservoir in Yonkers, under Central Park Reservoir in Manhattan, east under the East River and Roosevelt Island to Long Island City in Queens. Tunnel water rises via 14 supply shafts and feeds into the distribution system. Construction of Tunnel Number 3, Stage One for the Ten-Year Plan is $332.3 million and includes funds for the reconstruction of the Hillview Reservoir designed to improve both the flow and the quality of water entering City Tunnels. Additional projects under Stage 1 include: reconstruction of the chlorination building, reconstruction of chambers and the design and construction of a concrete cover over the surface of the reservoir, as mandated by the EPA. The Ten-Year Plan forecasts $519.3 million for continuation of the construction of Stage Two and consists of two sections: the Brooklyn/Queens section and the Manhattan section. The Brooklyn/Queens portion of Stage Two stretches from Redhook, Brooklyn to Maspeth, Queens. The Queens portion of Stage Two is being excavated. The remaining construction work is for various Shafts in Queens and Manhattan.

The Ten-Year Plan includes $782.8 million for the construction of the Croton Water Treatment Plant. The plant will filter water from the East-of-Hudson watershed, which furnishes ten percent of the City's total drinking water supply. The start of construction was planned for 2001, but has been delayed due to a February 2001 New York State Court of Appeals ruling impacting the proposed site.

The Ten-Year Plan forecasts a total of $803.1 million for the replacement and extension of 673.5 miles of trunk and distribution water mains. The Four-Year total is $452.3 million and $107 million is forecasted for 2002.

This effort will replace chronically failing six-inch water mains in Brooklyn and Queens (Manhattan and the Bronx are largely completed and six-inch replacements in Staten Island are outside the years of this Plan) and will include $50.0 million for trunk main extension in the former Jamaica Water Supply Company service area in Queens.

The Ten-Year Plan provides an overall total of $584.6 million for projects in the upstate watershed, of which $515.4 million is scheduled for the first four years. DEP plans to commit $204.8 million for the reconstruction of various City-owned dams. The City will spend $87.7 million in the Ten-Year Plan to acquire environmentally sensitive land in the watershed region. In total, the City will spend approximately $260 million to selectively acquire land, either through outright purchase or through conservation easements, within the watershed that contains streams, wetlands, floodplains and other areas that are critical to maintaining high water quality. In total, the City has acquired or entered into option agreements to acquire over 30,000 acres in the watershed.

Sewers

DEP operates and maintains over 6,400 miles of sanitary, storm and combined sewers. Approximately 70 percent of the existing system is composed of combined sewers that carry both storm and wastewater to the City's 14 wastewater treatment plants for treatment. The sewage collection system, which is divided into 14 drainage areas, also includes 131,243 catch basins and approximately 5,000 seepage basins to prevent flooding and sewer backups.

For the Sewer program, the Ten-Year Capital Plan allocates a total of $1.2 billion for the replacement, construction and expansion of approximately 602 miles of the City's sewer system to improve the collection and transport of storm and wastewater. The Ten-Year Capital Strategy provides $40.4 million for the programmatic replacement and reconstruction of deteriorating sewers Citywide. $46.7 million is scheduled for the replacement and augmentation of sewers to enhance capacity where required by population increases and economic development projects. As required by the State's Clean Water Act, $9.0 million is provided in 2003 for the construction of separate storm and sanitary sewers and the abatement of combined sewer overflows in the Coney Island drainage area. $522.3 million is allocated for the replacement of sewers experiencing chronic malfunctions that may cause flooding or potential health hazards. The System will be extended into new areas that are currently underserved, primarily in Queens and Staten Island, for $553.3 million.

During the Four-Year Capital Plan, approximately 329 miles of sewers will be replaced at a cost of $652.8 million. Major projects include the installation of new sewers in the Springfield Gardens / Rockaway Boulevard area of Queens at a cost of $53.2 million and the installation of new sewers in Vernon Avenue, Staten Island at a cost of $11.6 million.

In 2002, the plan forecasts $247.1 million in spending for the replacement and construction of approximately 112 miles of sewers, including $18.0 million for sewers in Rockaway Boulevard, Queens and $9.4 million for sewers in Chester Avenue in Staten Island.

Wastewater Treatment

DEP's Bureau of Wastewater Treatment operates 14 wastewater treatment plants (WTPs), one storm-overflow retention facility, 89 wastewater pumping stations, nine laboratories, eight sludge dewatering facilities and three inner-harbor sludge transport vessels. On average each day, these facilities treat approximately 1.3 billion gallons of dry-weather sewage and handle approximately 1,200 wet-tons of sludge. The Ten-Year Plan for Wastewater Treatment projects is $4.3 billion, including $250.0 million of State funds. The Four-Year Plan forecasts $3.5 billion in funding for Wastewater Treatment projects including $100 million in State funds.

Portions of the City’s water bodies have been identified as having significant water quality impacts in part from combined sewer overflow (CSO) discharges. The Ten-Year Plan provides $760.8 million for the study, design and implementation of CSO abatement projects that includes the following: Flushing Bay; Paerdegat Basin; Hunts Point; Alley Creek; Jamaica Bay (26th Ward); and the Gowanus Canal. These include $250 million that the Department is forecasting in State funds, as part of the Clean Water/Clean Air Bond Act of 1996, for various water quality improvement projects. The Four-Year Plan provides $698.3 million in total funding for various water quality improvement projects. The 2002 Capital Commitment Plan consists of: $50.1 million for the continued construction of the Flushing Bay CSO Tank; $78.4 million towards the construction of the Paerdegat Basin CSO Tank; and $36.5 million to alleviate flooding and sewer discharges in the Alley Creek section of Queens.

The Ten-Year Plan has scheduled $1.7 billion for the stabilization of wastewater treatment facilities that are in need of system-wide reconstruction to ensure their continued compliance with mandated permit requirements into the future. These facilities include the Bowery Bay, Wards Island, 26th Ward, Tallman Island, Jamaica, and Hunts Point WPCPs and the Spring Creek storm overflow retention facility. The Four-Year Plan includes $1.3 billion for plant stabilization projects. The Capital Plan for 2002 includes $200.8 million for improvements at Hunts Point WTP, $143.0 million for improvements in the Jamaica WTP and $111.8 million for improvements in Ward’s Island WTP.

The Ten-Year Plan provides $262.2 million for the reconstruction or replacement of individual components at DEP’s sewage treatment facilities required for continued reliable operations. These components encompass valves, pumps, boilers, generators and other mechanical equipment. The Four-Year Plan provides $164.2 million in funding for this function including $79.9 million for various improvements in 2002.

The Ten-Year Plan allocates $178.1 million for the reconstruction of wastewater pumping stations, regulators, tide gates, and force mains. The System’s 89 pumping stations are used to convey wastewater over long distances, to drain low-lying areas, and to lift flows to WTPs. The Four-Year Plan includes $154.5 million for this function including $100.5 million forecast in 2002 for improvements to the Avenue V Pumping Station in Brooklyn.

The Ten-Year Plan includes $1.2 billion for consent decree upgrading and construction projects for water pollution control facilities. The largest of these projects is $955.6 million for the continued upgrade of the Newtown Creek WTP to provide full secondary treatment ($2.2 billion total cost). The Department will also complete work at the North River, Owls Head and Coney Island WTPs. The Four-Year Plan includes $874.1 million in funding with $198.2 million forecast in 2002 for the Newtown Creek WTP upgrade.

The Long Island Sound Study (LISS) is a joint federal-state-local (the states being New York and Connecticut) program to identify the Sound’s major environmental problems and to develop an appropriate management plan. The United States Environmental Protection Agency (USEPA) is the lead agency in the LISS, which has identified hypoxia, or low levels of dissolved oxygen, as the issue of greatest concern in the Long Island Sound. Hypoxia is the result of a chain reaction beginning with high levels of nutrients, largely nitrogen. In addition to natural sources, other nutrient sources include: effluent from sewage treatment plants, storm water run-off carrying lawn and agricultural fertilizers, organic materials, and air-deposited nitrate substances. The first phase of the Study has been completed and a Comprehensive Conservation and Management Plan has been adopted by the participants to reverse the adverse impacts associated with hypoxia in the Long Island Sound. The City has entered into agreements as part of its State Pollution Discharge Elimination System (SPDES) permits to undertake certain measures to control nitrogen levels. The Ten-Year Plan includes $144.2 million for the Department’s Biological Nutrient Removal (BNR) program, which provides for the retrofitting of its facilities and other related projects to reduce the amount of nitrogen discharged into New York Harbor, Jamaica Bay and the Long Island Sound. The Four-Year Plan consists of $111.2 million for this function.

Equipment

The Ten-Year Plan totals $506.7 million for this category that is funded as follows: $30.1 million in City General Obligation funding, $91.1 million in State funds, and $385.5 million in Water Authority funding. The plan includes the remediation of closed landfills, water meter installation, vehicles, computer equipment, facility purchase and the relocation of utility mains for sewer and water projects.

The Department will continue installing meters for all 828,000 residential and commercial customers and replacing approximately 85,000 meters that were installed prior to the beginning of the Universal Metering Program in 1988 at a cost of $67.6 million in the Ten-Year Plan. The meter program allows the Department to charge customers for actual usage rather than on an estimated usage based on property characteristics, thus providing more equitable billing, encouraging water conservation, and allowing better water management. An additional $36 million is allocated for plumbing retrofit rebates for participants in the multiple dwelling conservation program, which is expected to begin in 2002.

DEP will remediate two landfills previously operated by the Department of Sanitation. As a result of past illegal dumping which occurred at these sites, they have been placed on the State list of inactive hazardous waste sites. DEP will supervise the remediation of Brookfield Avenue and Pennsylvania Avenue Landfills, which are both in the design phase for landfill caps, landfill gas collection and disposal systems and stormwater management systems. Remediation of Pennsylvania Avenue Landfill, scheduled for 2002, will cost $54.9 million, of which $8.7 million will be funded by City G.O. funds and $46.2 million funded by State funds. Remediation of Brookfield Avenue Landfill, scheduled for 2004, will cost $66.0 million, of which $21.0 million will be funded by City G.O. funds and $45.0 million funded by State funds.

DEPARTMENT OF TRANSPORTATION

The Department of Transportation (DOT) reconstructs, maintains and operates City bridges, maintains and resurfaces City streets and arterial highways, plans for street reconstruction, manages the streetlighting system and traffic signal network, maintains and collects revenue from parking meters, operates parking facilities, helps regulate traffic flow, coordinates transportation planning, oversees subsidized bus and private ferry operations, manages street use franchises, and operates the Staten Island Ferry.

Financial Review

The Department's 2002 Executive Budget provides for operating expenses of $459.2 million, a decrease of $54.4 million from the amount forecast for 2001. This decrease is primarily the result of Federal and State grants expiring at the end of 2001, but which are expected to be renewed during 2002. Capital commitments of almost $1.5 billion are also provided for 2002, including $401.3 million in Federal and State funding.

Revenue Forecast

The Department of Transportation collects revenue from parking meters and garages, franchises, concessions, street opening permits, and ferry vehicle fares. In 2002, it is projected that the Department will collect $155.9 million in revenue, $1.6 million less than in 2001. The decrease is attributable to the loss of revenue expected as several parking facilities are sold in 2001.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- over $28.6 million in 2002 for the operation of the Staten Island Ferry and private ferry service.
- funding of $20.9 million for the maintenance of over 11,000 traffic signalized intersections, Citywide.
- an allocation of $19.5 million for the maintenance of over 325,000 streetlights, Citywide.
- approximately $11.5 million in 2002 for the maintenance and cleaning of the City's arterial highways.
- over $14.9 million for the preventive maintenance, cleaning, and painting of the City's bridges.
- an allocation of approximately $10.9 million to repair hazardous, or potentially hazardous safety and structural conditions on bridges, known as bridge "flags."

Streamlining

- a savings of $694,000 annually resulting from the reduction of eleven Bridge operators made possible through the U.S. Coast Guard's approval of advance notice openings for a total of twenty-two mechanical waterway bridges. As a result, only three other bridges will require no advance notice for openings.
- a decrease of $900,000 in ferry terminal repair costs realized through the advancement of the construction of a new Whitehall Ferry Terminal. The demolition of portions of the existing temporary facility is currently underway and the completion of the new terminal is scheduled for November 2003.

- a reduction of $294,000 through the replacement of 27 street maintenance positions with seasonal positions. This replacement will provide the necessary personnel during the street resurfacing season only.

Restructuring

- a savings of $325,000 in City funds resulting from the merger of ten positions in the Communications Center with the Traffic Management Center. This merger will enhance DOT's ability to respond to emergency situations through the use of its surveillance cameras and signal control and communication systems.

- a reduction of $66,000 made possible by the replacement of guard services at the West 158th Street and Kew Loop Street and Arterial Maintenance facilities with other security measures.

Summary of Agency Financial Data

($000's)

			2002		Increase/(Decrease)	
	2000 Actual	2001 Forecast	Preliminary Budget	Executive Budget	2001 Forecast	2002 Preliminary Budget
Expenditures						
Personal Service	$222,151	$233,248	$209,378	$211,033	($22,215)	$1,655
Other Than Personal Service	242,650	280,350	245,625	248,213	(32,137)	2,588
Total	$464,801	$513,598	$455,003	$459,246	($54,352)	$4,243
Funding						
City	$257,733	$264,243	$272,108	$267,174	$2,931	($4,934)
Other Categorical Grants	1,115	1,374	—	—	(1,374)	—
Capital IFA	44,784	82,201	86,303	84,521	2,320	(1,782)
State	89,342	61,413	33,844	42,748	(18,665)	8,904
Federal						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	2,000	2,000	2,000
• Other	23,176	41,739	11,077	11,132	(30,607)	55
Intra-City Other	48,650	62,628	51,671	51,671	(10,957)	—
Total	$464,801	$513,598	$455,003	$459,246	($54,352)	$4,243
Personnel (at fiscal year-end)						
City	1,874	1,990	1,986	1,814	(176)	(172)
Non-City						
• IFA	890	1,039	1,039	1,076	37	37
• CD	—	—	—	2	2	2
• Other	1,181	1,357	898	1,080	(277)	182
Total	3,945	4,386	3,923	3,972	(414)	49

Programmatic Review

Bridges

The Bureau of Bridges is responsible for the reconstruction, repair, maintenance and operation of 848 bridge and tunnel structures. In 2002, the Bureau of Bridges will be staffed with 841 positions and have an operating budget of $57.7 million, a decrease of $6.2 million from the amount forecast for 2001, due to the expiration of Federal grants which the City will re-apply for in 2002.

The Bridge program in the 2002 Executive Budget continues the City's commitment to preserve and maintain its infrastructure. The Bridge "Flag" Repair program corrects structural and safety deficiencies on bridges by using both in-house and contract forces. The Executive Budget provides $17.8 million in 2002 for the "Flag" and Corrective Repair programs. Of that amount, $4.3 million is provided for contracts to help reduce the backlog of "yellow" and "safety" flags and to keep current on all new occurrences of "red" flags. The in-house staff of over 170 positions for "flag" and corrective repair has been maintained at current levels. Flag Repair is also performed by the Department's Capital contractors doing large-scale reconstruction work on the East River Bridges. As a result of these combined strategies there is no backlog of the more serious "red" or emergency structural flags.

While the City is continuing to downsize its workforce, the preservation of its infrastructure remains a priority. The preventive maintenance program will have a workforce of 246 positions for the oiling, sweeping, cleaning, washing, electrical maintenance and spot and salt splash zone painting of the City's bridges. Operating in conjunction with the expense-funded program, the Capital Budget also funds large-scale bridge protective coating programs.

To complement the City's commitment to the bridge program, the Federal government will continue to pay for preventive maintenance tasks on the Manhattan, Williamsburg, Queensborough and Brooklyn Bridges while these four bridges are under capital reconstruction.

This continuing and expanding commitment to the City's bridge program, in conjunction with a Ten-Year Capital Plan of over $6.0 billion and a Four Year Plan of $3.1 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 Bureau of Highway Operations is responsible for maintaining approximately 5,700 linear miles of City streets and arterial highways. In 2002, this Bureau will be staffed by 983 full time and over 230 seasonal positions with a budget totaling $92.8 million, a decrease of $4.5 million from the amount forecast for 2001. This decrease is primarily attributable to Federal and State grants which expire at the end of 2001, but which the City will re-apply for in 2002.

The City will strive to ensure that its streets remain smooth through its in-house and contract resurfacing programs, with 211.3 linear miles (713.6 lane miles) to be resurfaced in 2002. The City also intends to repair approximately 25,000 small street defects in 2002, in addition to other street defects addressed in the street resurfacing program. Currently, over 84 percent of the City's 5,700 linear miles of street surfaces are rated in good condition.

In an effort to maintain the arterial highways within the City and increase community participation, the Department will continue its successful Adopt-a-Highway Program, whereby sponsors adopt up to 362 miles of highway and contribute funding for the cleaning and maintenance of the roadside. In conjunction with City and private funding, the Department also utilizes State aid to perform both maintenance and safety structure repair activities. Currently, the Department cleans and maintains 200 miles of arterials annually with a staff of over 200.

Traffic Operations

The Bureau of Traffic Operations maintains and collects revenue from approximately 71,500 metered spaces, operates 58 municipal parking facilities, and installs and maintains approximately one million traffic signs, approximately 11,000 signalized intersections, and over 325,000 streetlights. The 2002 Executive Budget provides for 1,050 positions and $169.7 million, a decrease of $28.6 million from the amount forecast for 2001. As with the Highway Operations budget, this decrease is a result of Federal and State grants temporarily expiring at the end of 2001. The 2002 Executive Budget provides $40.4 million for the continued maintenance of streetlights and traffic signals.

In an ongoing effort to enhance traffic safety, the City will continue an expanded Red Light Camera program in 2002. Designed to promote safe, responsible driving by photographing and fining vehicles "running" red lights, this program became fully operational in 1994 and was quickly expanded to its current level of 30 cameras. By the start of 2002, DOT will operate 50 cameras at various locations, Citywide. Due to its success in containing traffic violations, DOT is considering a further expansion of the program.

As part of its efforts to improve the flow of traffic through the City, DOT will install 50 video cameras at various intersections throughout the City. This will bring the total number of DOT operated cameras up to 100. By improving the City's responsiveness to accidents, breakdowns and other traffic blockages, this program will allow the City to ameliorate the effects of congestion. These additional cameras will improve DOT's ability to provide traffic reports (updated every 15 minutes) on its 1-800-DOT-MOVE public information line. Furthermore, as of January 2001, up to 24 locations monitored by these cameras have been available for public viewing on the DOT website for improved trip planning.

By increasing the number of streets checked regularly by the Highway Inspector Quality Assurance (HIQA) program, DOT will further reduce traffic congestion and improve the quality of street cut restorations. DOT plans to increase the number of streets monitored by HIQA inspectors from 70 percent to 100 percent of streets - thus creating a disincentive for illegal construction projects. This will have the benefit of reducing congestion due to illegal construction projects and reduce the number of potholes resulting from noncompliance with City regulations regarding utility street cuts.

Due to the success of the joint New York Power Authority/DOT pilot program for traffic signal red Light Emitting Diodes (LED's) in Queens, the Department has decided to proceed with the installation of an additional 48,500 red and green LED's in over 3,000 signalized intersections in Queens and Staten Island. After these high-efficiency bulbs have been fully installed, the City will save approximately $1.6 million per year.

Transit Operations

The Bureau of Transit Operations operates and maintains the Staten Island Ferry and its terminals, regulates private ferry operations, provides school bus service for disabled pre-kindergarten children, and manages the subsidized franchise bus program. The 2002 Executive Budget provides for 540 positions and an operating budget of $91.5 million, a decrease of $11.8 million from the 2001 forecast. This decrease is a result of current Federal and State grants expiring at the end of 2001.

The Staten Island Ferry is expected to carry approximately 19 million passengers and approximately 360,000 vehicles. In addition, the Department anticipates that the Ferry program will achieve an on-time performance rate of 96 percent. In addition, over eight million passengers per year are transported on privately operated commuter ferries.

The Bureau also manages the operating contracts, provides financial management and operating assistance, and administers the capital program for the subsidized franchise bus program. The program, which includes seven bus operators, provides local and express service in areas not covered by New York City Transit's bus network. This system is expected to carry over 112 million passengers in 2002.

Since the introduction of "One City, One Fare" on July 4, 1997, which eliminated two-fare zones and established free intermodal transfers between the subsidized franchise buses and the New York City Transit (NYCT) system, and the more recent introduction of fare discounts and fixed price transit passes, mass transit ridership has increased significantly. Ridership on the subsidized franchise buses has, on average, increased approximately seven percent annually, which is slightly lower than ridership on the NYCT system, which has increased by approximately nine percent annually. The changes in fare policy have made mass transit more affordable for the riding public, and have significantly improved the overall efficiency and usage of the City's transportation network.

The City currently owns two bus depots, located in College Point, Queens and in Southeast Brooklyn, that are equipped to fuel and maintain Compressed Natural Gas (CNG) buses. The City has committed to convert its entire fleet of 1,291 buses to CNG in efforts to minimize the environmental impact of diesel fuel emissions. Currently, 350 buses are CNG-fueled.

Capital Review

The Department's 2002-2011 Ten-Year Capital Strategy totals $10.6 billion for the reconstruction of transportation infrastructure, of which approximately 89 percent is City-funded. The table below shows commitments by program area over the 2000-2005 period.

Capital Commitments

($000's)

	2000 Actual		2001 Plan		2002 Plan		2003 Plan		2004 Plan		2005 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	$111,463	$115,295	$277,337	$272,730	$343,412	$367,628	$347,980	$357,689	$284,016	$310,248	$360,073	$360,073
Highway Bridges	192,733	227,666	123,234	133,949	408,829	509,493	627,893	743,403	535,960	555,960	286,073	286,073
Waterway Bridges	82,454	86,360	170,394	312,764	98,915	143,915	191,871	201,871	463,772	463,772	131,334	171,334
Traffic	12,853	25,615	42,480	83,936	52,308	119,143	28,932	43,032	29,408	32,750	35,023	48,276
Vehicles/Equipment	7,547	7,547	4,007	4,007	38,608	38,608	4,795	4,795	10,413	10,413	6,424	6,424
Ferries	10,353	10,353	103,324	121,668	120,228	160,028	2,593	2,593	4,300	4,300	7,600	7,600
Franchise Transit	5,944	44,126	6,552	11,170	20,781	145,587	6,190	39,401	2,875	28,750	2,875	28,750
Total	$423,347	$516,962	$727,328	$940,224	$1,083,081	$1,484,402	$1,210,254	$1,392,784	$1,330,744	$1,406,193	$829,402	$908,530

The highlights of the Ten-Year Capital Strategy include:

- the continued reconstruction/rehabilitation of the four East River Bridges and the complete reconstruction/rehabilitation of 336 bridge structures. It also includes programs to resurface bridge decks, replace expansion joints and other bridge components, and apply protective coating treatments to prolong the useful life of City bridges ($6.0 billion).

- the reconstruction and/or resurfacing of approximately 2,455 linear miles (8,163 lane miles) of City streets to maintain and improve their condition. In addition it provides for the installation of pedestrian ramps at 58,621 corners to increase accessibility for the disabled, and the reconstruction of 44.6 million square feet of sidewalk to reduce defects ($3.6 billion).

- the modernization and computerization of the City's traffic signal network to improve traffic flow, the upgrade of the streetlighting system, the installation of pavement markings, and the reconstruction of municipal parking facilities ($479.0 million).

- the replacement of two City-owned ferry boats, in addition to the replacement boat funded in 2001. Construction will continue at the new Whitehall Ferry Terminal and St. George Ferry Terminal will undergo major reconstruction ($221.7 million).

- the purchase of CNG-fueled buses, equipment and the rehabilitation of bus facilities for the City's subsidized franchise transit program ($242.5 million).

- the replacement of vehicles for field forces and the upgrading of computer equipment ($113.8 million).

Bridges

The Final Ten Year Plan for the Bureau of Bridges totals almost $6.0 billion, of which 90 percent is City-funded. The Plan includes $802.6 million for the reconstruction of the East River Bridges, including $257.5 million for the reconstruction of the Brooklyn Bridge, $285.9 million for the Manhattan Bridge, $141.3 million for the Williamsburg Bridge, and $117.9 million for the Queensboro Bridge. The Ten Year Plan will complete the major reconstruction of all four East River Bridges.

In the four year period (2002-2005), the Bridge Program totals $3.1 billion, of which 89 percent is City funded. The Four Year Plan provides $621.6 million for East River Bridge reconstruction, including the rehabilitation of the superstructures of the Manhattan Bridge and the Williamsburg Bridge as well as the Brooklyn Bridge's protective coating and main approaches. Another $1.7 billion is provided in the Four Year Plan to reconstruct 12 "poor" and 78 "fair" bridge structures, including the Willis Avenue Bridge over the Harlem River, the Roosevelt Avenue Bridge over the Van Wyck Expressway and nine Belt Parkway bridges. The Bridge Life Extension program, designed to address the capital needs of bridges before total capital reconstruction becomes necessary, will rehabilitate 64 bridge structures at a cost of over $567.9 million. All bridge structures currently rated "poor" will be committed for reconstruction by 2004. In addition, $150.9 million is provided to apply protective coating treatments to various highway and waterway bridges to preserve and enhance their condition.

The 2002 Capital Plan for Bridges totals $653.4 million, including $66.0 million for the protective coating of the Queensboro Bridge, $58.1 million for the protective coating of the Brooklyn Bridge, and $423.5 million for the reconstruction of 3 "poor" and 24 "fair" rated bridge structures, including the Third Avenue Bridge over the Harlem River and the Belt Parkway Bridge over the Ocean Parkway in Brooklyn.

Highways

The Ten-Year Plan for the Bureau of Highways totals $3.6 billion of which 94 percent is City-funded. The Plan provides $2.1 billion for street reconstruction of 346.6 linear miles (1,134.2 lane miles), and $824.0 million for street and arterial resurfacing of 2,108.4 linear miles (7,029.5 lane miles). The Plan also provides $200.0 million for the installation of pedestrian ramps at 58,621 corners. Another $311.9 million is allocated for the replacement of over 44.6 million square feet of sidewalks, citywide.

The Four-Year Plan for the Bureau of Highways totals $1.4 billion of which 96 percent is City-funded. The Plan provides $792.7 million for street reconstruction of 145.6 linear miles (478.0 lane miles), and $316.0 million for street and arterial resurfacing of 837.4 linear miles (2,798.6 lane miles). The Plan also provides $80.0 million for the installation of pedestrian ramps at 24,653 corners. Another $153.1 million is allocated for the replacement of over 21.9 million square feet of sidewalks, citywide.

The 2002 Capital Plan for Highways totals $367.7 million and includes $288.6 million for the reconstruction or resurfacing of 252.3 linear miles (844.7 lane miles) of streets, including the Throgs Neck area in the Bronx, Fifth Avenue in Brooklyn, and the South Beach area in Staten Island. In addition, the City is considering constructing a second asphalt plant in order to realize savings in asphalt purchasing contracts, as well as to avoid a portion of the costs associated with the disposal of asphalt millings produced by our in-house resurfacing crews. A second asphalt plant would also provide the environmental benefit of recycling approximately 87,000 tons of millings annually in the production of new asphalt.

Traffic

The Ten-Year Plan provides a total of $479.0 million for construction projects supporting Traffic operations. Of this amount, approximately 78 percent is City funded. This Plan includes $215.1 million for the maintenance, installation and computerization of the City's traffic signals and $65.6 million for the maintenance and installation of streetlights. Additionally, the Plan includes $125.8 million for streetlight and signal projects implemented in conjunction with the highway and bridge reconstruction program and $15.0 million for the installation of pavement markings in conjunction with the in-house highway resurfacing program. The Plan also includes $34.4 million for the replacement of electrical distribution systems and $23.1 million for the reconstruction of City parking facilities.

The Four-Year Plan for Traffic totals $243.2 million, of which 60 percent is City-funded. The Plan provides $128.5 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 $34.1 million for the upgrade and replacement of lampposts and luminaries for lighting and safety, $41.8 million for signal and streetlight work associated with the highway and bridge reconstruction programs, $6.5 million for the installation of approximately 12 million linear feet of thermoplastic markings for traffic control in conjunction with the in-house resurfacing program, and $11.1 million for the replacement of 123,000 linear feet of electrical distribution systems along the City's streets. In addition, the Plan includes $21.2 million for the rehabilitation of six municipal parking garages and seven parking lots.

The 2002 Capital Plan for Traffic totals $119.1 million. This includes $15.6 million for the installation of approximately 1,000 lampposts and luminaries and the installation of signals at roughly 150 intersections. Additionally, the plan includes $26.8 million for the final two phases of the Traffic Operations Program to Increase Capacity and Safety (TOPICS) IV initiative – which will connect 2,200 signalized intersections to DOT's signal control system in order to improve traffic flow and control in the outer boroughs. The plan also includes $7.6 million for the replacement of 20,000 mechanical parking meters with electronic meters that will improve meter operability problems and make parking more convenient.

Transit

The Ten-Year Plan for Transit totals $464.2 million, including $221.7 million for Ferries and $242.5 million for Franchise Transit. The Plan for Ferries, which is 82 percent City-funded, provides $131.2 million for the reconstruction or replacement of ferry boats, and $90.5 million for ferry terminal improvements, including $17.6 million for the repair of ferry racks at St. George and Whitehall. The Four Year Plan for ferries totals $174.5 million, including $101.4 million for the reconstruction or replacement of ferry boats, and $73.1 million for ferry terminal improvements, including $7.8 million for ferry racks.

The 2002 Capital Plan for Ferries totals $160.0 million, including $89.5 million for the shipyard construction of two of the three Kennedy Class ferry boats. An additional $40.0 million is provided in 2001 for the construction of the third boat. The 2002 Capital Plan also includes $9.7 million for the continuing reconstruction of the St. George Ferry Terminal, $7.9 million for the reconstruction of the ferry fueling facility, $4.6 million for the rehabilitation of the St. George South Viaduct, $4.4 million for the Battery Maritime Building, and $1.5 million for private ferry slips.

The Ten-Year Plan for the Franchise Transit program, of which 13 percent is City-funded, provides $205.9 million for the purchase and inspection of approximately 530 CNG buses, $32.6 million for the construction and improvement of bus facilities, including $24.0 million for the construction of three CNG fueling facilities, and $4 million for other bus-related projects and miscellaneous equipment. All projects are scheduled during the Four-Year Plan period.

The 2002 Capital Plan for the Franchise Transit program totals $145.6 million, including $116.4 million for the scheduled purchase and inspection of over 325 CNG buses, $4.3 million for the construction of a vehicle emissions lab in Brooklyn, $2.8 million for design of a new bus depot in Queens, $2.2 million for a mobility enhancement study and $1.2 million for bus stop signs. The 2002 Capital Plan also includes $15.9 million for the modification of two bus facilities to make them CNG compatible, pursuant to the City’s policy of reducing diesel fuel emissions from City-owned buses.

HOUSING PRESERVATION AND DEVELOPMENT

The Department of Housing Preservation and Development (HPD) is responsible for the preservation, rehabilitation and expansion of New York City's housing stock. HPD serves as a catalyst for private investment and economic reintegration of communities with the greatest need. As reflected in the 2002 Executive Budget, the agency will stimulate the preservation and development of affordable housing through direct investment and the provision of loans and other forms of financial assistance. The agency will also continue to enforce compliance with housing quality standards and maximize neighborhood ownership and management of housing by soliciting local participation in its disposition and development programs. Two offices manage the bulk of the HPD's programs.

The Office of Housing Operations, comprised of six divisions, focuses its resources on the maintenance and upgrading of occupied residential properties, both privately-owned and City-owned *in rem* buildings, and addresses emergency repairs where necessary. The Division of Alternative Management Programs (DAMP) administers "Building Blocks!," the City's comprehensive neighborhood redevelopment initiative designed to encourage neighborhood revival by returning City-owned *in rem* buildings to responsible private owners. The Division of Property Management maintains the City's *in rem* housing until buildings can be returned to responsible private ownership. The Division of Maintenance addresses 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. This office also includes the Division of Code Enforcement (DCE) which enforces the City's housing code and assists owners in correcting hazardous conditions and code violations. The Division of Anti-Abandonment, whose primary goal is to prevent the abandonment and consequential City ownership of distressed buildings, implements the agency's PRO-Housing initiative, offering property owners education, investment, and enforcement – or three "**P**athways to **R**esponsible **O**wnership".

The Office of Development, through its three divisions, provides affordable housing opportunities by promoting the construction of new homes and apartments on formerly City-owned vacant land and by reconstructing and selling vacant and occupied buildings. Through various neighborhood initiatives and homeownership programs, the Division of New Construction builds new homes, making HPD the most prolific developer of affordable housing in the nation. To encourage private construction, rehabilitation, and economic development, the Division of Housing Finance provides loans for supportive housing development and uses a variety of tools, including Tax-Incentive Programs, low-interest loans, and Low Income Housing Tax Credit allotments. The Division of Housing Supervision regulates the approximately 60,000 apartments in 141 Mitchell-Lama rental and co-op housing companies.

The Office of Legal Affairs provides legal services in the Agency's pursuit of housing development and preservation. The Office of Planning and Intergovernmental Affairs, the Office of Community Partnerships, and the Office of Administration/Technical Services and Equal Opportunity provide support for the above programs.

Financial Review

The 2002 Executive Budget for HPD provides $419 million for operating expenses as compared to $402 million in 2001, an increase of $17 million. Of the total operating expenses, $115 million is for personal services and the remaining $304 million is for other than personal services. Concurrently, the Four Year Plan allocates $2 billion in capital to the City's housing programs over the period 2002-2005.

Revenue Forecast

HPD collects revenue from residential and commercial tenants occupying *in rem* buildings, from auctions, and from negotiated sales. HPD also collects fees for processing tax abatement and exemption applications, multiple dwelling registrations, document searches, administrative costs, and the management of municipal and Mitchell-Lama loans. Revenues generated by the agency will be $85.2 million in 2002, $21.1 million more than the amount for 2001. The 2002 increase is primarily attributable to non-recurring revenue from negotiated land sales offset by the one-time collection of fees in 2001 from various programs. Additional decreases reflect reductions in *in rem* rental income due to the disposition of *in rem* units to the private sector.

Expense Budget Highlights

Priorities: Providing Core Services

The agency maintains core services in *in rem* property management, tenant-landlord assistance, housing maintenance code enforcement, development of new affordable housing, and preservation of privately-owned housing.

- Funding is maintained for HPD's Emergency Repair Program (ERP) to remove hazardous conditions in private buildings where landlords have been negligent in correcting violations detrimental to the life, health or safety of tenants.

- In an effort to expedite permanent placements for families who have been evacuated from their homes due to fire, demolition or unsafe building conditions, $3 million has been added to HPD's emergency services bureau expense budget in 2002. This homeless diversion program will assist families, temporarily housed in HPD shelters, to reclaim their original apartments or to find alternate apartments in public housing or in the private market.

- In an effort to reduce future management costs and to improve the quality of occupied *in rem* housing, $175 million is allocated in the capital budget for the agency's disposition programs in 2002. HPD has developed programmatic and financial mechanisms to accelerate the transfer of City-owned occupied buildings to tenants and neighborhood-based not-for-profit and for-profit housing organizations. These programs are Tenant Interim Lease (TIL), Neighborhood Entrepreneurs (NEP), Neighborhood Redevelopment (NRP) and Neighborhood Homes.

Summary of Agency Financial Data

($000's)

	2000 Actual	2001 Forecast	2002 Preliminary Budget	2002 Executive Budget	Increase/(Decrease) 2001 Forecast	Increase/(Decrease) 2002 Preliminary Budget
Expenditures						
Personal Service	$111,346	$115,196	$114,336	$115,151	($45)	$815
Other Than Personal Service	272,790	375,275	217,436	303,589	(71,686)	86,153
Total	$384,136	$490,471	$331,772	$418,740	($71,731)	$86,968
Funding						
City	$65,749	$69,535	$63,552	$67,741	($1,794)	$4,189
Other Categorical Grants	—	—	—	—	—	—
Capital IFA	12,520	15,870	15,749	15,887	17	138
State	922	819	819	819	—	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	149,671	227,970	175,398	176,423	(51,547)	1,025
• Other	137,460	162,115	66,267	147,904	(14,211)	81,637
Intra-City Other	17,813	14,162	9,987	9,966	(4,196)	(21)
Total	$384,136	$490,471	$331,772	$418,740	($71,731)	$86,968
Personnel (at fiscal year-end)						
City	553	585	578	585	—	7
Non-City						
• IFA	264	375	373	375	—	2
• CD	1,183	1,348	1,348	1,348	—	—
• Other	465	403	402	403	—	1
Total	2,465	2,711	2,701	2,711	—	10

HPD's budgeted headcount of 2,711 positions is funded at $115 million, $27 million of which is City funds. Funding for other than personal services amounts to $304 million, $40 million of which is City funds.

Programmatic Review

HPD will implement a $1.2 billion housing plan, comprised of three new initiatives, using City capital and other public resources to leverage private equity to create, rehabilitate, and preserve housing. The Vacant Buildings initiative projects to return 1,100 of the remaining 1,300 vacant City-owned *in rem* units to the private sector in 2002-2005. Over the same four year period, the Housing Preservation initiative will transfer 5,900 units in deteriorating, tax-delinquent buildings to responsible new landlords to prevent them from falling into City-ownership. The Mixed-Use initiative will expand the ANCHOR program to create 3,067 new units and 875,000 square feet of commercial space in mixed-use residential/commercial developments. This housing plan is conditioned on reforming the Department of Buildings and the Building Code, rezoning land for residential development, and eliminating organized crime influence from the construction industry.

Housing Operations

The Office of Housing Operations's Division of Property Management (DPM) will maintain an average of 7,413 City-owned *in rem* residential units in occupied multiple dwellings and in occupied one- and two-family homes in 2002. The workload is expected to decline by approximately 3,464 units during 2002 through disposition initiatives and other outtake mechanisms. DPM also relocates households and businesses pursuant to approved urban renewal plans.

The Division of Alternative Management Programs (DAMP) within the Office of Housing Operations promotes the rehabilitation, management, and ownership of occupied City-owned buildings by tenant, not-for-profit, and for-profit housing organizations. New emphasis has been placed on the privatization of City-owned housing units through a variety of sales and management mechanisms. DAMP also administers the Article 7A Program, which manages and funds necessary repairs for privately owned buildings that have been effectively abandoned.

The Division of Maintenance (DOM) enforces the City's housing code, assists small property owners with financial and maintenance issues, and assists owners in removing hazardous conditions. DOM enforces compliance with the City's housing code by responding to heat, hot water, and the most critical non-heat emergency complaints from tenants. Under DOM's Emergency Repair Program, the City corrects immediately hazardous conditions in private buildings where landlords have been negligent and places liens on properties for the cost of repairs, fuel deliveries, window guard installations, and lead paint abatement. Funding is provided in 2002 to respond to an estimated 69,000 emergency certifications and to issue approximately 18,000 repair orders.

The Office of Housing Operations also includes the Division of Anti-Abandonment (DAA) which, through the passage of Local Law 37, identifies, monitors and recommends treatment for distressed buildings. DAA, by coordinating the third party transfer process to convey approximately 5,900 units in tax-delinquent buildings to responsible new owners, will administer the new Housing Preservation initiative, for which $278 million has been budgeted over 2002-2005. The DAA is also responsible for making loans to private owners for capital improvements through the Participation Loan Program and Article 8A programs.

The Division of Code Enforcement (DCE) enforces compliance with the City's Housing Maintenance Code and the New York State Multiple Dwelling Law and responds to complaints concerning possible housing violations such as the lack of heat, water, or electricity. DCE also provides emergency housing for victims of fires and other disasters. In 2002, field inspectors are projected to conduct an estimated 152,000 inspections, issue 290,000 violations (including over 15,000 lead paint violations), and reinspect 325,000 violations. In addition, DCE is budgeted at $12 million in capital and expense funds to demolish and seal vacant and unsafe buildings.

Development

The Office of Development is responsible for HPD's housing production functions. Its Division of New Construction promotes the construction of new homes and apartments on formerly vacant City-owned land. Activity for 2002 includes the construction of over 1,500 units in new one- to three-family homes, multiple dwellings and mixed-use multiple dwellings. These owner-occupied housing units will be built on City-owned land with City capital subsidies for construction and associated costs. This Division will be responsible for the new Mixed-Use development initiative funded at $332 million for the construction of mixed residential/commercial developments over the next four years. Through the Alliance for Neighborhood Commerce, Home Ownership and Revitalization (ANCHOR), HPD combines retail development along targeted commercial corridors with new housing construction to generate economic activity and provide neighborhood services in revived residential communities. HPD will also continue the development of long-term, large-scale projects for both homeowners and rental tenants in selected neighborhoods in Brooklyn, the Bronx, Manhattan, and Queens 2002-2005.

The Office of Development's Division of Housing Finance administers multi-family and small building disposition and loan programs. Through these programs, vacant City-owned buildings are rehabilitated and returned to the private housing market. This division is also responsible for the Supportive Housing Program, which over 2002-2005 will produce approximately 1,200 units of supportive housing for mentally-ill and low-income New Yorkers, as well as for people with HIV/AIDS.

Capital Review

The 2002-2005 Four Year Capital Plan for HPD is $2.0 billion, including $1.4 billion in City funding and $539 million in non-City funds. The agency continues to use its City capital sources to leverage State and Federal funds as well as substantial private equity (which does not flow through the City's capital budget). The Four Year Plan reflects the City's continuing commitment to affordable housing by funding the creation and preservation of units in City-owned and privately-owned buildings.

Under the Four Year Plan, the City will continue to pursue the "Building Blocks!" strategy: the rehabilitation and sale of City-owned *in rem* residential buildings to responsible private owners, including tenant cooperatives, not-for-profit organizations, and local entrepreneurs. A total of $843 million is provided to fund the occupied *in rem* programs under this strategy, namely TIL, NEP, NRP, and Neighborhood Homes. This allocation will promote the disposition of roughly 9,100 housing units to private owners over 2002-2005. Through the use of asset sales and the tax exemption certificate program, HPD will be able to transfer additional housing units to the private sector.

Vacant buildings seized through tax foreclosure will be returned to the private sector primarily through the newly initiated Vacant Buildings Program, while the existing HomeWorks and StoreWorks programs will continue through 2003. Fifty-two million dollars budgeted over the Four Year period in these three programs will produce roughly 1,300 rehabilitated owner-occupied residential, rental residential, and rental retail units.

Concurrently, the City will enhance its efforts to prevent abandonment of privately-owned buildings and forestall their entry into City ownership by investing $531 million in programs providing financial and technical assistance to private landlords. The City will combine its current loan programs, such as Participation Loan (PLP), Article 7A (7A), Article 8A (8A), Small Homes Private (SHP), Home Improvement (HIP), and Senior Citizen Home Assistance (SCHAP), with the new Housing Preservation initiative. The Housing Preservation initiative will allow for tax delinquent property to be transferred to responsible new owners without the City taking title in the interim.

The Four Year Plan also includes funds for new construction projects to promote homeownership to families at various income levels. New Homes (NYC Housing Partnership) and Nehemiah provide for the construction of one- to three-family homes. The new Mixed Use program will fund new construction of mixed residential/commercial developments, producing roughly 3,000 rental residential units and 875,000 square feet of retail space. Along with ANCHOR, these programs form the basis for the new construction projects being built in conjunction with large-scale neighborhood redevelopment programs in Brooklyn, the Bronx, Manhattan, and Queens.

The table below shows capital commitments by Ten Year Plan category over the 2001-2005 period, including actual commitments for 2000.

Capital Commitments

($000's)

	2000 Actual		2001 Plan		2002 Plan		2003 Plan		2004 Plan		2005 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	$83,427	$154,383	$90,948	$167,814	$181,807	$263,522	$100,524	$179,354	$122,039	$188,276	$127,998	$211,998
Vacant *In-Rem* Rehab..	1,161	852	13,469	13,779	15,740	15,740	12,100	12,100	9,000	9,000	4,500	4,500
New Construction.....	22,161	22,161	36,357	36,357	20,027	38,827	53,920	68,920	20,600	50,600	20,000	50,000
Neighborhood Initiatives	8,662	8,662	30,407	30,407	13,838	13,838	50,585	50,585	9,292	9,292	48,157	48,157
Assistance to Private Owners	46,821	154,383	111,576	161,759	120,899	187,642	126,035	155,187	132,852	160,235	175,460	175,460
Other Housing Support Investment	19,635	19,635	55,483	56,124	21,984	21,984	18,981	18,981	16,358	16,358	27,889	27,889
Total	$181,867	$294,029	$338,240	$466,240	$374,295	$552,753	$362,145	$485,127	$310,141	$433,761	$404,004	$518,004

The $2.0 billion Four Year Plan emphasizes the following goals:

- Treatment and disposition of occupied, City-owned buildings — rehabilitation begins for approximately 3,800 units in 2002 through the privatization initiatives ($264 million); 9,100 units will be rehabilitated in the 2002-2005 period ($843 million).

- Reconstruction of vacant buildings — treatment in the 2002-2005 period of 1,300 City-owned vacant units under the Vacant Buildings, HomeWorks and StoreWorks programs ($53 million).

- Assistance to private owners — the Housing Preservation initiative, PLP, 8A, 7A, SHP, HIP and SCHAP programs will allow the rehabilitation of 22,000 units in the private sector in the 2002-2005 period ($531 million).

- Construction of new units — funding for the production of over 9,800 homeownership and rental units in the 2002-2005 period ($323 million) under the new construction homeownership programs, including the large scale neighborhood projects.

- Production of supportive housing — funding for the creation of over 1,200 units for homeless and low-income single adults and persons with AIDS in the 2002-2005 period ($130 million).

DEPARTMENT OF CITYWIDE ADMINISTRATIVE SERVICES

The Department of Citywide Administrative Services (DCAS) is the principal support agency for the City of New York. DCAS provides City agencies with various services, including personnel services, real estate services, facilities management, and municipal supply services.

The Department's personnel services include personnel development and training; civil service administration; the classification of positions and salary levels; and the formulation and administration of civil service examinations and license tests. DCAS is also responsible for the administration of the citywide internship and fellowship programs; and the oversight of the Citywide Equal Employment Opportunity program.

Furthermore, the Department provides facilities management and maintenance services for 49 City owned buildings, including court facilities and City owned piers. The Division of Real Estate Services (DRES) is responsible for the management of the City's portfolio of leased properties, including the acquisition, leasing and sale of non-residential real property.

The Department provides municipal supply services to agencies, citywide. Municipal supply services include the acquisition, testing, and distribution of supplies and equipment as well as the administration of the citywide vehicle fleet. DCAS is also responsible for the management and oversight of citywide energy conservation programs. Additionally, the Department manages the CityStore bookstore and publishes the City Record, the Green Book and other official City publications.

Financial Review

The 2002 Executive Budget for the Department of Citywide Administrative Services provides $668.1 million, an increase of $35.1 million above the amount forecasted for 2001. This increase is primarily attributed to increases and adjustments in intra-city sales and one-time savings achieved in 2001. The $231.2 million DCAS Capital Commitment Plan for 2002 includes $213.7 million for the Public Buildings program and $17.5 million for the Real Property program.

Revenue Forecast

In 2002, DCAS will collect $62.0 million in revenue, $29.8 million less than the amount forecasted in 2001. The decrease is attributable to non-recurring revenues collected in 2001 for property sales, rents, sales of relinquished vehicles, and the sale of mortgages. The Division of Real Estate Services (DRES), the largest revenue generating component of DCAS, will collect $44.4 million from land sales and rents from commercial properties.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- The Department's 2002 Executive Budget provides a total funded budget of $668.1 million. This includes $453.8 million for goods and services that agencies purchase from DCAS through intra-city agreements for utilities, municipal supplies, etc.

- The Department's 2002 Executive Budget provides a total of $569.3 million for the Division of Facilities Management and Construction (DFMC). DFMC maintains and operates 49 public buildings, including court facilities, and provides citywide energy management services. Included in the $569.3 million is $23.5 million in State funding, an increase of $5.5 million from 2001, to provide cleaning services for court facilities.

- The Department's 2002 Executive Budget provides a total of $14.7 million for the Division of Real Estate Services (DRES).

Summary of Agency Financial Data

($000's)

			2002		Increase/(Decrease)	
	2000 Actual	2001 Forecast	Preliminary Budget	Executive Budget	2001 Forecast	2002 Preliminary Budget
Expenditures						
Personal Service	$78,992	$82,467	$84,927	$88,409	$5,942	$3,482
Other Than Personal Service	485,546	550,495	509,637	579,704	29,209	70,067
Total	$564,538	$632,962	$594,564	$668,113	$35,151	$73,549
Funding						
City	$111,873	$109,744	$115,954	$121,390	$11,646	$5,436
Other Categorical Grants	46,456	57,517	46,158	58,380	863	12,222
Capital IFA	5,851	7,120	8,021	8,021	901	—
State	17,915	18,130	19,116	23,542	5,412	4,426
Federal						
• JTPA	—	—	—	—	—	—
• CD	2	560	—	1,000	440	1,000
• Other	1,163	2,502	2,000	2,000	(502)	—
Intra-City Other	381,277	437,389	403,315	453,780	16,391	50,465
Total	$564,538	$632,962	$594,564	$668,113	$35,151	$73,549
Personnel (at fiscal year-end)						
City	1,092	1,108	1,087	1,082	(26)	(5)
Non-City						
• IFA	107	153	121	153	—	—
• CD	—	—	—	—	—	—
• Other	256	435	408	497	62	121
Total	1,455	1,696	1,616	1,732	36	116

Programmatic Review

The Department is divided into the following five program divisions: the Division of Citywide Personnel Services (DCPS), the Division of Municipal Supply Services (DMSS), the Division of Facilities Management and Construction (DFMC), the Division of Real Estate Services (DRES), and the Division of Financial and Administrative Services.

Division of Citywide Personnel Management Services

The Division of Citywide Personnel Services (DCPS) is responsible for the classification of positions and salaries, civil service administration, personnel development and training, citywide redeployment, and other special programs such as the Employee Blood Program, the Urban Corps, Public Service Corps, and Leadership Institute programs. DCPS also offers Work Experience Program (WEP) participants the opportunity to learn clerical and office skills.

In order to simplify civil service job titles and streamline exam administration, DCPS is continuing its strategy to consolidate, reclassify, and broadband titles with overlapping functions. The Division continues its efforts to reduce, eliminate or combine civil service examinations for titles that require similar knowledge and skills. DCPS eliminated 14 competitive civil service titles thus far in 2001. In addition, the number of provisional employees citywide has dropped from 35,937 in January 1994 to the current level of 30,220 - a reduction of 16 percent. 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 2002 includes 95 civil service examinations and 30 license examinations. As of March, 66 civil service and 16 license exams were administered in 2001.

The Office of Citywide Equal Employment Opportunity (OCEEO), an office within DCPS, monitors compliance with the Citywide Equal Employment Opportunity (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 compliance with the EEO policy. OCEEO carries out its monitoring function through training initiatives, agency site visits, and interviewing City personnel.

Division of Real Estate Services

The Division of Real Estate Services (DRES) offers real property services including broker services, site searches, lease services, and property acquisition for client agencies. This division also provides architectural design and project management services for client agencies in both DCAS managed and privately owned space. The Division manages and oversees approximately 20 City leases as well as the leasing of city owned commercial properties. DRES manages and disposes of City owned commercial properties acquired through tax foreclosure, condemnation, and the transfer or surrender of City surplus properties.

The Division effectuated a lease for a space consolidation for the Department of Finance Manhattan Business Center in 2001. Currently, DRES anticipates signing leases for the Department of Finance Bronx Business Center and for the Human Resource Administration's Management Information Systems division by the end of 2002.

The Division also provides lease auditing for various client agencies to ensure proper lease billing and management. Over $10.3 million in recoveries and credits from the Lease Audit Program have been realized since 1993.

Facilities Management and Construction

The Division of Facilities Management and Construction (DFMC) is responsible for maintaining and operating 49 City owned public buildings. This division performs technical engineering, architectural, and construction management services to maintain and operate its facilities. This division also coordinates with the State Office of Court Administration to ensure proper maintenance of court facilities within the City. DFMC manages a program of over 185 WEP participants. The division provides its WEP participants the opportunity to learn various building operation, maintenance, and custodial skills.

The Office of Energy Conservation (OEC), an office within DFMC, is the City's primary energy management entity. This office develops and reports on the City's annual energy budget. OEC coordinates with utility companies and processes payments for the City's electric, gas and steam bills. In addition, OEC establishes, coordinates, and oversees energy conservation guidelines and programs. The Office participates in and administers the High Efficiency Lighting Program (HELP), the Energy Cost Reduction Program (ENCORE), and the Cafeteria Lighting Program (CLP).

Division of Municipal Supply Services

The Division of Municipal Supply Services (DMSS) is the City's chief procurement entity. DMSS procures, warehouses, and distributes supplies necessary for City agencies to fulfill their missions. Centralized contracting enables the City to utilize economies of scale to purchase various commodities at the most favorable market price. This division ensures the quality of goods purchased through inspections and operates the Central Storehouse which warehouses over 2,200 different items. This division is also responsible for the salvaging of surplus property through redistribution to other City agencies and auction.

Additionally, 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. A program for the direct delivery of automotive parts will continue to maintain reduced levels of stock inventories and reduce vehicle downtime in 2002.

The Office of Fleet Administration (OFA), an office within DMSS, oversees citywide vehicle procurement, the alternative fuel vehicle program, and fleet maintenance for client agencies. Maintenance services are provided by contracts which have reduced costs by approximately sixty percent. A new fleet management system, the Maintenance Control and Management System (MCMS), will be completed in 2002. The system will assist OFA and its client agencies with citywide fleet management.

Division of Financial and Administrative Services

The Division of Financial and Administrative Services is responsible for providing the Department with the necessary central leadership, management and coordination to carry out its mandate. This division includes the Executive Office, General Counsel's Office, Division of Financial Services including; budget control, audit and accounts, State Court reimbursement, Internal Audit, Division of Management and Operations, and Management and Information Systems.

The Department is currently developing the Citywide Automated Personnel System (NYCAPS). NYCAPS will store personnel data in a central location. The system will permit oversight agencies and agency personnel divisions, citywide, to share and access data easily. This will simplify workflow and system management resulting in more accurate personnel-related information. The Department is conducting connectivity testing with City agencies and has begun preliminary training on the system software.

Office of External Affairs and Communications

The Office of External Affairs and Communications is responsible for the agency's public relations. The Office oversees the City Publishing Center and the CityStore. The City Publishing Center produces and publishes The City Record, The Green Book and other official City publications. CityStore is the City's bookstore and gift shop. The CityStore operates booths in both the Manhattan Municipal Building and the Times Square Visitor Center, as well as having an on-line store accessible through the City's website.

The Department continues development of internet applications for City publications. The City Record is available on-line and the Green Book will be on-line by the end of 2001.

Capital Review

The 2002-2005 Four-Year Capital Commitment Plan for the Department is $532.2 million, with $231.2 million provided in 2002. These amounts include State funding of $0.9 million in the Four-Year Plan, all of which is scheduled for commitment in 2002.

The Department is responsible for capital improvements to all DCAS managed and client agencies' buildings including office space, warehouses and courts; oversight and improvements to City leased properties; the sale, lease and acquisition of City owned non-residential waterfront and non-waterfront properties. The capital program responsibilities include 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 2000-2005 period.

Capital Commitments

($000's)

	2000 Actual		2001 Plan		2002 Plan		2003 Plan		2004 Plan		2005 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Legal Mandates and Correction of Unsafe Conditions	16,448	$16,448	$49,458	$49,458	$66,196	$66,196	$15,578	$15,578	$41,016	$41,016	$14,811	$14,811
Renovation of Other City-owned Facilities	149	149	22,345	22,345	39,748	39,748	0	0	0	0	0	0
Renovation of Leased Space	17,757	18,127	20,479	20,479	29,836	29,836	9,239	9,239	824	824	15,905	15,905
Board of Elections	1,980	1,980	-55,588	-55,588	16,154	16,154	19,060	19,060	19,531	19,531	13,955	13,955
Communications Equipment	365	365	768	768	3,790	3,790	500	500	0	0	0	0
Rehabilitation of Court Facility System	1,840	2,406	-3,633	293	373	1,242	0	0	0	0	0	0
Rehabilitation of City-Owned Office Space	37,033	40,926	98,274	98,274	50,574	50,574	39,242	39,242	9,526	9,526	80,718	80,718
Equipment and Interagency Services	4,339	4,339	7,289	7,289	6,105	6,105	300	300	300	300	300	300
Rehabilitation of Waterfront & Non-Waterfront Properties .	5,361	5,361	20,528	20,528	17,523	17,523	9,322	9,322	4,420	4,420	6,444	6,444
TOTAL	$85,272	$90,101	$159,920	$164,846	$230,299	$231,168	$93,241	$93,241	$75,617	$75,617	$132,133	$132,133

The Four-Year Plan provides a total of $532.2 million, including $494.5 million for the renovation, reconstruction and outfitting of Public Buildings and $37.7 million for Real Property.

Highlights of the Four-Year Plan include:

- reconstruction and rehabilitation of public buildings and City owned office space with the focus on the replacement of mechanical, electrical, plumbing and structural systems ($180.1 million); including Manhattan Municipal Building tenant alterations and electrical upgrades ($30.3 million), reconstruction of the Brooklyn Municipal Building ($22.8 million), rehabilitation of base building systems at City Hall ($8.5 million), interior renovations at 280 Broadway ($7.5 million), and renovation of Queens Borough Hall ($5.2 million).

- rehabilitation of court facilities ($1.2 million); including the exterior reconstruction at 27 Madison Avenue ($0.9 million in State funds).

- legal mandates ($137.6 million); including vapor control and leak detection programs for petroleum storage tanks ($60.6 million), lead and asbestos abatement ($33.7 million), compliance with the Americans with Disabilities Act ($7.9 million), and fire safety improvements ($3.4 million).

- renovation of leased space ($55.8 million); including the Department of Finance Bronx Business Center ($7.4 million), renovation of various facilities for the Department of Probation ($3.6 million), and the renovation of City Council offices ($2.9 million).

- elections modernization ($68.7 million); including the purchase of voting machines ($55.8 million).

- reconstruction of waterfront properties ($15.9 million), including various pier improvements.

- reconstruction of non-waterfront properties ($21.8 million); including reconstruction of the Kingsbridge Armory ($15.0 million) and various real property improvements ($2.8 million).

The 2002 Plan provides $231.2 million and includes:

- reconstruction of public buildings and City owned office space ($50.6 million); including tenant alterations and renovations at the Manhattan Municipal Building ($19.6 million), reconstruction at Queens Borough Hall ($5.2 million), renovation of the Brooklyn Municipal Building ($2.2 million), and rehabilitation of base building systems at City Hall ($1.6 million).

- legal mandates ($66.2 million); including vapor control and leak detection equipment for petroleum storage tanks ($47.6 million), lead and asbestos abatement ($7.2 million), compliance with the Americans with Disabilities Act ($1.9 million), and fire safety improvements ($1.8 million).

- renovation of leased space ($29.8 million); including the Department of Finance Business Centers in the Bronx ($7.4 million) and Manhattan ($1.5 million), the Department of Finance Sheriff's Offices at 30-03 Review Avenue ($5.7 million), and the renovation of City Council offices ($0.8 million)

- elections modernization ($16.2 million); including the purchase of voting machines ($14.0 million), and the renovation of office space at 345 Adams Street ($2.2 million).

- reconstruction of waterfront properties ($3.2 million) and non-waterfront properties ($14.3 million); including reconstruction of the roof at the Kingsbridge Armory ($7.5 million).

ECONOMIC DEVELOPMENT

Since 1992, two organizations, the Department of Business Services (DBS) and the Economic Development Corporation (EDC), have administered the City's economic development programs. DBS also provides administrative support to the Mayor's Office of Film, Theater, and Broadcasting (Film Office). City funds for EDC and the Film Office flow through the budget of DBS. In order to facilitate comprehensive service delivery to businesses, DBS and EDC are both located at 110 William Street, while the Film Office is located in the Midtown Entertainment District.

DBS provides services primarily to small businesses in New York City through technical assistance in procurement, contracting and local community development. DBS also assists small businesses in their interaction with other City agencies in order to ease the business development process. EDC, funded through a contract with DBS, serves as the City's corporate attraction and retention arm. In addition, EDC undertakes financing initiatives and develops and funds commercial and industrial projects. Waterfront, maritime and intermodal transportation development is also under EDC's purview.

Financial Review

The 2002 Executive Budget for Economic Development provides $49 million—$36 million in operating expenses at DBS and $13 million in operating expenses at EDC. The DBS budget is divided between Federal funds of $8 million and City funds of $42 million. The total 2002 budget for DBS represents a $2 million increase from the 2001 forecast. The increase represents the allocation of additional Federal funds to CDBG-eligible (Community Development Block Grant) programs administered by DBS. The DBS operating budget includes allocations for NYC & Co. (formerly known as the New York Convention and Visitors Bureau), the NYC Empowerment Zone, the Film Office, and other DBS programs such as the Market Security and Enforcement Division, the Commercial Revitalization program and the Vendor Initiative Division. EDC self-funds the majority of its operating budget. Its expense allocation from DBS includes $10 million for the Emerging Industries Fund.

City-funded capital commitments of $709 million are also forecast in the 2002-2005 capital plan. Of this amount, $633 million reflect Mayoral commitments. The remaining $76 million reflect Reso A commitments. The amount of total City-funded capital commitments for the 2002-2005 plan represents an increase of $19 million over the amount of commitments forecast in the 2001-2004 plan.

Revenue Forecast

The Department of Business Services collects revenues from the rental and sale of commercial, industrial, maritime and market properties administered by EDC, and other miscellaneous fees. The 2002 revenue estimate for Economic Development is $49 million, $23 million above the amount forecasted in 2001. The 2002 increase is attributable to the identification of alternative sources of funding for EDC projects previously funded with tax levy or other EDC funds.

Expense Budget Highlights

In 1995, the Vendor Initiative Division was created to help reduce street congestion caused by illegal street vending. Legal vending space was created for displaced vendors at vendor markets in Harlem and Washington Heights in Manhattan, Flatbush in Brooklyn, and Fordham (now closed) in the Bronx. Since the program's inception, over 3,000 vendors have sold their products in these neighborhood markets. In 1998, the division initiated Micro-Enterprise Programs to assist vendors and other entrepreneurs in developing basic business and computer skills. Specifically, the participants are instructed in business plan development, basic finance, taxation, vending regulations, and computer skills such as word processing and Internet usage. To date, over 2,000 vendors and others have participated in the program. The Executive Budget includes one additional CD-funded position to assist in the administration of the Micro-Enterprise Programs.

Through outreach and technical assistance services, the City Business Assistance Program (CBAP) helps businesses in their interactions with other City agencies. CBAP agents also help businesses avoid summonses by advising them about local stoopline, sanitation and vending regulations. Over the past five years, CBAP agents have assisted over 9,300 businesses. Through the Mayor's Anti-graffiti Task Force, CBAP agents have worked intensively with local groups to help remove graffiti from commercial building facades in Harlem and Washington Heights in Manhattan, Hunts Point and Soundview in the Bronx, Bayside in Queens, Dyker Heights in Brooklyn, and Port Richmond in Staten Island.

The Emergency Response Unit (ERU) of CBAP works directly with the Mayor's Office of Emergency Management to respond to businesses affected by disasters occurring in the five boroughs. The ERU provides businesses with timely updates on building reopenings, facilitates the resolution of matters affecting day-to-day business operations, and compiles evidence to support business claims for assistance due to economic injury. Thus far, ERU has provided critical assistance for over 50 major disasters, including the Times Square scaffolding collapse, the West 109th Street fire and the Bronx Starling Avenue fire that consumed nine small businesses in October 1999.

In January of 1995, portions of Upper Manhattan and the South Bronx were designated an Empowerment Zone by the Federal government, entitling the City to an additional $100 million in Federal aid over ten years. Both the City and New York State have committed funds matching this investment. These funds facilitate a variety of economic development initiatives by local development corporations and community-based organizations.

Working in conjunction with the Brooklyn Chamber of Commerce, DBS has developed an economic development initiative to improve the business climate on Fulton Street in the Bedford-Stuyvesant section of Brooklyn. The Executive Budget includes $3 million in 2001 and 2002 for the following commercial revitalization efforts on Fulton Street: supplemental street cleaning, graffiti removal, improvements to street lighting, the creation of a matching grant program for storefront and façade improvements, the development of an on-going merchants association, the creation of a master plan for streetscape improvements, and the design of a marketing plan to attract new retail and service businesses.

Through a contract with DBS, NYC & Co. receives City funding for its efforts to establish and maintain the City as the premier convention center and to publicize and advertise the City's institutions and various opportunities for all visitors. In the past year, NYC & Co. has successfully implemented programs such as Paint the Town Red and Park and Ride Wednesdays. The Executive Budget includes funding to match additional private sector support to expand existing programs, create new programs such as the Retail and Bridal Promotion Programs, and produce items such as foreign language brochures and maps.

Summary of Agency Financial Data

($000's)

	2000 Actual	2001 Forecast	2002 Preliminary Budget	2002 Executive Budget	Increase/(Decrease) 2001 Forecast	Increase/(Decrease) 2002 Preliminary Budget
Expenditures						
Personal Service	$6,905	$6,974	$6,622	$6,405	($569)	($217)
Other Than Personal Service	46,095	37,942	37,118	42,841	4,899	5,723
Total	$53,000	$44,916	$43,740	$49,246	$4,330	$5,506
Funding						
City	$47,772	$36,269	$38,605	$41,769	$5,500	$3,164
Other Categorical Grants	128	166	—	—	(166)	—
Capital IFA	—	—	—	—	—	—
State	—	—	—	—	—	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	4,939	6,186	5,125	7,467	1,281	2,342
• Other	160	150	—	—	(150)	—
Intra-City Other	—	2,145	10	10	(2,135)	—
....						
Total	$53,000	$44,916	$43,740	$49,246	$4,330	$5,506
Personnel (at fiscal year-end)						
City	138	146	143	138	(8)	(5)
Non-City						
• JTPA	—	—	—	—	—	—
• CD	11	12	12	13	1	1
• Other	3	6	0	—	(6)	—
Total	152	164	155	151	(13)	(4)

Programmatic Review

Department of Business Services

The Department of Business Services (DBS) is responsible for providing direct services to New York City's business community. These services include technical assistance, neighborhood development, and guidance through the governmental contracting process. DBS is also responsible for facilitating legal and efficient activity at the City's wholesale markets. DBS supplies administrative support to both the Film Office and the federally-designated Empowerment Zone, which promotes economic development in Upper Manhattan and the South Bronx.

- In 1995, DBS began an initiative intended to eliminate illegal activities at the City's wholesale fish, meat and produce markets. In conjunction with the Department of Investigation, DBS conducted an extensive investigation and review process to eliminate corruption among wholesalers, loaders and unloaders at the Fulton Fish and Hunts Point Markets. With the passage of Local Law 50 and on-going investigations, a number of companies with suspected organized crime ties did not register to conduct business at the markets. DBS registers an average of 50 wholesalers for each market. Since the City's efforts to eliminate corruption in the markets began, rent revenues have increased while unloading costs have decreased. The volume of fish sold at the Fulton Market has increased, reaching one million pounds a day, and the City is realizing a profit in its management of the markets. EDC is currently negotiating the relocation of the Fulton Fish Market to the Hunts Point area in the Bronx.

- The Lower Manhattan Energy Program (LMEP), a component of the Energy Cost Savings Program, was initiated in 1995 to address the under-utilization of commercial real estate and encourage the modernization of buildings in Lower Manhattan. The program offers benefits in the form of utility credits of up to 30 percent off a building's electric bill for eight years followed by a four-year phase out period. Benefits are awarded to building owners who pass energy savings on to tenants based on usage. To date, 63 office towers have applied for benefits on behalf of their tenants, of which 17 have met LMEP criteria and made the requisite facility renovations.

New York City Economic Development Corporation

The financing arm of EDC includes several small business lending, guarantee and bond issuance programs. The purpose of these programs is to create jobs and retain businesses through financial assistance offered at market or below market rates. EDC also contracts with the New York City Industrial Development Agency (IDA) to provide financing for larger industrial and marketing projects. The major programs are summarized below.

- Business Recruitment and Retention: Since July 1, 2000, EDC has recruited 26 firms and has helped two firms to expand within the City. These efforts have generated 440 new jobs and $3 million in City tax revenues. Through its Business Retention Unit, EDC has also retained seven companies representing 8,819 jobs. Of these, CIBC and Met Life are notable projects: the former involves the construction of a 1.1 million square foot office tower in Midtown Manhattan and the latter represents the commitment of a Fortune 50 company to move approximately 1,000 jobs to a building in Long Island City, an emerging business district. Related employment growth is estimated at 10,880 jobs, with direct and indirect City tax revenue estimated at $133 million annually.

- Small Business Financing Programs: Since July 1, 2000, EDC's small business financing programs assisted 32 firms with $251 million in bond and other financing for expansion, renovation and new construction.

- Printer Relocations: The $8 million Printers Relocation Fund (PRF) assists commercial printers and graphic arts companies that are committed to remaining in New York City but need to relocate from their current locations. Eligible companies can obtain reimbursement for up to 50 percent or $200,000 of their moving costs. To date, 32 companies are scheduled to receive $1.6 million in relocation assistance through the PRF, an average of $50,000 per firm. This assistance is expected to result in the direct retention of approximately 800 jobs.

- DBS contracts with EDC to administer the City's waterfront planning and development program, to market and sell City-owned land, and to act as managing agent for City-sponsored projects. Projects are divided into two main categories: Economic Development and Port Development. These projects are funded primarily through the capital budget, as described below.

Capital Review

The primary goal of the Four Year Capital Plan is to encourage development in order to create and retain jobs in New York City and bolster the City's tax base. The 2002-2005 Four Year Plan totals $709 million.

The following chart shows Capital commitments by major function over the 2000-2005 period. Actuals are provided for 2000.

Capital Commitments

($000's)

	2000 Actual		2001 Plan		2002 Plan		2003 Plan		2004 Plan		2005 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	$10,818	$ 10,818	$281,810	$332,475	$121,970	$287,328	$61,131	$89,531	$19,619	$19,619	$19,919	$19,919
Industrial Development . . .	6,389	6,389	66,420	67,102	56,539	56,539	41,538	41,538	11,696	11,696	17,669	17,669
Market Development	0	0	13,954	13,954	21,045	21,045	5,500	5,500	5,000	5,000	3,418	3,418
Neighborhood Revitaliz'n .	25	25	10,444	10,844	13,645	16,845	0	0	0	0	3,418	3,418
Port Development	0	0	100,141	141,081	58,959	72,309	41,184	41,184	4,930	4,930	9,019	9,019
Rail Development	0	0	8,076	33,597	9,300	13,778	7,500	7,500	1,000	1,000	0	0
Waterfront Development . .	4,236	4,236	46,081	73,518	54,836	57,578	31,304	31,304	13,063	13,063	22,229	22,229
Aviation	0	0	4,399	11,574	0	0	0	0	0	0	0	0
Miscellaneous	0	0	27,926	31,541	26,700	27,700	15,000	15,000	2,000	2,000	10,000	10,000
Total	$ 21,468	$ 21,468	$559,251	$715,686	$362,994	$553,122	$203,157	$231,557	$57,308	$57,308	$85,672	$85,672

Highlights of the 2002-2005 Four Year Capital Plan are:

Economic and Port Development

- relocation of the New York Stock Exchange ($240M in private funding)
- citywide waterfront improvements ($124M).
- reconstruction of the Whitehall Ferry Terminal ($129M - $47M in Non-City funds).
- reconstruction of the St. George Ferry Terminal ($85M - $20M in Non-City funds).
- relocation of the Fulton Fish Market to Hunts Point ($71M).
- development of the BAM (Brooklyn Academy of Music) Cultural District ($50M).
- construction of approximately 250,000 square feet of new space at the Audubon Biotech Research facility ($19M).
- the purchase of two new cranes at the Howland Hook Container Terminal in Staten Island ($12M).
- design and construction of a track and field center on Randall's Island ($5M).

LIBRARIES

The City of New York funds three independently operated public library systems, each administered by a distinct and separate board of trustees. The New York Public Library manages a three-borough library system: the Bronx with 34 branches, Manhattan with 39 branches and Staten Island with 12 branches. In addition, the New York Public Library oversees four Research Libraries: the Humanities and Social Sciences Library at 42nd Street and 5th Avenue (formerly the Central Research Library), the Library for the Performing Arts at Lincoln Center, the Schomburg Center for Research in Black Culture, and the Science, Industry, and Business Library. The Brooklyn Public Library oversees the operation of 58 branches, a Business Library and a Central Library and the Queens Borough Public Library encompasses 62 branches and a Central Library.

Financial Review

The 2002 Executive Budget for Libraries provides total operating funds, including energy costs, of $198.7 million, a decrease of $46.3 million in City funds from the 2001 forecast. The Executive Budget also provides for City funded capital commitments of $71.7 million in 2002.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

In 2002, there will be an operating subsidy of $76.3 million to New York Public Library, $13.0 million to New York Research Libraries, $55.9 million to Brooklyn Public Library and $53.5 million to Queens Borough Public Library. In 2001 there has been record attendance levels at all three systems.

Streamlining and Public/Private Competition

- the Executive Budget contains subsidy reductions for Libraries in the amount of $43.7 million from the 2001 Adopted Budget - $16.7 million for New York Public Library; $2.7 million for New York Research Library; $12.7 million for Brooklyn Public Library; $11.7 million for Queens Borough Public Library.

- through a Private Partnership Incentive Program, $5 million will be restored if the Libraries raise $5 million in new private contributions. This partnership will lessen the overall impact of the reduction by $10 million and strengthen the Libraries by making them more independent.

Summary of Agency Financial Data

($000's)

	2000 Actual	2001 Forecast	2002 Preliminary Budget	2002 Executive Budget	Increase/(Decrease) 2001 Forecast	Increase/(Decrease) 2002 Preliminary Budget
Expenditures						
Personal Service	$—	$—	$—	$—	$—	$—
Other Than Personal Service	232,521	244,920	213,342	198,636	(46,284)	(14,706)
Total	$232,521	$244,920	$213,342	$198,636	($46,284)	($14,706)
Funding						
City	$232,521	$244,920	$213,342	$198,636	($46,284)	($14,706)
Other Categorical Grants	—	—	—	—	—	—
Capital IFA	—	—	—	—	—	—
State	—	—	—	—	—	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	—	—	—	—	—	—
Intra-City Other	—	—	—	—	—	—
Total	$232,521	$244,920	$213,342	$198,636	($46,284)	($14,706)
Personnel (at fiscal year-end)						
City	—	—	—	—	—	—
Non-City						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	—	—	—	—	—	—
Total	—	—	—	—	—	—

Programmatic Review

- the Libraries provide major services through the Connecting Libraries And Students Program (CLASP), Summer Reading Program, and Adult Literacy Initiatives. CLASP makes reading and books an integral part of the lives of schoolchildren through a series of programs that create new links among teachers, librarians, and parents. The Summer Reading Program encourages reading among children by combining reading with storytelling and the creative arts. The Adult Literacy initiatives provide literacy instruction for adults 16 years and older.

- in addition, the Libraries also provide English classes for Speakers of Other Languages (ESOL) to adults whose first language is not English.

- currently, the three library systems provide at least six-day a week service at all branches. Attendance and use at all systems are at record levels.

- all three library systems have well-developed computer systems that provide the public with free of charge Internet access and basic PC software applications. The libraries have also implemented interactive reference services that allow patrons to search the reference database and send reference inquiries to professional librarians.

- the Libraries also provide technology training workshops to assist the public in usage of the internet and introduce them to available electronic resources at the Libraries.

- the New York Public Library recently opened a new South Beach Branch and fully renovated the New Dorp Branch on Staten Island.

- extensive renovations at the Library for the Performing Arts are nearly complete which will allow for the reopening of the Library in the fall.

- a series of important renovations to the Schomburg Center for Research in Black Culture are underway and will be completed over the next two years.

- a substantial renovation of the Coney Island branch was recently completed.

- new buildings were opened for the Langston Hughes and the South Jamaica branches in Queens.

Capital Review

The Libraries Ten Year Capital Strategy totals $132.4 million in City funds. The table below shows capital commitments by program area over the 2002-2005 period.

Capital Commitments

($000's)

	2000 Actual		2001 Plan		2002 Plan		2003 Plan		2004 Plan		2005 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
New York Research Library	382	382	42,286	42,286	7,894	7,894	348	348	0	0	1,667	1,667
New York Public Library	2,415	2,415	67,204	67,204	33,147	33,147	12,461	12,461	2,078	2,078	1,532	1,532
Brooklyn Public Library	5,393	5,393	20,696	20,696	16,683	16,683	3,331	3,331	2,933	2,933	4,153	4,153
Queens Public Library	1,739	1,739	12,165	12,165	13,932	13,932	855	855	761	761	855	855
Total	9,929	9,929	142,351	142,351	71,656	71,656	16,995	16,995	5,772	5,772	8,207	8,207

Major Highlights of the Libraries Ten Year Strategy include:

- renovations at the Humanities and Social Services Library at 42nd Street ($9.4 million). The City's total contribution has been $33.9 million, $24.5 million in 2001, $3.8 million in 2002 and $5.6 million in 2003 – 2007.

- construction of the new Bronx Borough Center ($16.1 million) that will include a Latino and Puerto Rican Cultural Center. The City's total contribution is $26.9 million, $10.8 million in 2001, $5.7 million in 2002 – 2005 and $10.4 million in 2006 – 2011.

- full renovation and expansion of the Mid-Manhattan branch ($19.2 million). The City's total contribution is $23.2 million, $4.0 million in 2001 and $19.2 million in 2002 – 2003.

- extensive renovation at the Williamsburg branch in Brooklyn ($3.3 million in 2002 – 2003).

- extensive renovations at the Brooklyn Public Library's Central Branch ($11.2 million) which includes: façade and parapet restoration and a new front plaza surface and ADA work. The City's total contribution is $15.1 million, $3.9 million in 2001, $10.3 million in 2002 – 2005 and $0.9 in 2006 – 2011.

- site acquisition and construction of a new Kensington Library in Brooklyn ($4.3 million in 2001-2002).

- creation of a new Long Island City branch in Queens ($6.1 million in 2002).

- construction of a new Cambria Heights branch in Queens ($4.8 million in 2002).

- construction of a new Mid Island branch on Staten Island ($4.0 million in 2002 – 2004).

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 administering a variety of financial, legal, capital construction, and managerial support services while monitoring functions essential to promoting efficient operations at the 34 City cultural institutions. The City cultural institutions include world-renowned organizations such as the Metropolitan Museum of Art, the Wildlife Conservation Society, the American Museum of Natural History, the Joseph Papp Public Theater/New York Shakespeare Festival, Carnegie Hall, Lincoln Center for the Performing Arts, and the New York Botanical Garden. The City's institutions also include prominent regional institutions such as the Brooklyn Academy of Music, the New York Hall of Science, the Staten Island Zoological Society, Queens Theater in the Park, Wave Hill, El Museo del Barrio, and the Brooklyn Children's Museum. Furthermore, DCA supports capital construction and improvement projects at other distinguished cultural institutions, such as the Morgan Library, the Museum of Modern Art, the Guggenheim Museum, the Center for Jewish History and the Intrepid Sea-Air-Space Museum.

DCA is also instrumental in supporting arts organizations and cultural activities in all five boroughs through a variety of grants and support services. DCA provides grants to over 450 arts-related organizations citywide, with recipients as diverse as the New York Philharmonic, Coney Island USA, the Museum of Television and Radio, the Tibetan Museum, Bargemusic, Black Spectrum Theater Company, Bronx Choral Society, Hospital Audiences, African Poetry Theatre, the Jewish Museum, the Puerto Rican Traveling Theater, the International Center of Photography, Jazzmobile, and the Children's Museum of Manhattan. Finally, DCA administers a citywide Cultural Challenge Program that awards operating funds to cultural institutions and arts-related organizations. The Cultural Challenge Program bolsters the award recipients' programmatic capabilities and financial security by requiring them to leverage private matching funds.

Financial Review

The Department of Cultural Affairs 2002 Executive Budget provides for operating expenses, including energy costs, of $103.1 million, a decrease of $29.4 million from the 2001 forecast. It also provides for City funded capital commitments of $176.9 million in 2002.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- the City's 34 cultural institutions will receive operating support of $91.2 million, including energy subsidies.

- the Executive Budget allocates $5 million as a City funds match for the Cultural Challenge Program.

- various cultural organizations citywide will receive program grants totaling $4.1 million.

- the Executive Budget contains $2.9 million in operating funds for the Department of Cultural Affairs.

Restructuring and Public/Private Competition

- the City subsidy to the 34 cultural institutions will be reduced by $8.5 million from the 2001 Adopted Budget.

- the City allocation to cultural programs will be reduced in 2002 by $14.8 million from the 2001 Adopted Budget.

- the Executive Budget includes $5 million in City funds as a match for the Cultural Challenge Program. The $5 million in City funds combined with the matching additional private "Challenge" funding will help offset the reduction to cultural programs by selectively adding City funds for quality proposals and strengthening grant recipients' leveraging power. In 2000, the City's $5 million leveraged almost $8.5 million in private funds.

- the reductions to the cultural institutions and program groups will require these organizations to diversify and strengthen their funding streams. In the process of raising additional private funds, these organizations will become stronger by becoming more self-reliant.

Summary of Agency Financial Data

($000's)

			2002		Increase/(Decrease)	
	2000 Actual	2001 Forecast	Preliminary Budget	Executive Budget	2001 Forecast	2002 Preliminary Budget
Expenditures						
Personal Service	$2,088	$2,213	$2,051	$2,051	($162)	$—
Other Than Personal Service	117,824	133,164	102,707	102,567	(30,597)	(140)
Total	$119,912	$135,377	$104,758	$104,618	($30,759)	($140)
Funding						
City	$115,931	$132,555	$103,248	$103,108	($29,447)	($140)
Other Categorical Grants	—	—	—	—	—	—
Capital IFA	41	41	41	41	—	—
State	—	102	—	—	(102)	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	197	673	225	225	(448)	—
• Other	—	87	—	—	(87)	—
Intra-City Other	3,744	1,919	1,244	1,244	(675)	—
Total	$119,912	$135,377	$104,758	$104,618	($30,759)	($140)
Personnel (at fiscal year-end)						
City	30	32	32	32	—	—
Non-City						
• IFA	1	1	1	1	—	—
• CD	2	2	2	2	—	—
• Other	—	—	—	—	—	—
Total	33	35	35	35	—	—

Programmatic Review

Support for Cultural Programs and Institutions

In 2001, the DCA, through its major funding divisions - Cultural Institutions, Capital Projects, and Program Services - supported many different activities and projects throughout the New York City cultural community. These projects include:

- the major renovation and expansion of the Museum of Modern Art. The City has contributed $35 million to this project which is currently underway and will contribute another $30 million.
- the renovation of the Selwyn Theater for the Roundabout Theater Company. The City contributed $5.3 million to this $17 million project.
- the Center for Jewish History, which combines the archival and library resources of four premier Jewish archives in America as well as the Yeshiva University Museum. The City committed $10 million to this $80 million project.
- the children’s murals at the Hecksher Theater, operated by El Museo del Barrio in East Harlem.
- DCA’s Percent for Art program which recently completed three projects with the Board of Education at P.S. 161, I.S. 230 and Middle College High School in Brooklyn.
- the opening of the John A. Noble Collection at Staten Island’s historic Snug Harbor.
- the Materials for the Arts program, in cooperation with the Department of Sanitation and the Board of Education, opened its expanded facility in Long Island City in April 2001.
- the Lakeside Visitor Center, which opened at the Bronx Zoo in January 2001. The City contributed $5.4 million to this $14.3 million project.
- the new home for the Mark Morris Dance in Brooklyn. The City contributed $1.7 million to this $5 million project.
- the construction of the Luce Study Center at the New York Historical Society.
- a website serving the 400 plus members of the Alliance of Resident Theaters / New York.

Capital Commitments

($000’s)

	2000 Actual		2001 Plan		2002 Plan		2003 Plan		2004 Plan		2005 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	20,856	20,974	419,352	432,190	176,899	181,884	80,033	81,754	67,565	69,430	44,458	46,458
Total	20,856	20,974	419,352	432,190	176,899	181,844	80,033	81,754	67,565	69,430	44,458	46,458

Capital Review

The Department's Ten-Year Capital Strategy totals $587.9 million in City funds.

Major Highlights of the Ten-Year Strategy:

- a Master Plan including extensive renovations and expansions at Lincoln Center for the Performing Arts ($216 million). The overall Master Plan will cost approximately $1.5 billion and take approximately 10 years to complete. The total City commitment is $240 million.

- a major new building for the Guggenheim Museum of Art designed by Frank Gehry to be built on piers over the East River ($32.8 million). The value of the land ($35 million) brings the total City contribution to $67.8 million.

- construction of exhibition space at the Tweed Courthouse, the new home for the Museum of the City of New York in lower Manhattan ($5.4 million plus $12.6 million in 2001). The $18 million in City funds will be matched with $18 million in private funds.

- a major addition to the Morgan Library. The City is contributing $5 million towards this $100 million project.

- comprehensive reconstruction and expansion at the Metropolitan Museum of Art ($23 million). Projects include the renovation of the Great Hall & the Fifth Avenue Plaza, construction of a new Education Center, expansion of the Museum's Library, and reconstruction work in the Italian Sculpture, Egyptian, and Decorative Arts Galleries.

- a series of new projects for New York Aquarium for the revitalization of Coney Island ($19.5 million). Projects include a new Carousel Visitor Center, a new Boardwalk Entrance, renovation of the Main Hall, a Plaza Master Plan, and improvements to the Aquatheater.

- creation of a new wing for the Museum of Jewish Heritage ($10 million). Overall, the City has contributed $22 million for this wing which will be matched by $22 million in private funds. The new building will contain a theater, special exhibition galleries, a Family History Center, classrooms, offices, a kosher dining facility, and a garden.

- infrastructure improvements at the New York Botanical Garden ($13.9 million). The City has contributed $22.2 million to date towards a $300 million capital campaign. Projects in the Master Plan include the reconstruction of a new Visitors' Center, renovations to the Museum Building Interior, as well as garden-wide irrigation, the restoration of the Fountain of Life, expanded parking, road repairs, and night illumination.

- a new permanent home for the Alvin Ailey Dance Foundation ($7.5 million).

- major expansion and improvements to the New York Hall of Science ($8.8 million). Overall, the City has contributed $33.4 million towards this project.

- expansion and improvements at the Center for Jewish History ($7 million) as part of a $50 million renovation project. The total City contribution to this project is $10 million.

- construction of a new entrance and other Master Plan work at the Brooklyn Museum of Art ($18.5 million). Overall, the City has contributed $42.3 million towards this project.

- construction of a permanent facility at the former Coliseum site for Jazz at Lincoln Center ($1.2 million). Overall, the City has contributed $19.7 million towards this $120 million project.

- a major renovation at the Institute of Contemporary Art (P.S. 1) ($15.9 million). This includes $10.3 million in 2001 - 2002 for the renovation of the façade.

- improvements to the historic Intrepid Sea-Air-Space Museum ($5.5 million). Overall, the City has contributed $7.5 million to this project.

- a major new museum in Brooklyn, the Jewish Children's Museum ($3 million), to which the City has contributed a total of $5 million.

PENSIONS AND OTHER FRINGE BENEFITS

Pension Overview

The Executive Budget for 2002 provides for $1,454 million in City pension contributions, an increase of $155 million from the amount forecast for 2001. Of the total amount, $1,407 million represents contributions to the City's five main actuarial retirement systems, $28 million represents contributions to actuarial systems covering certain non-City employees of the City University, the library system, day care centers, and certain cultural institutions, and $19 million represents "pay as you go" contributions to non-actuarial systems that are no longer open to active City employees.

Pension Expenditures and Funding Sources

($000's)

	2000 Actual	2001 Forecast	2002 Preliminary Budget	2002 Executive Budget	Increase/(Decrease) 2001 Forecast	Increase/(Decrease) Preliminary Budget
Expenditures						
Personal Service						
• City Actuarial	$657,246	$1,259,262	$1,374,825	$1,406,791	$147,529	$31,966
• Non-City Actuarial	$19,200	20,912	31,647	27,747	6,835	(3,900)
• Non Actuarial	21,663	18,874	21,691	19,312	438	(2,379)
Total	$698,109	$1,299,048	$1,428,163	$1,453,850	$154,802	$25,687
Funding						
City	$593,041	$1,188,928	$1,321,780	$1,343,347	$154,419	21,567
State	19,519	17,590	19,853	17,973	383	(1,880)
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	2,525	2,525	2,525	2,525	—	—
Intra-City Other	83,024	90,005	84,005	90,005	—	6,000
Total	$698,109	$1,299,048	$1,428,163	$1,453,850	$154,802	$25,687

The City's five main retirement systems include the New York City Employees' Retirement System, the New York City Teachers' Retirement System, the New York City Police Pension Fund, Subchapter Two, the New York City Fire Pension Fund, Subchapter Two, and the Board of Education Retirement System. These systems, as of June 30, 1999 data, cover 572,216 employees, retirees and beneficiaries of the City, the Board of Education, and certain independent agencies.

Each of the five systems is managed by a board of trustees and functions in accordance with State and City laws. Pension liabilities and required contributions are actuarially determined and conform to Generally Accepted Accounting Principles (GAAP). The funding assumptions have been approved by the various boards of trustees as recommended by the Chief Actuary of the City. The actuarial interest rate assumption for all five systems is eight percent, as governed by state law.

Membership in any of the City's main retirement systems is grouped into certain categories, or "Tiers", which vary according to a member's entry-date into a system. Tier I members are employees who joined a City pension system prior to July, 1973. In general, other than the uniformed forces, Tier I members with 25 years of service may retire at age 55 and receive a benefit which is 55 percent of final year's salary. Members of the uniformed forces under Tier I are eligible to retire after 20 years of service on a half-pay retirement allowance.

Tier II covers all employees who joined City pension systems between July, 1973 and June, 1976. Tier II benefits are generally lower than Tier I benefits.

Tier III legislation was enacted statewide in 1976 to cover employees joining pension systems on and after July 1, 1976, excluding uniformed police officers and firefighters, who continue to be members of Tier II. Tier III benefits are based on a three-year average salary and include a Social Security offset to the benefit calculation.

Tier IV was enacted under Article 15 of the Laws of 1983, to supersede Tier III. All Tier III members with the exception of uniformed police, fire and correction employees were transferred to Tier IV effective September 1, 1983. The Tier IV plan is more costly than Tier III, predominantly because it eliminated the Social Security offset feature of Tier III.

On June 29, 1984, the New York Court of Appeals held that the provisions of the Tier IV legislation which eliminated the immediate refunding of terminated employees' contributions and reduced death benefits, could not be applied to Tier IV members who held membership in the Tier III plan before September 1, 1983. Subsequent court decisions indicate that Tier IV members who were former Tier III members have rights in certain cases to elect to receive benefits (which they may deem more favorable) originally provided under Tier III. In 1986, State legislation was enacted which further enhanced benefits to Tier IV plan participants. Specifically, ordinary death benefits were amended to become nearly identical to those received by Tier II members. It should be noted that this legislation is a reversal of reductions in these death benefits that were intended to partially offset the employer cost of the removal of the Social Security offset.

State legislation enacted in 1985 enables teachers hired since July, 1976 to retire with no reduction in benefits at age 55 provided they have 30 years of service. Similarly, in 1988, State legislation was enacted which entitles uniformed sanitation workers hired since July, 1976 to retire with no reduction in benefits at age 55 provided they have 30 years of service. An improved retirement plan for correction officers and sanitation workers was approved in 1990 and 1991, respectively. This plan allows correction officers and sanitation workers to retire with 20 years of service at half pay, with the provision that the members pay for the enhanced benefit through increased payroll deductions. Other improvements include State legislation enacted in 1989 and effective July 1, 1990, which allows non-vested Tier IV members who leave City service to withdraw their contributions upon termination of employment. And, in 1990, the State passed into law the ability for Tier III and Tier IV members to take loans on their pension contributions. In 1993, the State enacted legislation which extended the 1990 correction officers improved retirement plan, discussed above, to correction captains. Similar to the previous plan, the correction captains are now eligible to retire with 20 years of service at half pay with the provision that members pay for the enhanced benefit through increased payroll deductions.

Pursuant to an agreement between the City and the Municipal Labor Coalition, Chapter 96 of the Laws of 1995 was enacted to allow Tier II, III and IV civilian employees to purchase improved pension and health insurance benefits through increased payroll deductions. Participants must contribute an additional 4.35 percent of salary for all service rendered through the beginning of January 1998, and as a result of Chapter 422 of the laws of 1997, 2.85 percent thereafter. Chapter 96 granted existing pension members the option of joining an improved plan to receive pension payability upon attaining age 55 and 25 years of service. New employees are mandated into a separate plan that provides pension payability at age 57. In addition, eligible participants in physically taxing titles can retire at age 50 with 25 years of service for an additional 6.33 percent of salary as provided under Chapter 96, and 4.83 percent of salary as provided under Chapter 422.

State legislation enacted in 1998 under Chapters 389 and 266 provided for further improvements for Tier III and IV members of TRS, and certain civilian members of NYCERS and BERS. Chapter 389 provided for five year vesting and Chapter 266 provided members with a two percent service fraction for 20 or more years of service. Additional legislation passed into law granted a pre-retirement death benefit for Tier II, III and IV members.

In 2000, a number of benefit improvements were mutually agreed to by the City and the unions - the enabling state legislation calls for retroactive commencement dates upon the completion of new labor settlements with the City. For example, Chapters 126 and 110 of the Laws of 2000 provide up to two years of additional service credit for members of Tiers I and II, and eliminates the required employee contributions for members of Tiers III and IV upon ten years of service. Other examples relate to uniformed employees of the Police and Fire Departments whereby Chapter 372 of the Laws of 2000 changes the salary base for computing Tier II retirement benefits from a three year average to a one year average. Police and Fire will also receive additional Increased Take-Home Pay associated with Chapter 373 of the Laws of 2000.

In addition, there were also several other statewide bills of note that were enacted into law last year. Chapter 125 of the Laws of 2000 provides for annual automatic cost of living adjustments (COLA) for retirees based on the prior year's actual rate of inflation (generally one-half of actual inflation, but not less than one percent and not greater than three percent). Chapter 86 of the Laws of 2000 allowed the City to participate in a targeted early retirement program which was accepted by approximately 1,000 employees. Participants in the early retirement program will receive up to three years of additional service credit. Finally, Chapter 548 of the Laws of 2000 allows members of a public retirement system to purchase up to three years of additional service credit associated with eligible military service.

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 for their members. Annual contribution levels conform with 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 Worker's Compensation, the City provides statutory wage-replacement and medical benefits to employees who sustain on the job injuries, and under Unemployment Benefits, provides up to 26 weeks of wage-replacement benefits, up to state law maximum levels. The City also 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 Budget contains the fringe benefit appropriations on behalf of employees and retirees of the mayoral agencies. Separate allocations are included in the Board of Education, the City University system, the Health and Hospitals Corporation, various other covered organizations, libraries and cultural institutions, for the fringe benefit costs of their active and retired employees.

The following table sets forth the fringe benefit amount carried in the Miscellaneous Budget.

Fringe Benefits

($ 000's)

	2001 Forecast	2002 Executive	Increase/ (Decrease)
Workers' Compensation	$ 91,921	$ 101,941	$ 10,020
Health Insurance Plans	1,097,807	1,165,416	67,609
Social Security Contributions	606,942	615,779	8,837
Unemployment Insurance Benefits	10,007	10,500	493
Supplementary Employee Welfare Benefits	351,466	360,264	8,798
Workers' Compensation - Other	30,141	33,200	3,059
Total	$2,188,284	$2,287,100	$98,816
Funding			
City	$2,064,613	$2,164,724	$100,111
Other Categorical	—	—	—
State	42,989	41,989	(1,000)
Interfund Agreements	2,450	2,450	—
Federal			
• CD	20,795	21,500	705
• Other	57,437	56,437	(1,000)
Total	$2,188,284	$2,287,100	$98,816

JUDGMENTS AND CLAIMS

The Executive Budget for 2002 provides an appropriation of $310 million for Judgments and Claims. These expenditures represent the City's costs for tort and contract liability and are projected to reach $369 million by 2005. Tort expenditures cover both personal injury and property damage claims, and account for approximately 96 percent of total costs. It should be noted that these projections incorporate the impact of a recent agreement between the City and the Health and Hospitals Corporation, whereby, commencing in 2002, claims costs attributed to the Corporation will be entirely paid for by the Corporation. These amounts, as reduced from the City's annual liability, are estimated at $154 million in 2002, and reaching $167 million by 2005.

The Office of Management and Budget (OMB) employs various statistical methods and financial models to estimate annual claim costs. Historical claim data contained on the Comptroller's Omnibus Automated Image Storage and Information System (OAISIS) are analyzed to determine both annual settlement volumes and average claim costs. Total costs are the product of both the volume and average cost projections.

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 almost 20 percent of total tort costs, but their relatively small volumes do not lend themselves to statistical analysis.

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Analysis of Agency Budgets: Covered Organizations

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BOARD OF EDUCATION

The New York City Board of Education provides primary and secondary education for over one million school age children. Through a network of more than 800 elementary, junior high and intermediate schools, more than 200 high schools, and 60 special education schools, the Board provides basic instructional services and offers students special and bilingual education, and vocational training. Support services include free and subsidized transportation, breakfast and lunch services, and the operation and maintenance of over 1,100 school facilities.

Financial Review

The Board of Education's 2002 Operating Budget, which includes $80 million held in escrow for privatization, is $11,597.2 million, a $249.3 million or 2.2 percent increase from the 2001 forecast. In addition, education-related pension and debt service costs of $713.7 million are budgeted in separate agencies. These additional costs include a pension increase of $69.3 from 2001 and a debt service decrease of $234.7 million because of pre-payments in 2001. City funds excluding pensions and debt service will support $4,946.5 million of the Board of Education's expense budget in 2002, an increase of $33.8 million, or 0.7 percent, from 2001. State funds will support $5,579.7 million or 45.6 percent of the education budget in 2002. This appropriation level is subject to change after the State budget is finalized. The balance of the education budget is supported by $1,051.5 million in Federal aid (down from $1,073.7 million in 2001), $7.4 million in intra-city funds and $15.3 million in other categorical funds. Including those funds budgeted centrally, total funds budgeted on behalf of the Board will increase from $12,227.0 million in the 2001 forecast to $12,310.9 million in the 2002 Executive Budget. The Board's share of the City's overall budget will grow from 30.2 percent to 31.1 percent.

Total Board of Education Expenses*
1997-2002
($ millions)

		1998		1999		2000		2001 Forecast		2002 Executive Budget		1997–2002
	1997 Amount	Amount	Change from 1997	Amount	Change from 1998	Amount	Change from 1999	Amount	Change from 2000	Amount	Change from 2001 Forecast	Change from 1997
Board Of Education	$8,101	$8,911	$810	$9,626	$715	$10,756	$1,130	$11,348	$592	$11,512	$164	$3,411
Escrow Fund For Privatization	0	0	0	0	0	0	0	0	0	85	85	85
Subtotal	8,101	8,911	810	9,626	715	10,756	1,130	11,348	592	11,597	249	3,496
Pension	313	379	66	406	27	101	(305)	453	352	523	70	210
Debt Service	561	405	(156)	534	129	537	3	426	(111)	191	(235)	(370)
Labor Reserve as of Previous Plan	0	0	0	23	23	10	(13)	0	(10)	0	0	0
Total Expenditures	$8,975	$9,695	$720	$10,589	$894	$11,404	$815	$12,227	$823	$12,311	$84	$3,336
Funding												
City	4,082	$4,479	$397	$5,025	$546	$5,334	$309	$5,789	$455	$5,658	($131)	$1,576
Other Categorical	38	40	2	34	(6)	68	34	27	(41)	15	(12)	(23)
State	3,915	4,155	240	4,469	314	4,867	398	5,327	460	5,580	253	1,665
Federal	933	1,014	81	1,054	40	1,128	74	1,074	(54)	1,051	(23)	118
Intra-City	7	7	0	7	0	7	0	10	3	7	(3)	0

* The amounts shown for 1997 through 2000 represent actual expenditures including pensions and debt service funds, as reported in the Comptroller's year-end audited financial statements. The 2001 amounts represent the latest forecast as per the 2002 Executive Budget.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- setting aside $80.0 million of the Board's budget to install private management of failing public schools.
- an additional $40.8 million for the cost of providing transportation to general and special education students.
- funding of $31.5 million over two years for customized classroom libraries in all 21,000 K-8 classrooms.
- an additional $31.4 million for fringe benefit costs.
- an additional $25.4 million for the cost of energy and leases.
- funding of $25.0 million for Project Science, an intensive weekend and after-school program designed to provide math and science instruction for 45,300 students.
- an additional $23.4 million to expand summer school by 50,000 more students for a total of 370,000.
- an additional $19.5 million for charter school enrollment growth.
- funding of $19.1 million to hire almost 500 specially trained teachers for newly designated In-School Suspension classrooms, where disruptive students will receive additional support and instruction.
- an additional $10.5 million to allow for the hiring of 800 new school safety officers.
- an additional $10.5 million for the transportation and instruction of special education Pre-Kindergarten students.
- funding of $8.9 million for Project English, an intensive weekend and after-school program designed to help 38,600 bilingual education students gain English proficiency.
- an additional $4.9 million for the cost of school-age special education students attending specialized schools.

Streamlining

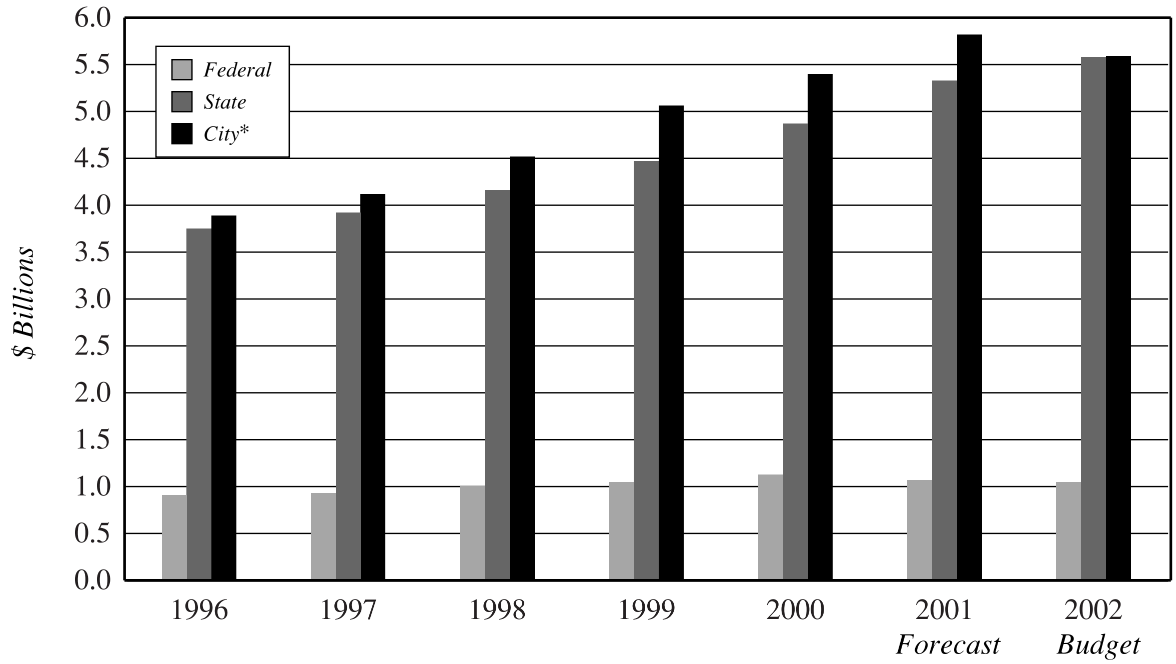
Despite pressure to make reductions in an area that represents 31.1 percent of the City's budget, the Board of Education has been exempted from any reduction target for 2002. This continues an exemption that started in October 1996, when additional reduction targets were issued to other agencies in order to maintain a balanced budget condition.

Summary of Agency Financial Data

($000's)

	2000 Actual	2001 Forecast	2002 Preliminary Budget	2002 Executive Budget	Increase/(Decrease) 2001 Forecast	Increase/(Decrease) 2002 Preliminary Budget
Expenditures						
Personal Service	$7,945,931	$8,404,872	$8,428,728	$8,596,275	$191,403	$167,547
Other Than Personal Service	2,810,387	2,943,071	3,018,678	2,916,289	(26,782)	(102,389)
Total	$10,756,318	$11,347,943	$11,447,406	$11,512,564	$164,621	$65,158
Funding						
City	$4,685,094	$4,912,720	$4,989,962	$4,861,866	($50,854)	($128,096)
Other Categorical Grants	67,529	27,094	15,318	15,318	(11,776)	—
Capital IFA	—	—	—	—	—	—
State	4,864,136	5,324,317	5,388,254	5,576,508	252,191	188,254
Federal						
• JTPA	—	—	—	—	—	—
• CD	5,000	5,000	—	5,000	—	5,000
• Other	1,127,540	1,068,700	1,046,465	1,046,465	(22,235)	—
Intra-City Other	7,018	10,112	7,407	7,407	(2,705)	—
Total	$10,756,318	$11,347,943	$11,447,406	$11,512,564	$164,621	$65,158
Personnel (at fiscal year-end)						
City	84,041	83,656	83,805	83,805	149	—
Non-City						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	16,707	19,370	19,370	19,370	—	—
Total	100,748	103,026	103,175	103,175	149	—

FUNDING SOURCES 1996-2002



** City funds include debt service, pensions, other categorical, capital IFA, but not intra-city.*

New York City Public School Enrollment

School Year 1998-2002

	FY98 Actual	FY99 Actual	FY00 Actual	FY01 Projection	FY02 Projection
BOE Facilities Enrollment					
General Education	972,503	969,294	966,909	960,208	958,830
Special Education*	81,509	81,562	80,568	82,538	81,400
Pre-Kindergarten**	13,964	24,275	23,937	26,993	32,212
Subtotal	1,067,976	1,075,131	1,071,414	1,069,739	1,072,442
Non-BOE Facilities Enrollment					
Charter Schools	NA	NA	1,308	3,274	6,600
Special Ed Pre-Kindergarten	20,103	20,109	20,631	20,812	20,995
Universal Pre-Kindergarten	0	0	10,089	14,112	17,590
Subtotal	20,103	20,109	32,028	38,198	45,185
TOTAL PUBLIC SCHOOL ENROLLMENT	1,088,079	1,095,240	1,103,442	1,107,937	1,117,627

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

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

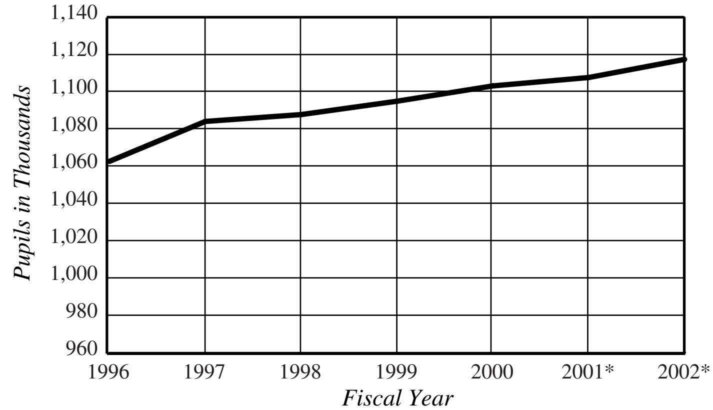
Programmatic Review

The Student Population

Total public school enrollment, including pre-kindergarten and charter school students, will increase 2.7 percent from 1,088,079 in 1998 to a projected 1,117,627 in 2002. In the coming fiscal year, the City projects that general education public school enrollment for K-12 will be 965,430, or 1,948 higher than in 2001. Of these students, 958,830 are expected to attend schools run by the Board of Education and 6,600 are expected to attend charter schools, more than doubling the 2001 charter school enrollment.

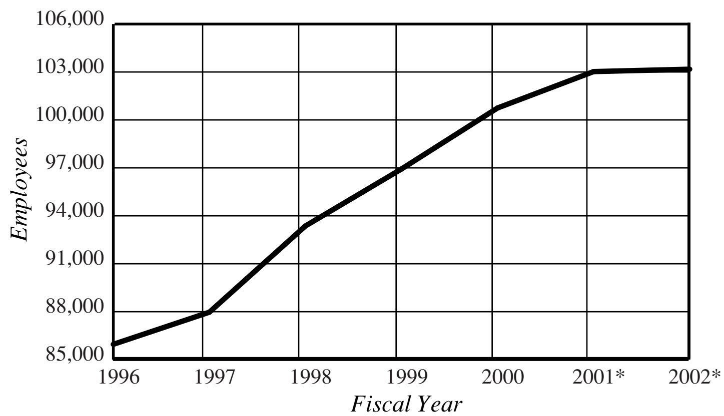
In 2002, the number of students receiving full-time special education services at Board facilities is projected to reach 81,400, or 7.6 percent of the Board's enrollment, representing 1,138 fewer students than in 2001. The City's total special education population also includes approximately 21,000 pre-kindergarten students and over 5,000 school-age students who attend specialized private facilities paid for through the Board's budget.

NYC PUBLIC SCHOOL ENROLLMENT 1996-2002



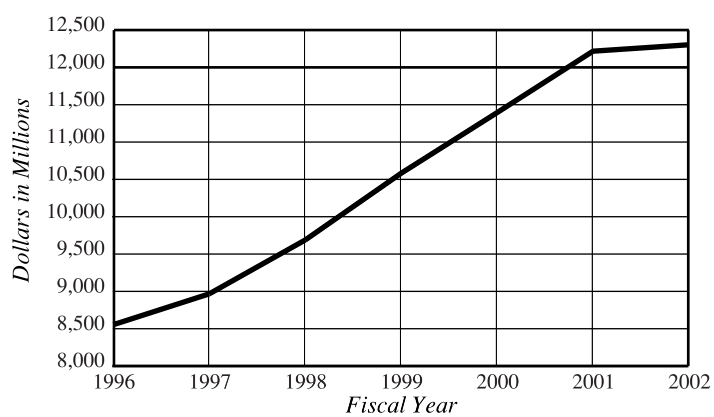
* Includes Charter Schools, Special Ed Pre-K, Universal Pre-K, Superstart and Superstart Plus. Excludes LTA's.

FULL TIME BOARD OF EDUCATION EMPLOYEES 1996-2002



* Projected as of FY02 Executive Budget

TOTAL BOARD OF EDUCATION EXPENDITURES 1996-2002*



* Total BOE expenditures include pensions, debt service and labor reserve amounts and exclude Intra-City funds.

Raising Standards and Ending Social Promotion

Raising standards in the classroom and ending social promotion are agenda items that continue to drive Board of Education programmatic and fiscal decisions. The 2002 Executive Budget will continue to address the needs of the system's diverse student population, including the 160,000 English Language Learners (ELL), who currently take part in English as a Second Language (ESL) classes and Bilingual Education programs. A combination of increasingly diverse demographics, new Regents requirements for ELL students, and the 1998 California referendum rejecting bilingual education has led the Board to reform its policies. This new approach focuses on creating instructional practices tailored to the individual needs of students, and on giving parents greater control over their children's education.

In 2002, the City will provide additional assistance to bilingual education students who have made little-to-no progress toward English proficiency during the three-year State mandated transition period. Project English will provide 20 weeks of individualized Saturday and after-school intensive English preparation for 38,600 students in Grades 2-12. Teachers involved in the program will receive three hours a week of professional development from ELL specialists.

The 2002 budget also provides funding for Project Science, a new program consisting of weekend and after-school intervention, enrichment and Regents preparation in math and science. For a period of 40 weeks, 45,300 under-performing middle and high school students will take classes conducted in well-equipped sites such as Science high schools and college campuses. Collaboration with organizations such as the New York Academy of Sciences will offer teacher preparation and curriculum development.

This science education initiative will employ three program models. Intensive Intervention is a highly structured and individualized program for those students in Grades 6-12 who are performing furthest from New York City standards. Last year less than 50 percent of New York City's fourth-grade students and less than a quarter of eighth grade students met the math standards on the State assessments. This program will increase math and science proficiency and prepare students for the State Math Assessments and the State Science Assessments currently being phased in for eighth-grade and high school. Accelerated Enrichment will stimulate interest and involvement in math and science for students in Grades 7-12 who need additional instructional support. Experimental learning and inquiry-based investigations will develop knowledge and deepen student understanding of science and math concepts. The third program model, Regents Tutorials, will provide additional help for those middle and high schools students at risk of failing the science and math Regents examinations.

The 2001 summer program focused on ending social promotion by serving the needs of more than 290,000 mandatory and voluntary student participants in kindergarten through twelfth grade. Of the 60,765 students in Grades 3-8 mandated to attend summer school in 2000, 64 percent were promoted to the next grade. Building upon this initial success, the 2002 budget includes $23 million to serve 50,000 additional students in Grades 3-12. These students will receive intensive literacy and math instruction in classes limited to 15. High school students who have failed core subjects and/or one or more Regents exams will receive both Regents preparation and subject immersion. In addition, greater attention will be paid to the attendance of the mandatory student population via outreach services that include telephone calls, home visits and mailings both prior to and during the summer school session.

The 2002 Executive Budget also includes funds for a public-private initiative with the Book Project to create libraries in each of the 21,000 kindergarten through eighth-grade classrooms. The program is designed to build upon other literacy efforts, such as Project Read, by instilling a passion for reading. Teachers will be trained to customize their libraries to better meet the needs and interests of individual students. Each library will contain 300 books, the equivalent of nine books per child.

Making Our Schools Safe, Orderly and Drug-Free

In 1998, the NYPD assumed responsibility for providing school safety services in order to create a safer school environment. Statistics speak to the success of this transition: a 17 percent reduction in criminal incidents; an 11 percent reduction in serious non-criminal incidents; and a 23 percent reduction in arrests. To build on this success, the City is providing $10.5 million to allow for the hiring of 800 school safety officers.

Prompted by a recent law that tightened disciplinary measures throughout the state, and increased mainstreaming of New York City special education students, teachers will now have new recourse with respect to disruptive student behavior. In 2002, teachers will have the authority to send students exhibiting excessively disruptive behavior to In-School Suspension Classrooms in elementary, middle, and high schools. City funding totaling $19 million will go toward hiring approximately 500 teachers trained in behavior management to oversee these classrooms. Each classroom will provide support services for the emotional and character development of up to 45,000 students during the school year. In the past, disruptive students removed from classrooms received no instructional or behavioral services. For example, during the 1999-2000 school year, suspensions resulted in 1.35 million missed days from school. This new in-school suspension program will keep disruptive students in school and learning as well as allow regular classrooms to function without interruption.

The 2002 Executive Budget includes $3.5 million for three additional Second Opportunity Schools in Manhattan, Brooklyn, and Queens that will continue to build upon the success of those currently operating in the Bronx. Second Opportunity Schools (SOS) were created to serve the compulsory education needs of students suspended from traditional school placements due to their violent or antisocial behavior. In addition to traditional general and special education classes, these schools offer technical and vocational training, as well as a mandatory summer program.

Building a System Based on Accountability, Competition and Choice

Throughout the country, private management has shown excellent results in improving school performance. The Executive Budget sets aside $80 million for the private management of Schools Under Registration Review (SURR). For years, the Board has had over 90 failing schools on the SURR list. Parents and students can no longer wait for reform that will offer them the educational opportunities to which they are entitled. Private management will introduce ideas and strategies that may finally reduce the number of failing schools in the New York City system.

Recognizing the importance of increased competition, the City continues to support the opening of charter schools, which are free from state and local regulations that stifle innovation. In 2002, two new and ten converted charter schools are expected to open, bringing the total number in operation to 26. These schools, which are located in four of the five boroughs, include a technology-focused extended day program, as well as a night school for older students ages 17-21 years old.

If Charter Schools are to succeed they must compete on a level playing field. To help address inadequate funding for charter facilities, the City has created the Charter School Improvement Fund. This fund assists schools by providing grants of up to $250,000 for facilities needs, such as the construction and renovation of classrooms, libraries and computer laboratories, and the purchase of equipment. Ten schools will receive grants of $250,000 early this summer and the City expects to fund additional charter school requests through the fall of 2001.

Reforming Special Education

The Board of Education has created a new Continuum of Services for Special Education that will ensure all students with disabilities access to the general education curriculum and allow districts to individualize instructional programs. In recognizing special education as a service rather than a place, the Board can better serve students who may require specific special education services but can otherwise do well in general education. This theoretical shift has already produced tangible results in the form of a declining full-time special education population. From July 2000 to January 2001, special education referrals have decreased by 1,750, and 489 more students have been decertified than during the same time period last year. To ensure a smooth transition for these decertified students, supplemental services, such as Project Read and regularly scheduled meetings with guidance counselors, may continue for up to one year.

The continuum fosters the philosophy that all students deserve the opportunity to achieve high educational outcomes. As such, those students remaining in the full-time special education program will be educated in a general education setting whenever possible. During this school year, more than 5,000 special education students were taught in integrated classroom settings with their general education peers, an increase of 2,000 students from the prior school year.

Capital Review

The City's Four-Year Plan for 2002-2005 anticipates spending $4.7 billion on school construction projects and includes three years of the Board of Education's Five-Year Plan for 2000-2004. The capital program's primary objectives are to provide additional capacity and arrest deterioration of the physical plant. The School Construction Authority (SCA) is responsible for acquiring the new school sites, and for the design and construction of capital projects that will meet these objectives. Since 1997, the Department of Design and Construction (DDC) has also participated in the rehabilitation of school buildings. Each year, the Board allocates funding to both SCA and DDC.

To address the seating shortage, the City's Four-Year Plan provides $2.2 billion for the construction of new schools. An additional $650.0 million is allocated for system expansion associated with new leases, building additions, transportables, modular classrooms, athletic fields and playgrounds. The Plan provides $1.3 billion to rehabilitate, replace and upgrade building components. In order to meet high standards for entire school buildings, $179.3 million is designated for existing buildings to undergo major modernizations. Additionally, $83.1 million funds capital improvements associated with programmatic needs, including computers and science labs. Other miscellaneous capital improvements make up the balance of funding. These include emergency projects, research and development, and prior plan completion costs ($200.5 million); and security systems, emergency lighting and code compliance ($124.8 million).

The table below shows the capital commitments by program area over the 2000-2005 period.

Capital Commitments

($000's)

	2000 Actual		2001 Plan		2002 Plan		2003 Plan		2004 Plan		2005 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	$391,007	$391,007	$758,644	$758,644	$444,630	$444,630	$774,813	$774,813	$430,252	$430,252	$524,371	$524,371
System Expansion Other	161,568	161,568	236,936	236,936	183,726	183,726	59,780	59,780	192,977	192,977	213,470	213,470
School Modernizations	33,604	33,604	2,262	2,262	38,213	38,213	51,208	51,208	43,600	43,600	46,289	46,289
Rehabilitation of School Components	358,321	601,471	883,933	905,902	407,462	407,462	146,969	146,969	368,465	368,465	379,434	379,434
Educational Enhancements	17,316	17,316	95,735	102,735	19,691	19,691	17,243	17,243	22,360	22,360	23,853	23,853
Emergency, Inspection And Miscellaneous	35,973	35,973	341,017	358,226	40,906	50,906	35,032	45,032	45,038	55,038	49,551	49,551
Safety and Security	25,427	25,427	32,751	32,751	28,914	28,914	27,615	27,615	33,229	33,229	35,025	35,025
Total	$1,023,216	$1,266,366	$2,351,278	$2,397,456	$1,163,542	$1,173,542	$1,112,660	$1,122,660	$1,135,921	$1,145,921	$1,271,993	$1,271,993

Table includes all budget lines

Capital Highlights

The Board of Education's 2002-2005 Plan features the following initiatives:

- accelerate the construction of 12 new school buildings by shifting $359 million of 2002- 2004 funding into 2001.
- advance $300 million of funding from 2003-2004 into 2001 for capital improvement projects.
- add $60 million of City funds in 2002 – 2004 to the $25 million private sector donation for the Take the Field public/private initiative to repair 52 ball fields throughout the City.
- allocate 50 percent of the 2002 Board of Education appropriation to new capacity projects.
- initiate the construction of 16 new schools in 2002-2003.
- convert coal-fired burners to gas or electric in the remaining 114 schools by Fall 2001.

Capital Commitments

The 2002-2005 Plan provides $4.7 billion. The funding level for each type of work is determined by the Board of Education. The Plan includes the following elements:

- construct new schools to relieve overcrowding.
- create additional instructional space in existing physical plants to meet the needs of present educational programs, new initiatives and fluctuating enrollments.

- restore the system to a state of good repair and maintain facilities via building upgrades.
- rehabilitate physical education facilities in order to provide access to all students.
- produce a physically-modernized school system for enhanced student learning.
- provide capital upgrades to support programmatic needs such as science labs, computer centers and smaller classrooms.
- upgrade existing support space to provide more efficient administrative operations for all school districts.
- halt and reverse the deterioration of school buildings by addressing emergency and other miscellaneous needs.
- ensure that all buildings meet fire code requirements and comply with Federal, State and local mandates.

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 2001 CUNY will serve approximately 196,000 students in degree programs with approximately 132,000 in the senior colleges and 64,000 in the community colleges. In addition, CUNY will serve approximately 181,000 non-degree students. Similar levels of enrollment are anticipated in 2002.

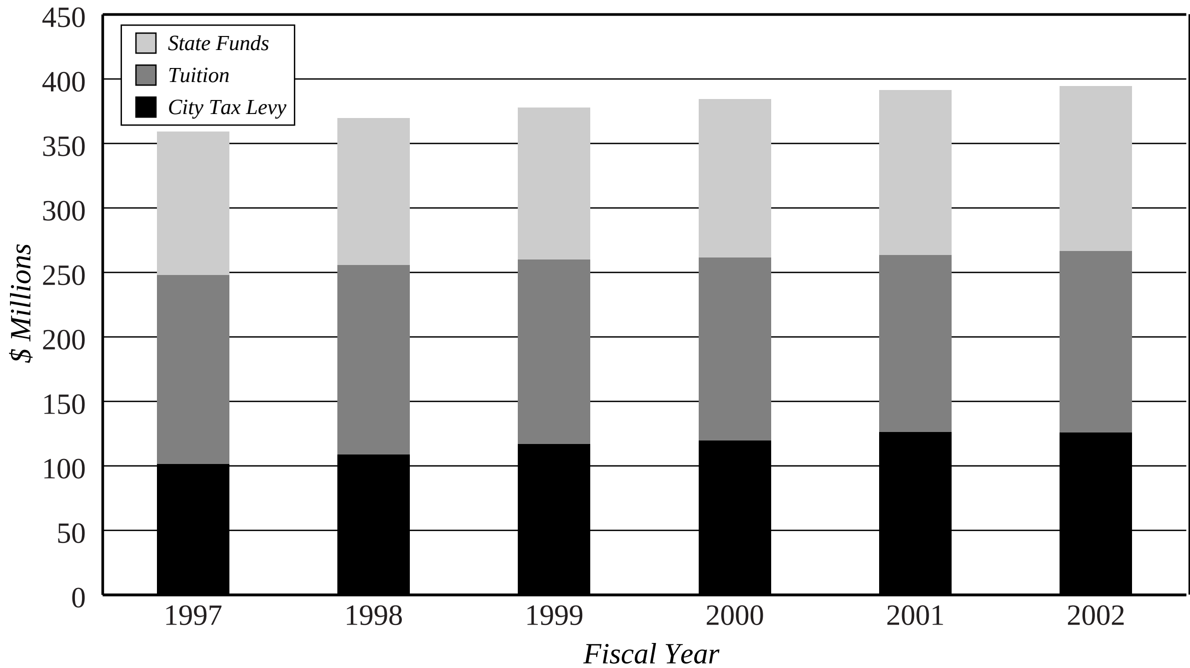
Financial Review

The City University of New York's 2002 Executive Budget is $432.1 million, a net decrease of $7.2 million from the 2001 forecast of $439.3 million. This change is due to a decrease of $7.4 million in City Funds, of $2.3 million in Intra-City funds and approximately $600,000 in Federal-Other funds, which was partially offset by a $3.1 million increase in Other Categorical funds. The community college budget decreased by approximately $600,000 from $387.2 million to $386.6 million. The funds provided for the prefunding of the senior colleges have remained unchanged at $35 million. However, funds for the Senior College Merit Scholarship program decreased by $6.5 million and Hunter Campus School's budget decreased by approximately $100,000, from $10.1 million to $10.0 million. Due to delays in finalizing the State budget, all State allocations for the 2001-2002 school year contained in these figures are estimates based on 2001's State aid levels.

Revenue Forecast

The CUNY expense budget is funded by four major sources of revenue: State aid; tuition, fees and miscellaneous income; City tax levy funds; and other categorical grants. The 2002 Executive Budget appropriates $128 million in State aid for the community colleges, the same as the amount of $128 million projected for 2001. This level is subject to change when the State budget is approved. The other major source of 2002 revenue, namely tuition, fees and miscellaneous income, is projected at $135.5 million, the same as the 2001 forecast level. The City's tax levy funds in the 2002 Executive Budget, inclusive of pension contributions budgeted separately in the Pension Agency, are $142.9 million. This is $7.6 million lower than the 2001 forecast level of $135.3 million. Other categorical funds, which consist of non-governmental grants, increased by $3.1 million, from $1.9 million in 2001 to $5.0 million in 2002. These funds were previously included in City funds along with tuition and miscellaneous fees.

COMMUNITY COLLEGE FUNDING 1997-2002



* *Funding which supports senior college and Hunter Campus Schools activities is not included here. City tax levy includes pension contributions which are budgeted in the Pension Agency. Tuition includes Tuition and Fees, Miscellaneous Revenues, Adult Continuing Education fees and Other Categorical funds. The 2001 amounts are as per the Executive forecast.*

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- an increase of $5.5 million in tax levy funds for the replacement of 100 FTE part-time adjuncts with 100 full-time faculty.
- an increase of $5.0 million in tax levy funds for the College Now program.
- a reduction of $10.5 million in tax levy funds for maintenance of effort required by local sponsors as per the State budget appropriation law.
- a reduction of $6.5 million in tax levy funds for the Senior College Merit Scholarship program.

The following table compares the 2002 Executive Budget with the 2002 Preliminary Budget.

Summary of Agency Financial Data

($000's)

			2002		Increase/(Decrease)	
	2000 Actual	2001 Forecast	Preliminary Budget	Executive Budget	2001 Forecast	2002 Preliminary Budget
Expenditures						
Personal Service	$295,492	$284,287	$279,554	$282,933	($1,354)	$3,379
Other Than Personal Service	101,715	155,041	149,185	149,165	(5,876)	(20)
Total	$397,207	$439,328	$428,739	$432,098	($7,230)	$3,359
Funding						
City	$255,988	$262,324	$254,389	$254,892	($7,432)	$503
Other Categorical Grants	4,567	1,890	5,000	5,000	3,110	—
Capital IFA	—	—	—	—	—	—
State	123,799	164,302	159,489	164,301	(1)	4,812
Federal						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	696	645	—	—	(645)	—
Intra-City Other	12,156	10,167	9,861	7,905	(2,262)	(1,956)
Total	$397,207	$439,328	$428,739	$432,098	($7,230)	$3,359
Personnel (at fiscal year-end)						
City	3,735	3,522	3,640	3,640	118	—
Non-City						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	21	47	47	47	—	—
Total	3,756	3,569	3,687	3,687	118	—

Programmatic Review

The Executive Budget contains initiatives that support the City's efforts to raise standards and increase accountability at CUNY. Several programmatic enhancements, such as the recent $5 million expansion of College Now, have helped move CUNY toward this goal. However, many incoming community college students are still unprepared for college level work and often fail to rapidly move out of CUNY's remedial education program.

To enhance existing reform efforts, the Executive Budget includes an initiative to require CUNY to contract out the remediation of one thousand students. This use of private sector resources and expertise should lead to more effective remediation for this particular group of in-coming students as well as introduce CUNY to models of effective educational programs for unprepared students. The Executive Budget also requires CUNY to appoint outside reviewers to independently review the testing process. The involvement of an impartial third party will ensure that the implementation of higher standards is not diluted by lowering passing scores or the grade level of material tested.

Along with programs to help its least prepared students, the Executive Budget includes an initiative to attract the City's brightest high school graduates to CUNY for their college education. The City has requested that CUNY reduce its central administration budget and redirect the funding for a doubling of enrollment in its newly established Honors College. The Honors College program seeks to attract students with a record of academic achievement and high SAT test scores. Selected students receive free tuition, a laptop computer and a $7,500 academic spending account. These students will 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/Board of Education Partnership - CUNY maintains a number of successful collaborative programs with the Board of Education. The College Now/College Tomorrow program, which served 25,000 students in 2001, will expand to 37,500 students in all City public high schools. This program instructs students at high schools and in the colleges, helping twelfth graders acquire skills necessary to graduate, pass Regents and college entrance examinations, and ultimately succeed in college. The Middle College High School Program, which operates at Brooklyn and Medgar Evers colleges, and Hostos, Bronx, LaGuardia, and Kingsborough community colleges, operates alternative high schools within college settings for students identified as being at high risk of dropping out. The College Preparatory Initiative (CPI), launched in 1992, brings together the New York Public Schools and the University to improve academic preparation for college.

- Language Immersion Program - This program provides up to 900 hours of classroom work over three or four annual cycles to immigrant students who require better knowledge of English to be more effective students. The program serves over 2,500 immigrants at eight locations.

- Workforce Development Initiative (WDI) - This program promotes and supports small businesses by retraining and upgrading employee skills, meeting qualified teacher shortages, preparing undergraduates for skill-shortage occupations, creating jobs, providing for economic development, and performing labor market research, planning and coordination.

- Adult Literacy Program - This program is budgeted at $3.0 million in 2002. It will help approximately 7,000 students meet program and employment requirements in the labor market, including English-as-a-Second-Language education.

- Child Care - This program provides child care in 16 centers throughout CUNY. The program serves approximately 1,600 children and provides early child care, infant/toddler care, training for families and early childhood education.

Capital Review

The City University of New York's Four-Year Capital Plan totals $39 million, including $26.2 million in City funds and $12.8 million in State funds. The table below shows capital commitments by program area over the 2000-2005 period.

Capital Commitments

($000's)

	2000 Actual		2001 Plan		2002 Plan		2003 Plan		2004 Plan		2005 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Replacement/Rehabilitation of Roofs, Windows, etc. . . .	$2,944	$ 3,380	$20,662	$26,364	$5,101	$ 5,871	$1,114	$2,228	$2,151	$4,302	$4,040	$8,080
Purchase & Installation of EDP and Other Equipment . .	4,037	4,183	14,556	17,581	7,076	7,076	400	400	-	-	-	-
Plant Upgradings	342	552	1,496	2,248	409	496	415	830	1,197	2,394	968	1,536
Federal, State and Local Mandates	20	20	775	1,199	100	200	300	600	509	1,018	193	203
Other Projects	2,,218	2,931	8,564	12,043	1,237	1,943	535	965	71	142	382	764
Total	$9,561	$11,006	$46,053	$59,435	$13,923	$15,586	$2,764	$5,023	$3,928	$7,856	$5,583	$10,583

The 2002-2005 Plan includes $39 million to upgrade and maintain the community college physical plant. The major elements of the program include:

- rehabilitation of roofs, windows, doors and structural elements ($20.4 million).
- plant upgrading of electrical/mechanical systems ($5.2 million).
- installation and upgrading of security systems, including video surveillance ($2.3 million).

In addition, the City approves funding for major community college projects which are financed through the sale of bonds by the New York State Dormitory Authority in conjunction with the City University Construction Fund. The City and State fund these community college projects equally. Recently funded projects include reconstruction of the seawall and building of the Academic Village at Kingsborough Community College, and completion of Fiterman Hall renovations at the Borough of Manhattan Community College.

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION

The Health and Hospitals Corporation (HHC) provides comprehensive medical, mental health, and substance abuse services to New York City residents, regardless of their insurance status. Through its six regional health care networks, HHC operates 11 acute care hospitals, four long-term care facilities, six diagnostic and treatment centers, a certified home health program, and a large number of community-based primary care, dental, and child health clinics. HHC provides services in the City's correctional facilities and conducts mental health evaluations for the Family Courts in the Bronx, Brooklyn, Queens, and Manhattan.

HHC facilities also serve as the primary provider network for MetroPlus, the third largest health maintenance organization in New York City and an HHC subsidiary.

In 2000, HHC's acute care hospitals operated 4,625 beds and generated 209,533 hospital discharges and 993,989 emergency room visits. The hospitals, diagnostic and treatment centers, and community-based clinics provided 4,486,897 clinic visits, of which 1,887,443 were primary care visits, and 359,332 methadone maintenance visits.

In 2000, HHC facilities served more than 1.5 million people. Of that number, 560,476 were uninsured. In 1999, HHC served 494,314 uninsured patients.

The growth in the numbers of uninsured patients, the implementation of mandatory Medicaid managed care, Federal Medicare Balanced Budget Act reductions, implementation of the Medicare Outpatient Prospective Payment System, and the loss of health coverage for immigrants due to Federal welfare reform have had a negative impact on HHC's revenues. In addition, HHC experienced a 16 percent increase in the cost of pharmaceuticals between 1999 and 2000 and an 11 percent increase in collective bargaining expenses between 1998 and 2000. Consequently, HHC has implemented many strategies to improve its competitive position, increase cost-effectiveness, and obtain additional funding while ensuring the provision of quality care to its patients.

Financial Review

For the fifth consecutive year, HHC has ended its fiscal year with a positive balance. The Corporation posted a positive accrued balance of $9 million for 2000. HHC's financial success, combined with its facilities' receipt of high scores from the Joint Commission on the Accreditation of Healthcare Organizations, has enabled HHC to obtain the competitive bond ratings necessary to modernize its hospitals.

HHC's operating expenses in the 2002 Executive Budget total $3.85 billion. The revenue derived from third party payors is $3.10 billion. HHC will also receive $303.1 million through intra-city payments and other contractual agreements with the City. The City will provide $52.6 million for treatment of prisoners and uniformed services at HHC facilities, $10.3 million for other City services, and $61.5 million for debt service costs associated with HHC bonds. The City's total payment of $974.1 million in 2002 also includes $710.3 million to cover the City's share of HHC's projected Medicaid collections and bad debt and charity care pool contributions.

In lieu of a general support payment, the City has established a Purchase of Services Agreement with HHC which covers the costs of providing care to the City's inmates and uniformed services personnel, as well as expenses associated with other City services. As part of the City's continuing efforts to expand health coverage for the indigent, HHC's 2001 allocation from the City also includes $20 million to offset the Corporation's unreimbursed costs for treating uninsured immigrants.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

In an effort to control the rising costs of medical malpractice, the City will enter into a memorandum of understanding with the Corporation to transfer management and financial responsibilities for medical malpractice to HHC beginning in 2002. In return, the City will assume all debt service costs associated with general obligation bonds and Housing Finance Authority (HFA) leases issued on behalf of HHC. Furthermore, in order to insure that the Corporation is not financially harmed by this transaction, the City will also assume the debt service costs associated with HHC bonds issued to date. Overall, this new arrangement will provide HHC with additional City support of $20 million in 2002 and $9 million in 2003.

The significant reduction in expenditures due to lower public assistance caseloads, coupled with the Federal requirement for maintenance of effort (MOE) on the Temporary Assistance for Needy Families (TANF) program, provide a unique opportunity to fund a new health care program that will assist families in maintaining self-sufficiency. The City will apply to the State to recognize expenditures for this program as eligible for its share of the MOE. The program – HHC Plus – will provide outpatient health services at HHC facilities to parents of needy children who are not currently eligible for Medicaid or other public health insurance programs. HHC Plus will provide services to families with incomes below 200 percent of the Federal poverty level through a capitated health management program. The Corporation is expected to enroll up to 100,000 eligible adults into HHC Plus at an annual cost of $67 million.

HHC has continued initiatives begun last year to minimize possible accrued and cash deficits. From July 1999 through June 2000, the Corporation decreased its non-resident workforce by 393 full-time equivalents (FTEs), while the number of residents decreased by 20 FTEs, for a total decrease of 413 FTEs.

HHC will take several actions in the next year that may partially mitigate the impact of declining revenues. These include: an early retirement incentive program; reduction in expenses through lab consolidations; expansion of the prime vendor program for pharmaceutical purchases; collaboration with the Human Resources Administration (HRA) to increase the conversion of uninsured patients to Medicaid and Child Health Plus; reduction in expenses through the implementation of Kings County's Cook Chill program throughout the Corporation; savings from the continued outsourcing of laundry services; savings from the implementation of a corporate-wide hiring freeze; and reduction in other than personal services (OTPS) spending through the implementation of centralized purchasing caps.

Legislative strategies will be also be undertaken to address funding shortfalls for services provided to the uninsured that are reimbursed through the disproportionate share program and the bad debt and charity care pools.

HHC continues to strengthen its position in the managed care environment through its health maintenance organization (HMO), MetroPlus, and contracts with other managed care plans. As of December 2000, MetroPlus had 46,841 Medicaid enrollees and 20,988 Child Health Plus enrollees. HHC facilities have also implemented 172 Medicaid managed care contracts with 13 managed care plans for a total of 73,546 enrollees, of which 49,872 are enrollees in Child Health Plus.

Streamlining & Service Improvements

- in March 2000, HHC began to implement a landmark agreement with District Council 37 and Local 320 to outsource and process one-half of HHC's Brooklyn Central Laundry services under a five-year contract with an outside vendor. Estimated annual savings of $3.1 million will be redirected to core patient care services. In addition, a one-year competitive demonstration project will commence on July 1, 2001, to determine the future servicing of the entire laundry function.

- in March 2000, the Generations+/Northern Manhattan Health Network re-opened Lincoln Medical & Mental Health Center's Cancer Prevention and Treatment Center. All oncology, nutritional, pain management, and other cancer related services offered by the hospital have been consolidated under one roof, enabling the hospital to improve continuity of care for patients served.

- in August 2000, the North Bronx Healthcare Network established a Traumatic Head Injury Clinic which will address the multiple needs of head trauma patients, including physical therapy, psychological support, or medical management.

- in October 2000, the North Brooklyn Health Network opened the Greenpoint Primary Care Center, which provides obstetrics/gynecology, family planning, pregnancy testing, HIV counseling and testing, and pediatric care.

- the Queens Health Network expanded its primary care capacity by opening the Women's Medical Center. The Center provides prenatal and post-partum care, gynecology services, pap smears, breast exams, colposcopic exams, pregnancy testing, and preventive and primary care.

- in November 2000, Bellevue Hospital Center opened the Frances L. Loeb Child Protection and Development Center. The Center provides medical and psychological evaluations and treatment services for approximately 400 children per year and reviews approximately 2,200 cases per year for possible abuse and neglect. Services provided by the Center also include preparation for investigative interviews and court proceedings, counseling to children and caregivers, and training and education.

- Kings County Hospital Center redesigned its obstetrics/gynecology, primary care, family planning, and other related services to create a Women's Health Center in newly renovated space in 2000.

Programmatic Review

Major Corporate Initiatives

The Community Health Partnership

In July 1998, the New York State Department of Health (SDOH) awarded HHC approximately $500 million in Community Health Care Conversion Demonstration Project (CHCCDP) funding to be disbursed over a five-cycle period. The funding is drawn from savings to be generated through the implementation of the 1115 Medicaid Managed Care Waiver. Through its Community Health Partnership (CHP) program, HHC has developed initiatives to position the Corporation to succeed in a Medicaid managed care environment while continuing to fulfill its mission as New York City's principal safety net provider.

During the first CHCCDP funding cycle, HHC's networks used CHCCDP funding to effect Corporate-wide goals and to implement priorities specific to their respective patient populations. Significant improvements were made in technology capabilities in the areas of appointment scheduling, clinical information systems, billing and coding systems, and intra- and inter-facility communications systems. In addition, corporate-wide worker retraining programs were implemented in order to foster a learning environment throughout HHC and to ensure that HHC employees possess the array of skills necessary to work effectively in an integrated health care delivery system.

Expansion of primary care capacity was achieved at more than 40 existing sites through the reconfiguration of physical space, increased clinical staffing, and additional hours of operation. Five new primary care sites were opened to increase access to primary care services in targeted underserved neighborhoods or for targeted populations. Linkages were also developed between HHC networks and community-based health and mental health service providers to enhance patient access to primary care and other health services.

In January 2001, HHC facilities were awarded cycle two and three CHCCDP funds totaling $173.8 million for a five-year contract period retroactive to 1998. HHC facilities will conduct a broad range of activities that will continue the strategy of a measured, effective transition to managed care. These activities fall into four broad categories: investment in new technologies and enhancement of existing systems; restructuring of service delivery systems to promote economies of scale and program efficiencies; analysis/administration activities that enable HHC to plan strategically for future programs; and community outreach and health promotion programs. HHC facilities will also use CHCCDP worker retraining funds to ensure an adequate training infrastructure, address workforce shortage needs, promote the professional growth of current and new staff, and restructure ambulatory care operations.

Ambulatory Care

Expansion of primary care and other ambulatory care services is essential to improving the health status of communities and competing effectively in a managed care environment. Since 1995, HHC facilities have increased primary care visit volume by almost eight percent, ambulatory care surgery volume by almost 24 percent, and clinic visits by 1.2 percent. Conversely, the average daily census at HHC's acute hospitals has declined by 34 percent, and acute care lengths of stay have declined by 26 percent.

However, while continuing its efforts to expand outpatient services, HHC must also reevaluate its ambulatory care capacity development strategies. Medicaid reimbursement rates for ambulatory care visits have remained unchanged for 10 years. HHC hospitals lose $58 per outpatient visit for every Medicaid patient served, and HHC diagnostic and treatment centers (D&TCs) lose $104 per visit. HHC subsidizes the cost of providing outpatient services to uninsured and underinsured patients. Approximately 23 percent of all HHC hospital clinic patients and 31 percent of HHC D&TC patients are uninsured.

HHC has made significant progress in reducing the cost per outpatient visit at both hospital-based and D&TC clinics. In fact, HHC's average cost per ambulatory care visit is competitive with that of voluntary hospitals, notwithstanding the greater percentages of uninsured patients served and additional services such as pharmacy benefits provided by HHC facilities.

While HHC has used CHCCDP monies, grants, and other funds to expand primary care and other ambulatory care services over the last several years, HHC's prospective efforts will be aimed at restructuring existing ambulatory care service delivery. The Corporation will focus on reducing waiting times, increasing physician productivity, and improving outcomes of outpatient care. One of the approaches to be employed will be the implementation of the Open Access program. Open Access requires staff function and system changes that include matching the supply of providers with anticipated and quantified visit demand, decreasing visit/scheduling backlogs, and reducing demand for unnecessary visits. Using the Open Access approach, patients are seen within 1-3 days of their request for an appointment. Open Access will be initiated at Bellevue Hospital and Gouverneur D&TC over the latter part of 2001 and early 2002.

In addition, HHC will continue to assess its facilities' ambulatory care clinic operations for opportunities to reduce expenses while pursuing efforts to obtain adequate funding for the costs of serving uninsured patients.

Asthma Initiative

Asthma is the leading cause of hospitalization for New York City's children, and the communities served by HHC hospitals and health centers are some of the hardest hit. Presently, asthma is HHC's top pediatric admission diagnosis and one of its top ten adult admission diagnoses. Treatment for asthma accounts for almost 12 percent of all outpatient pediatric visits at HHC facilities.

The HHC Board of Directors, in conjunction with the Corporation's network leadership, has declared a "war on asthma." HHC has made the reduction of the deleterious impact of this disease a top priority by enhancing its facilities' capacity to treat adults and children through the use of state-of-the-art clinical protocols and expanding community-based asthma education and outreach programs aimed at decreasing asthma hospitalization rates and emergency room visits and improving patients' self-management skills.

HHC uses an asthma care plan in every asthma patient's medical record. The purpose of the plan is to assist patients in self-management. Patients are instructed on how to monitor their breathing with the regular use of a peak flow meter, how to anticipate asthma flare-ups, and how to communicate their condition to their providers. Each HHC facility provides asthmatic patients with the medical equipment they need to monitor their breathing, such as peak flow meters and spacers. Moreover, asthma best practice guidelines have been incorporated into HHC's electronic medical records and are integrated into the automated problem list so that the providers can have ready access to them in the treatment of patients with asthma.

In addition, several facilities have created Centers of Excellence for asthma treatment and education.

- Harlem Hospital Center's Asthma Prevention Program implemented an asthma support group to assist patients and families to maintain appropriate treatment regimens. Harlem Hospital provides patient education programs with specific emphasis on self-management methods and the appropriate use of either the outpatient asthma clinic or the emergency room for asthma problems.

- Kings County Hospital Center has a partnership with the Caribbean Women's Health Association (CWHA) to identify patients in need of case management and home visits to ensure compliance with treatment and effective asthma management.

- Metropolitan Hospital Center has developed The Family Centered Asthma Program, which offers treatment and educational programs for moderately to severely ill children and adults with asthma. Project staff include pediatric pulmonologists, general pediatricians, internists, nurse clinicians, and health educators.

- North Central Bronx Hospital opened The Family Asthma Center, which provides education and medical care to asthma patients of all ages. The Center also operates as a primary care providers' referral center for asthma care and disease management education.

- Woodhull Medical and Mental Health Center instituted a Community Asthma Demonstration Project and began the Attach Back Education Program, a school-based asthma initiative consisting of 15 schools that are electronically linked to Woodhull's primary care clinics, pediatric clinics, and inpatient units. Woodhull's computerized asthma monitoring system, called Care Call, records children's daily peak flow meter readings and diagnoses asthma symptom severity. It also provides instructions on retesting and medication. Woodhull has the lowest emergency room recidivism rate for asthma patients within HHC.

- in November 2000, HHC unveiled another phase of its Corporate-wide asthma initiative – the HHC Asthma Van. HHC has purchased 12 customized vans that provide asthma screenings, counseling, education, and referral in high need communities. The vans are staffed with health educators, nurses, and respiratory therapists. Each asthma van contains a telephone and computerized workstation connected to an HHC hospital's appointment scheduling system; a video system and written materials for asthma education; and a state-of-the-art sound system that facilitates communication and marketing to large groups of people during health fairs and other public events.

Quality Improvements

Full Accreditation

In an increasingly competitive marketplace, a healthcare facility's viability depends on the quality of care that it provides. HHC's commitment to service excellence is confirmed by the receipt of full accreditation from the Joint Commission on the Accreditation of Healthcare Organizations (JCAHO). During the fall of 2000, Coler-Goldwater Memorial Hospital, Coney Island Hospital Center, Kings County Hospital Center, Lincoln Medical and Mental Health Center, and Sea View Hospital Rehabilitation Center and Home received full JCAHO accreditation. The facilities surveyed demonstrated a high degree of excellence, with scores ranging from 93 to 97, well above the national average of 86.

Women's Health Quality Indicators

HHC seeks to increase the percentage of women entering its facilities for prenatal care during their first trimester of pregnancy. In 2000, HHC succeeded in serving 66 percent of women in prenatal care during their first trimester, exceeding its goal of 60 percent. Family planning visits were provided within six days in 2000, compared with seven days during 1997. In 2000, the Corporate-wide average waiting time for mammography screening appointments was three days, compared with five days during 1998.

System Restructuring

Substance Abuse Treatment

HHC's substance abuse programs prioritize the goals of a drug-free lifestyle and abstinence from illicit drug use, focus on self-sufficiency and job skills development, and ensure involvement of clients in work activities. Vocational rehabilitation staff have been hired at most HHC facilities to provide employability assessments, work readiness training, and education and skills training opportunities. The Corporation's major substance abuse treatment initiatives include:

- overhaul of methadone treatment programs. Staff-client ratios have been reduced, state-of-the-art computerized liquid methadone dispensing systems have been installed, evening hours have been established for working patients, and career centers have been established.

- implementation of an innovative partnership between the Lower Eastside Service Center, a community-based organization, and Kings County Hospital to provide residential services for methadone patients who require the structure and support of residential care to assist them with their goal of tapering off of methadone.

- use of a comprehensive care management approach at Jacobi and North Central Bronx Hospitals to coordinate and integrate substance abuse treatment with primary health care, mental health, and social services and provide enhanced support and assistance to patients who are severely disabled due to their substance abuse.

- establishment of adolescent programs at Harlem and Lincoln Hospitals which provide substance abuse prevention and treatment services within a primary care setting.

Child and Adolescent Health

HHC pediatric and adolescent health care providers continue to offer high quality services to patients from birth through adolescence. These services include a wide range of routine primary and preventive services, as well as subspecialty/consultative care. In order to keep pace with current technology, HHC facilities have begun to implement age-specific computerized medical records for this population. Quality assurance indicators that measure compliance with accepted pediatric/adolescent standards of care have been adapted system-wide. Several HHC staff workgroups have been created to address new developments in the provision of pediatric and adolescent health care. In 2000, there were 1,836,124 visits to HHC clinics, including the Child Health and Communicare sites previously managed by the Department of Health (DOH), and 54,341 inpatient admissions for patients from birth through 20 years of age.

Affiliation

In 2000, HHC spent approximately $464.6 million on contracts with its affiliates, including medical schools and professional corporations, for the provision of all or some medical staff and services at 16 facilities. HHC anticipates that it will spend $492 million on affiliate contracts in 2001 and $507 million in 2002. The projected increase in costs is the result of cost of living adjustments, reimbursement for improved provider activity, and expansion of services.

In 1995, the Corporation spent approximately $534 million on affiliate contracts. Expenses associated with these contracts have decreased by $100 million between 1995 and 1998 as a result of the implementation of a performance-based productivity contract model that more closely links provider payment to performance. Had the Corporation's affiliation expenses continued to increase at the previous 7.2 percent annual rate, costs in 2000 would have totaled $757.4 million. Based on this estimate, HHC has achieved $986 million in cumulative savings between 1996 and 2000 through the implementation of performance-based contracts.

These agreements also contain measurable indicators that allow the Corporation to monitor the quality of services and the quality of providers – important tools for maintaining and improving the Corporation's high standard of service delivery.

Graduate Medical Education (GME)

Six HHC hospitals (Harlem, Metropolitan, North Central Bronx, Jacobi, Lincoln, and Queens) continue to participate in the Health Care Financing Administration (HCFA) GME Demonstration Project. The demonstration project provides incentive payments to teaching hospitals in New York State to reduce the number of residents trained by at least 20 percent while maintaining or increasing the number of primary care residents. Subsequent passage of the Federal Balanced Budget Act has provided more advantageous financial incentives on a nation-wide basis to hospitals that reach similar goals. Therefore, HHC facilities are evaluating the financial and programmatic benefits of remaining in the project.

For the fourth year, HHC hospitals will continue their participation in the New York State initiative coordinated by the Council on Graduate Medical Education (COGME). This initiative, the New York State Professional Education Supplemental Incentive Pool, provides financial inducements for the restructuring of GME to achieve the State's priorities for post-graduate medical training. The program has been renewed under the Health Care Reform Act (HCRA) of 2000. In the first three years of the program, HHC facilities received approximately $38.9 million from the pool. Because HCRA 2000 reduced the annual Statewide incentive pool from $54 million to $31 million, HHC anticipates receiving less incentive money in subsequent years.

Capital Review

The HHC Capital Plan focuses on rehabilitating its network of acute care, long-term care, and ambulatory care facilities. HHC's capital strategy is driven by the changes that have occurred in health care delivery and financing. In particular, the advent of managed care, new technology, and new treatment approaches for certain diseases such as AIDS have significantly affected inpatient utilization. Moreover, patient demands and competition for clients have created the need for greater privacy, more convenient and efficient patient flow, and different configurations of hospital and clinic space.

The HHC Capital Plan includes six major projects. The first is the reconstruction of Kings County Hospital Center. Phase I of this project involves the construction of a new 340-bed inpatient hospital scheduled to open by January 2002 at a cost of $90 million. Phase II of this project, which is currently estimated to cost $136 million, includes the construction of a new diagnostic, treatment, and emergency/trauma services facility scheduled to open in 2004. This structure will also house the hospital's operating rooms, comprehensive radiology unit, labor and delivery suite, and laboratories. Phase II also includes a major renovation of an existing building to accommodate medical ambulatory care clinics currently scattered throughout nine locations on the campus.

The second major project is the reconstruction of Queens Hospital Center. This project involves the construction of a 200-bed acute care hospital scheduled for completion in March 2002 at a cost of $149 million. This 360,000 square foot facility will also include Centers of Excellence in women's health and cancer care services.

The third major project is the modernization of Bellevue Hospital Center at an estimated cost of $175 million. The primary component of this project is the construction of a new ambulatory care building to provide general care, specialty care, mental health, substance abuse, ambulatory surgery, dental, and dialysis services. This project, which is now in design development, also includes the consolidation of six intensive care units onto one floor, the conversion of four-bedded inpatient hospital rooms in the medical/surgical units to one- or two-bedded rooms, and the upgrading of 30-year-old heating, ventilation, and air conditioning (HVAC) systems.

The fourth major project, financed with HHC bonds, is the modernization of Jacobi Medical Center, which is estimated to cost $160 million. This project, currently in design development, involves the construction of a replacement acute care facility of 339 beds. This 365,000 square foot facility will also house the hospital's operating rooms, radiology units, labor and delivery suite, critical care units, and emergency department services.

The fifth major project, also financed with HHC bonds, is the modernization of Coney Island Hospital, which is estimated to cost $91 million. This project, now in design development, involves the construction and renovation of ambulatory care and acute care facilities.

Another major capital project at Bellevue Hospital Center is the construction of a new state-of-the-art DNA laboratory for the Office of the Chief Medical Examiner (OCME), which is estimated to cost $247 million. This facility will consolidate the OCME's Forensic Biology Laboratory, its Bellevue Annex, and the interim High Sensitivity Laboratory. With this laboratory, the OCME will increase the analysis capabilities of its DNA program, enabling the expanded use of DNA as a forensic tool to assist the New York City Police Department and the courts in identifying perpetrators.

NEW YORK CITY TRANSIT

New York City Transit (NYCT) operates the most extensive public transportation system in the nation, serving nearly 2.1 billion subway and bus passengers in calendar year 2000 with almost 1.4 billion passengers riding the subway system.

The subway system operates on 722 miles of track extending over 238 directional route-miles, serving 468 stations throughout the Bronx, Brooklyn, Manhattan, and Queens. The bus system consists of a fleet of over 4,300 buses on approximately 230 local and express routes in all five boroughs.

New York City Transit has been an affiliate of the Metropolitan Transportation Authority (MTA) since the inception of the MTA in 1968. The MTA is a New York State public authority responsible for coordinating and implementing a mass transportation program for New York City and the seven adjacent counties. The MTA Board also oversees the development of NYCT's operating budget and coordinates its capital expenditures. NYCT is divided into several operating departments, most notably the Department of Subways and the Department of Buses.

The Staten Island Railway (SIR) is also a subsidiary of the MTA. SIR operates a 14-mile rapid transit line which links 22 communities on Staten Island and provides a vital and convenient connection to the Staten Island Ferry. SIR serves approximately 5 million passengers per year.

The introduction of the City's successful "One City, One Fare" initiative, as well as increased employment and tourism and a decrease in citywide crime, has resulted in a 19 percent increase in subway and bus ridership since July 1997, reaching its highest level in over twenty-five years. This increase resulted in part from the introduction of free intermodal transfers in July 1997, the introduction of the 10 percent bonus program in January 1998, the 25 percent reduction in express bus fares in March 1998, and the introduction of the unlimited ride program in July 1998.

Financial Review

New York City Transit's Financial Plan for calendar years (CY) 2001 through 2005 will be submitted to the Financial Control Board following the presentation of the 2001 Executive Budget. The plan for CY 2001 incorporates the following key elements:

- CY 2001 fare revenue is projected to be $2,153.3 million, a 2.5 percent increase from CY 2000, mostly due to the increasing use of the various and recently introduced fare discounts that have stimulated ridership. Following a higher-than-expected increase in ridership during CY 2000, a further increase in ridership is expected in CY 2001.

- Tax revenues dedicated for NYCT's use are projected to total $1,029.9 million; $581.7 million from the regional Metropolitan Mass Transportation Operating Assistance Account (MMTOA), $310.6 million from the State "Locked Box" Petroleum Business Tax, and $137.3 million from the Urban Mass Transportation Operating Assistance Account (Urban Account).

- The City's contribution to NYCT's operating budget for CY 2001 totals $235.6 million, including $158.1 million in operating assistance, $45.0 million for student fare discounts, $14.3 million for the Paratransit program, $13.8 million for elderly and disabled fare discounts and $4.4 million for Transit Police.

Due in part to a $22.8 million surplus in CY 2000, NYCT is projecting a budget surplus for CY 2001. Despite this, the MTA is projecting budget shortfalls totaling $1.3 billion for the CY 2002-05 period. It is the MTA's obligation to propose gap-closing measures where necessary in order to bring the financial plan into balance.

New York City Transit Financial Plan

($ in millions)

	Calendar Years				
	2001	2002	2003	2004	2005
REVENUES					
Subway / Bus Fare Revenue	$2,153.3	$2,184.6	$2,220.3	$2,259.8	$2,298.2
Other Operating Revenue	73.0	71.9	75.1	78.4	83.1
Transit Tax Revenue	1,029.9	1,119.2	1,176.0	1,228.4	1,290.4
City Subsidies	235.6	238.5	242.0	246.1	251.1
State Subsidies	203.1	203.1	203.1	203.1	203.1
TBTA Surplus Transfer	113.6	70.7	63.3	60.5	64.1
Miscellaneous Revenue	751.1	717.9	723.0	730.5	741.5
TOTAL REVENUE	$4,559.6	$4,605.9	$4,702.8	$4,806.8	$4,931.5
EXPENSES					
Salaries & Wages	$2,317.4	$2,412.5	$2,481.1	$2,559.7	$2,559.7
Fringes	696.4	731.9	756.8	785.2	785.2
OTPS	604.9	534.9	500.2	521.7	550.1
Paratransit Expenses	115.9	124.1	148.6	173.1	201.0
Transit Police	4.4	4.4	4.5	4.5	4.5
Capital Expenses	738.5	704.5	709.8	717.3	728.3
Debt Service	320.8	377.1	489.7	610.8	748.3
TOTAL EXPENSES	$4,798.3	$4,889.4	$5,090.7	$5,372.3	$5,577.1
Balance before Adjustments	($238.7)	($283.5)	($387.9)	($565.5)	($645.6)
Cash Flow Adjustments	236.3	175.4	69.4	159.4	160.1
Net Cash from Prior Year	22.8	20.4	0.0	0.0	0.0
Net Surplus / (Deficit)	20.4	(87.7)	(318.5)	(406.1)	(485.5)
• Actions Available to Offset Outyear Budget Gaps, Including Increased Ridership Revenue, Increased State Subsidies, Use of Cash Reserve and Expenditure Reductions	0	87.7	318.5	406.1	485.5
Surplus / (Deficit)	$0.0	$0.0	$0.0	$0.0	$0.0

City Subsidies

The City's contribution to New York City Transit's operating budget for CY 2001 will total $235.6 million. The City continues to provide a $45.0 million subsidy to transport school children (one-third of the total estimated program costs), while also subsidizing the elderly and disabled reduced-fare program ($13.8 million) and the paratransit program ($14.3 million). In addition, the City match of State 18b operating assistance, in the amount of $158.1 million, supports a portion of NYCT's overall operating costs and $4.4 million is used to fund costs associated with the Transit Police. The City also provides over $65.6 million directly to the MTA to maintain Long Island Railroad and Metro-North Commuter Railroad stations in the five boroughs and for operating assistance for the commuter railroads as part of the local match of State 18b aid.

The following chart summarizes the City's subsidies to NYCT for CY 2001:

City Payments to the NYCT, CY 2001
($ in millions)

• Elderly and Disabled Subsidy	$13.8
• School Fare Subsidy	45.0
• Operating Assistance	158.1
• Police Reimbursement	4.4
• Paratransit	14.3
TOTAL	$235.6

Capital Review

The City's ten-year Capital Plan totals $1.40 billion: $1.39 billion for NYCT and an additional $10.0 million for Staten Island Railway. These funds will be used to support NYCT's most essential work: to help bring the entire mass transit system to a state of good repair, to maintain that level on a normal replacement cycle, and to help expand the transit system to include subway access to both the Javits Convention Center and LaGuardia Airport. City capital funds are used in conjunction with other sources (Federal, State, and Private) towards NYCT's Capital Program. The Plan includes an additional $345 million of funding for Mass Transit purposes as a result of the planned sale of the New York Coliseum site. Through a Memorandum of Agreement between the MTA and the City, all sale proceeds of the Coliseum site will be paid to the City's General Fund, and an equal amount of City funds will be allocated to the NYCT capital plan.

The City's 2002-2011 ten-year Plan for NYCT and SIR includes the following key elements:

- funds to help provide for various NYCT infrastructure improvements including the extension of the #7 subway line to the West Side of Manhattan and also subway access to LaGuardia Airport, $650.8 million.

- funds as a result of the sale of the New York Coliseum, also dedicated for infrastructure improvements, $345.0 million

- funds for NYCT trackwork, $350.0 million

- funding for the NYCT rapid and surface transit revolving funds, $50.0 million

- funds for the reconstruction of the Victor Moore Arcade Intermodal Transit Facility, $2.5 million

- funds for SIR's track replacement and infrastructure programs, including improvements at the St. George Station and Ferry Terminal, $10.0 million

The table below outlines the City's Capital Commitments to NYCT and SIR for the 2000-2005 period:

Capital Commitments

($000's)

	2000 Actual		2001 Plan		2002 Plan		2003 Plan		2004 Plan		2005 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Coliseum Funds	0	0	0	0	345,000	345,000						
Infrastructure	75,000	75,000	67,000	67,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000
Trackwork	28,000	28,000	42,000	42,000	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	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Miscellaneous	0	0	5,362	5,362	250	250	250	250	250	250	0	0
Total	$109,000	$109,000	$120,362	$120,362	$451,250	$451,250	$106,250	$106,250	$106,250	$106,250	$106,000	$106,000

In the four-year period covering 2002-2005, the City's Capital Plan provides a total of $769.8 million towards the entire NYCT/SIR capital program. This includes $260.8 million for infrastructure improvements, such as an extension of the #7 line to the Javits Convention Center and a new rail link to LaGuardia Airport, $140 million for the trackwork program and $20 million for miscellaneous work funded through the "revolving fund". Also included is $345 million, resulting from the sale of the New York Coliseum, which will be used for infrastructure improvements. An additional $4 million is allocated for various improvements to the Staten Island Railway.

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Appendix

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EXHIBIT 1
EXPENDITURE ASSUMPTIONS

Personal Service

The expenditures for personal services in the Executive Budget for 2002 and the three-year projections are as follows:

($ in millions)

	2002	2003	2004	2005
Salaries and Wages	$15,319	$15,264	$15,285	$15,272
Pensions	1,454	1,564	1,669	1,864
Other Fringe Benefits	3,813	3,886	4,035	4,289
Reserve for Collective Bargaining				
Board of Education	467	604	628	628
Other	812	1,057	1,076	1,076
Reserve Subtotal	1,279	1,661	1,704	1,704
Total	$21,865	$22,375	$22,693	$23,129

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 associated with the 2000-2002 round of bargaining which are contained in the Reserve for Collective Bargaining.

Pensions and Other Fringe Benefits

The City's pension expenses on behalf of the five major retirement systems for 2002 through 2005 are based on draft valuation projections prepared by the Chief Actuary. These projections reflect the Actuary's funding assumptions as approved by the trustees, and an eight percent investment return assumption which is governed by state law. Beyond these baseline projections, the financial plan also captures the costs of planned headcount changes, as well as the estimated costs of benefit improvements that were enacted into law last year, including automatic cost of living adjustments for retirees. In addition, as a result of the sharp drop in market returns this year, the financial plan also contains a reserve, commencing in 2002, to cover the costs of the pension funds earning a zero percent return by June 30, 2001.

Total pension expenses for the four years are as follows:

($ in millions)

	2002	2003	2004	2005
City Actuarial Systems	$1,407	$1,517	$1,622	$1,816
Non-City Actuarial	28	28	28	29
Non-Actuarial	19	19	19	19
Total	$1,454	$1,564	$1,669	$1,864

Social Security costs for the City are estimated to increase annually by approximately two percent in 2003, 2004 and 2005. These projections are based on the tax rates and wage ceilings issued by the Social Security Administration as well as planned payroll growth. Unemployment Insurance costs are projected to increase with citywide wage adjustments, consistent with the statutory maximum weekly benefit levels. Workers' Compensation costs are based on the wage-replacement schedule mandated by state law. Costs are estimated to reflect growth in the payroll and projected increases in medical care costs. Health Insurance costs are based on current levels of individual and family contracts.

Reserve for Collective Bargaining

The Reserve for Collective Bargaining contains funding for the cost of wage increases for all employees equal to those agreed to in the recently negotiated tentative District Council 37 and United Probation Officers Association collective bargaining agreements plus smaller amounts for unions who remain unsettled for the 1995 through 2000 round. These funds are excluded in the baseline salaries and wages. Funds for Board of Education collective bargaining have been transferred to the Board and are held in a discrete collective bargaining Unit of Appropriation, which includes incremental State aid of $182.5 million, $237.6 million, $247 million, and $247 million in Fiscal Years 2002-2005 respectively.

Other Than Personal Service

The following items are included in this category:

($ in millions)

	2002	2003	2004	2005
Administrative OTPS	$10,016	$9,909	$9,985	$10,103
Public Assistance	2,161	1,960	1,962	1,962
Medical Assistance	3,574	3,696	3,880	3,972
Health & Hospitals Corporation	264	265	262	263
Covered Agency Support & Other Subsidies	1,526	1,709	1,748	1,796
City and MAC Debt Service	1,269	3,454	3,890	4,073
General Reserve	200	200	200	200
Total	$19,010	$21,193	$21,927	$22,369

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 2003 through 2005 the financial plan includes a Citywide appropriation to provide for an increase in OTPS costs resulting from inflation. The inflation adjustment represents a 2.6 percent increase in 2003, a 2.8 percent increase in 2004, and a 2.8 percent increase in 2005.

Energy

The cost of energy is budgeted at a constant level in each agency's budget for 2002 through 2005, with the exception of HPD. For 2003 through 2005 the financial plan includes a Citywide appropriation to provide for the changing cost of energy. Price and usage changes for HPD's In-Rem Program are budgeted in HPD's four-year plan. The In-Rem Program is expected to incur no energy cost in 2005. As reflected in the following table, energy costs have risen significantly in the last year, mainly due to mid-year oil and natural gas price increases.

Energy Cost Comparison
($ in millions)

Estimate as of:	2001	2002	2003	2004
2001 Adopted Budget	$525	$519	$514	$511
2002 Executive Budget	581	590	586	578
Difference	$(56)	$(71)	$(72)	$(67)

Excluding HPD, the cost of gasoline, fuel oil and heat, light and power is assumed to increase by $16 million for 2002 and then remain relatively flat through 2005.

The annual cost projections are as follows:

Energy Costs

($ in millions)

	2001	2002	2003	2004	2005
Gasoline	$34	$34	$32	$30	$29
Fuel Oil	48	47	45	43	41
HPD-In Rem	21	14	13	4	-
HPD-Emergency Repair	4	4	4	4	-
Heat, Light and Power	474	491	492	497	502
Total	$581	$590	$586	$578	$572

Leases

In each agency the cost of leases is budgeted at a constant level from 2002 through 2005. A citywide adjustment for 2003 through 2005 provides for the increasing cost of leases based on a three percent annual inflator and the annualization of 2002 adjustments, as well as known future leases, where applicable.

In total the four-year plan includes $474 million for leases in 2002, $491 million in 2003, $509 million in 2004 and $524 million in 2005. Of these amounts the citywide adjustment is $17 million, $35 million, and $50 million respectively in 2003 through 2005.

Public Assistance

The average annual public assistance caseload is projected to be 536,525 persons in 2001, declining by 42,005 to an average of 494,520 in 2002. Family Assistance recipients are expected to decline by 38,640 persons to 408,898 in 2002 and Safety Net recipients will decline by 3,365 to 85,623.

Medical Assistance

The financial plan for Medical Assistance assumes a 5.2 percent increase in expenditures in 2002 (excluding expenditures for the Health and Hospitals Corporation, the Department of Health, and administration). Expenditure growth is expected to be 3.7 percent in 2003, 6 percent in 2004, and 2.5 percent in 2005. The primary factors contributing to out-year growth are the hospital and pharmacy categories of service.

Health and Hospitals Corporation

Revenue and expenditure projections for 2002 through 2005 include assumptions related to actual collections experience, the impact of rates by third party payors, and collections performance through a variety of revenue enhancement efforts. Total collections for fiscal years 2002 through 2005, excluding Medicaid rate appeals, reflect a reduction of 0.8 percent for non-Medicaid payors. Medicaid receipts (which includes fee-for-service as well as managed care) is estimated to increase by 9.9 percent over the four years of the plan. A growth in expenditures of 4.8 percent is projected for fiscal years 2002 through 2005.

Covered Agency Support and Other Subsidies

Included in this category are the contributions made by the City to the Transit Authority, Housing Authority, Libraries, and various Cultural Institutions. Also included in this category are the estimated projections for the cost of Judgements and Claims.

General Reserve

The general reserve is projected at $200 million for 2002 through 2005 to provide for uncontrollable increases in expenditures as well as shortfalls in revenues. To allow for any further uncertainties which may occur in the future, the general reserve has been increased above the mandated amount of $100 million.

Debt Service

Debt Service projections cover payments of debt service on currently outstanding City and MAC debt and future issuances in accordance with the 2002-2005 financing program (See Financing Program). Actual debt service payments in these years will be affected by the timing of City public sales and by market conditions. Estimates of City debt service costs in debt to be issued are based on estimates of the periods of probable usefulness of the capital expenditures for which the debt will be issued.

City debt service estimates also include payments to MAC for amortization and interest on City obligations held by MAC. During 2001-2005, the City estimates that the payments to MAC will be $488 million, $0 million, $490 million, $489 million, and $490 million, respectively. MAC debt service funding is shown net of such payments. To the extent that City debt service payments to MAC are from revenues derived from the real property tax, payments to MAC have the effect of reducing MAC's funding requirement from certain State revenues otherwise available to the City for budgetary purposes.

Below are the detailed estimates for debt service for 2001-2005:

($ in millions)

	2001	2002	2003	2004	2005
Long-Term Funded Debt	$307	$708	$2,612	$3,031	$3,157
Short-Term Debt	14	36	75	75	75
Lease Purchase/City Guaranteed Debt	116	180	277	295	351
Budget Stabilization Account	2,097	345	—	—	—
Total City Debt Service	$2,534	$1,269	$2,964	$3,401	$3,583
MAC Debt Service Funding	488	—	490	489	490
Total Debt Service	$3,022	$1,269	$3,454	$3,890	$4,073

EXHIBIT 2

FISCAL YEAR 2002 EXECUTIVE BUDGET AND PROJECTIONS, FISCAL YEAR 2003 THROUGH FISCAL YEAR 2005

($ in thousands)

			Fiscal Year 2001						
Dept. No.	Agency	FY 2000 Actual Expenditures	Executive Budget	8 Month Actuals July-Feb.	Forecast	FY 2002 Executive Budget	FY 2003 Estimate	FY 2004 Estimate	FY 2005 Estimate
002	MAYORALTY	$91,272	$75,957	$66,306	$97,045	$74,567	$75,529	$75,529	$75,529
003	BOARD OF ELECTIONS	44,229	33,608	33,308	43,348	41,351	41,469	41,469	41,469
004	CAMPAIGN FINANCE BOARD.	4,989	9,940	5,585	6,470	76,941	18,510	18,510	18,510
008	OFFICE OF THE ACTUARY	2,858	3,269	2,118	3,335	3,591	3,592	3,593	3,594
010	PRESIDENT,BOROUGH OF MANHATTAN	5,244	5,254	3,424	5,317	5,145	4,826	4,826	4,826
011	PRESIDENT,BOROUGH OF THE BRONX	7,103	7,407	5,011	7,352	7,262	6,905	6,905	6,905
012	PRESIDENT,BOROUGH OF BROOKLYN	7,549	6,433	4,687	7,724	6,236	5,615	5,615	5,615
013	PRESIDENT,BOROUGH OF QUEENS	6,831	5,990	3,719	6,794	5,986	5,459	5,459	5,459
014	PRESIDENT,BOROUGH OF S.I.	4,822	4,985	2,962	4,961	4,983	4,806	4,806	4,806
015	OFFICE OF THE COMPTROLLER . . .	56,215	51,820	39,777	56,092	53,285	55,574	55,574	55,574
021	TAX COMMISSION	1,971	2,108	1,253	2,067	2,028	2,028	2,029	2,029
025	LAW DEPARTMENT.	91,685	92,507	63,358	93,399	93,290	93,175	93,167	93,167
030	DEPARTMENT OF CITY PLANNING.	17,569	16,721	11,751	20,676	17,053	16,653	16,653	16,653
032	DEPARTMENT OF INVESTIGATION .	20,994	21,816	14,775	22,657	22,641	22,641	22,641	22,641
035	N.Y.P.L.- THE RESEARCH LIBRARY .	14,660	14,450	11,004	15,815	12,958	12,958	12,958	12,958
037	NEW YORK PUBLIC LIBRARY	89,047	88,338	67,716	93,894	76,267	76,267	76,267	76,267
038	BROOKLYN PUBLIC LIBRARY	66,104	66,235	49,700	69,073	55,908	55,908	55,908	55,908
039	QUEENS BOROUGH PUBLIC LIBRARY	62,710	62,075	51,133	66,138	53,503	53,503	53,503	53,503
040	BOARD OF EDUCATION.	10,756,317	10,714,315	6,706,556	11,347,943	11,512,564	11,726,748	11,853,205	11,957,494
042	CITY UNIVERSITY.	397,206	427,721	239,633	439,328	432,098	432,217	432,217	432,217
054	CIVILIAN COMPLAINT REVIEW BD.	7,726	8,995	5,978	9,115	10,188	10,283	10,277	10,281
056	POLICE DEPARTMENT	3,187,877	3,167,784	2,227,069	3,414,301	3,247,912	3,137,195	3,135,792	3,130,031
057	FIRE DEPARTMENT.	1,078,346	1,060,182	703,718	1,066,168	1,088,872	1,082,404	1,084,728	1,084,728
068	ADMIN. FOR CHILDREN SERVICES.	2,174,292	2,220,433	1,895,578	2,347,337	2,408,972	2,437,752	2,414,450	2,414,450
069	DEPARTMENT OF SOCIAL SERVICES	5,439,709	5,329,804	3,916,316	5,513,851	5,592,512	5,544,089	5,720,051	5,798,569
071	DEPT. OF HOMELESS SERVICES . . .	433,483	447,251	374,176	491,382	490,980	509,019	509,750	509,772
072	DEPARTMENT OF CORRECTION . . .	834,181	860,366	566,618	833,984	866,747	896,866	897,004	897,124
073	BOARD OF CORRECTION	876	976	538	895	976	976	976	976
094	DEPARTMENT OF EMPLOYMENT . .	133,957	138,588	93,170	139,389	97,880	97,880	97,880	97,880
095	CITYWIDE PENSION CONTRIBUTIONS	698,109	937,419	585,983	1,299,049	1,453,850	1,564,098	1,669,137	1,864,292
098	MISCELLANEOUS	3,392,857	3,532,150	1,980,775	3,939,202	4,175,066	4,645,411	4,815,661	5,074,693
099	DEBT SERVICE	3,338,935	1,962,218	106,000	2,534,198	1,269,291	2,964,074	3,401,410	3,583,393
100	M.A.C. DEBT SERVICE	450,500	—	—	487,900	—	490,300	489,200	490,400
101	PUBLIC ADVOCATE	2,630	2,525	1,804	2,678	2,454	2,454	2,454	2,454
102	CITY COUNCIL.	39,262	44,982	28,547	44,978	46,204	35,102	35,102	35,102
103	CITY CLERK	2,445	2,417	1,615	2,563	2,517	2,520	2,520	2,520
125	DEPARTMENT FOR THE AGING	215,081	207,869	213,415	240,078	230,509	225,907	225,907	225,907
126	DEPARTMENT OF CULTURAL AFFAIRS	119,912	101,238	85,885	135,377	104,618	104,310	104,310	104,310
127	FINANCIAL INFO. SERV. AGENCY . .	26,193	26,816	22,043	28,534	30,124	30,287	30,287	30,287
130	DEPARTMENT OF JUVENILE JUSTICE	102,542	100,972	35,287	108,004	103,132	103,336	103,336	102,336
131	OFFICE OF PAYROLL ADMIN.	5,637	7,528	4,342	6,727	8,149	8,382	8,382	8,382
132	INDEPENDENT BUDGET OFFICE . . .	2,480	2,763	1,562	2,735	2,749	2,749	2,749	2,749
133	EQUAL EMPLOYMENT PRACTICES COM	427	581	315	532	581	581	581	581
134	CIVIL SERVICE COMMISSION	448	657	290	467	657	657	657	657
136	LANDMARKS PRESERVATION COMM.	3,113	3,074	2,208	3,515	3,151	3,154	3,153	3,154

EXHIBIT 2

FISCAL YEAR 2002 EXECUTIVE BUDGET AND PROJECTIONS, FISCAL YEAR 2003 THROUGH FISCAL YEAR 2005

($ in thousands)

Dept. No.	Agency	FY 2000 Actual Expenditures	Fiscal Year 2001 Executive Budget	Fiscal Year 2001 8 Month Actuals July-Feb.	Fiscal Year 2001 Forecast	FY 2002 Executive Budget	FY 2003 Estimate	FY 2004 Estimate	FY 2005 Estimate
156	TAXI & LIMOUSINE COMMISSION .	21,555	23,717	15,776	24,228	22,735	21,788	21,788	21,788
226	COMMISSION ON HUMAN RIGHTS .	7,157	6,924	4,913	7,198	6,903	6,903	6,903	6,903
260	YOUTH & COMMUNITY DEVELOPMENT	128,551	110,639	92,161	158,512	120,441	119,469	119,424	119,424
312	CONFLICTS OF INTEREST BOARD .	1,376	1,502	1,018	1,576	1,627	1,627	1,648	1,648
313	OFFICE OF COLLECTIVE BARG.	1,358	1,414	1,001	1,384	1,469	1,469	1,469	1,469
499	COMMUNITY BOARDS (ALL)	10,433	11,098	7,004	11,234	11,216	11,216	11,216	11,216
781	DEPARTMENT OF PROBATION	83,678	84,174	57,189	89,460	86,720	86,075	86,075	86,075
801	DEPT. OF BUSINESS SERVICES.	52,999	46,884	46,296	44,916	49,246	36,779	36,779	36,779
806	HOUSING PRESERVATION & DEV. . .	384,134	402,465	319,908	490,471	418,740	334,563	335,073	335,120
810	DEPARTMENT OF BUILDINGS	42,335	44,933	33,641	50,202	27,057	21,506	21,431	21,431
816	DEPARTMENT OF HEALTH	792,125	814,279	425,336	943,950	916,235	845,235	845,562	845,534
817	DEPT OF MENTAL HEALTH	506,458	545,055	519,182	610,389	585,389	585,657	585,657	585,657
819	HEALTH AND HOSPITALS CORP. . . .	799,762	791,367	590,857	942,837	974,137	989,840	999,969	1,014,155
826	DEPT OF ENVIRONMENTAL PROT. .	600,158	666,250	441,097	650,499	677,741	663,729	660,274	659,892
827	DEPARTMENT OF SANITATION	838,298	973,857	710,601	941,824	986,224	1,006,574	1,006,332	1,006,332
829	TRADE WASTE COMMISSION.	2,369	2,849	1,687	2,929	2,859	2,934	2,934	2,934
836	DEPARTMENT OF FINANCE	168,976	196,141	126,163	183,875	195,092	185,087	184,849	187,101
841	DEPARTMENT OF TRANSPORTATION	464,800	469,298	342,837	513,598	459,246	457,419	457,590	457,590
846	DEPT OF PARKS AND RECREATION	198,078	184,625	139,129	208,821	194,088	194,577	194,577	194,577
850	DEPT. OF DESIGN & CONSTRUCTION	77,284	82,302	53,075	82,668	80,810	80,810	80,810	80,810
856	DEPT OF CITYWIDE ADMIN SRVCES	564,537	589,415	536,646	632,962	668,113	667,555	671,659	672,873
858	D.O.I.T.T.	177,556	141,245	127,188	154,958	148,912	149,958	150,117	150,114
860	DEPT OF RECORDS & INFO SERV. . .	3,928	3,685	2,877	4,190	3,664	3,665	3,667	3,668
866	DEPARTMENT OF CONSUMER AFFAIRS	12,843	12,924	9,157	13,393	13,358	13,279	13,168	13,168
901	DISTRICT ATTORNEY - N.Y..	73,386	64,056	51,292	79,347	66,608	65,423	65,423	65,423
902	DISTRICT ATTORNEY - BRONX	40,897	37,643	28,298	42,923	39,596	38,781	38,781	38,781
903	DISTRICT ATTORNEY - KINGS	70,846	62,864	49,395	71,167	65,846	64,661	64,661	64,661
904	DISTRICT ATTORNEY - QUEENS . . .	36,766	32,125	25,462	39,165	33,578	32,823	32,823	32,823
905	DISTRICT ATTORNEY - RICHMOND	6,350	5,720	4,518	6,701	5,853	5,693	5,693	5,693
906	OFF. OF PROSEC. & SPEC. NARC.. . .	14,842	13,264	10,259	15,343	13,844	13,769	13,769	13,769
941	PUBLIC ADMINISTRATOR - N.Y.. . . .	759	924	730	956	918	918	918	918
942	PUBLIC ADMINISTRATOR - BRONX	313	330	202	330	330	330	330	330
943	PUBLIC ADMINISTRATOR- BROOKLYN	420	443	282	443	443	443	443	443
944	PUBLIC ADMINISTRATOR - QUEENS	333	344	210	344	344	344	344	344
945	PUBLIC ADMINISTRATOR -RICHMOND	167	176	110	176	237	237	237	237
	PRIOR PAYABLE ADJUSTMENT	(356,839)	—	—	(263,700)	—	—	—	—
	GENERAL RESERVE	—	200,000	—	42,489	200,000	200,000	200,000	200,000
	ENERGY ADJUSTMENT	—	—	—	—	—	(2,906)	(2,065)	(390)
	LEASE ADJUSTMENT	—	—	—	—	—	17,120	34,426	49,764
	OTPS INFLATION ADJUSTMENT . . .	—	—	—	—	—	27,825	58,569	89,313
	TOTAL EXPENDITURES	$39,269,381	$38,503,468	$25,012,505	$41,864,145	$40,875,367	$43,567,344	$44,619,911	$45,498,519
	LESS: INTRA-CITY EXPENDITURES	1,149,719	1,168,923	316,650	1,380,812	1,343,423	1,300,608	1,256,259	1,256,256
	NET TOTAL EXPENDITURES.	$38,119,662	$37,334,545	$24,695,855	$40,483,333	$39,531,944	$42,266,736	$43,363,652	$44,242,263
		=========	========	========	========	========	=========	========	========

EXHIBIT 3
ACTUAL REVENUE

	Fiscal Year 1997	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000
Taxes:				
Real Property	$7,291	$7,239	$7,631	$7,790
Personal Income	4,361	5,118	5,378	5,413
General Corporation	1,478	1,551	1,423	1,779
Banking Corporation	360	515	388	347
Unincorporated Business	561	671	657	805
Sales and Use	2,912	3,052	3,192	3,509
Commercial Rent	374	358	333	344
Real Property Transfer	215	288	424	403
Mortgage Recording	185	232	408	483
Utility	215	223	222	247
Stock Transfer	114	114	114	114
All Other	581	591	584	609
Tax Audit Revenue	651	458	536	416
Total Taxes	19,298	20,410	21,290	22,259
Miscellaneous Revenues:				
Licenses, Franchises, Etc.	245	273	291	329
Interest Income	160	199	182	195
Charges for Services	428	435	440	439
Water and Sewer Charges	775	823	778	801
Rental Income	143	151	114	139
Fines and Forfeitures	491	468	479	468
Miscellaneous	807	486	408	718
Intra-City Revenue	683	705	780	1,150
Total Miscellaneous	3,732	3,540	3,472	4,239
Unrestricted Intergovernmental Aid:				
Federal Revenue Sharing	-	-	-	-
N.Y. State Per Capita Aid	322	327	328	405
Other Federal and State Aid	332	295	324	226
Total Unrestricted Intergovernmental Aid	654	622	652	631
Other Categorical Grants	379	412	367	432
Transfers from Capital Fund:				
Inter Fund Agreements	245	251	249	239
Provision for Disallowance of Categorical Grants	(36)	(14)	(39)	(5)
Less Intra-City Revenue	(683)	(705)	(780)	(1,150)
Total City Funds	23,589	24,516	25,211	26,645
Federal Categorical Grants:				
Community Development	264	255	239	264
Welfare	2,284	2,344	2,183	2,335
Education	929	1,014	1,053	1,127
Other	656	679	787	691
Total Federal Grants	4,133	4,292	4,262	4,417
State Categorical Grants:				
Welfare	1,672	1,580	1,442	1,382
Education	3,908	4,155	4,413	4,829
Higher Education	121	125	128	124
Health and Mental Health	254	269	323	348
Other	309	243	333	379
Total State Grants	6,264	6,372	6,639	7,062
Total Revenues	$33,986	$35,180	$36,112	$38,124

EXHIBIT 4

REVENUE ESTIMATES

($ in Millions)

	Fiscal Year 2001 8 Months Actual	Fiscal Year 2001 Forecast	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005
Taxes:						
Real Property	7,594	8,136	8,643	9,100	9,536	9,970
Personal Income	3,752	5,398	4,766	4,997	5,265	5,653
General Corporation	847	1,806	1,490	1,513	1,630	1,724
Banking Corporation	192	357	359	409	427	452
Unincorporated Business	394	776	778	825	893	951
Sale and Use	2,319	3,651	3,710	3,899	4,031	4,144
Commercial Rent	183	355	364	383	404	425
Real Property Transfer	292	439	404	449	472	507
Mortgage Recording	246	366	325	344	357	381
Utility	156	260	258	253	248	240
Stock Transfer	0	114	114	114	114	114
All Other	323	635	647	659	670	684
Tax Audit Revenue	204	399	487	426	427	427
Tax Reduction Program	0	0	(494)	(719)	(1,041)	(1,264)
State Tax Relief Program	342	504	670	739	771	796
Total Taxes	16,844	23,196	22,521	23,391	24,204	25,204
Miscellaneous Revenue:						
Licenses, Franchises, Etc.	234	338	320	313	311	310
Interest Income	123	200	144	136	141	143
Charges for Services	246	428	415	410	410	409
Water and Sewer Charges	631	848	849	824	842	867
Rental Income	88	139	111	265	404	365
Fines and Forfeitures	330	479	480	479	476	476
Miscellaneous	520	981	938	251	206	206
Intra-City Revenue	241	1,381	1,343	1,301	1,256	1,256
Total Miscellaneous	2,413	4,794	4,600	3,979	4,046	4,032
Unrestricted Intergovernmental Aid:						
N.Y. State Per Capita Aid	0	327	327	327	327	327
Other Federal and State Aid	110	266	379	305	305	305
Total Unrestricted Intergovernmental Aid:	110	593	706	632	632	632
Other Categorical	139	439	392	360	352	344
Inter Fund Agreements	0	296	301	297	297	297
Reserve for Disallowance of Categorical Grants	0	(15)	(15)	(15)	(15)	(15)
Less: Intra-City Revenue	(241)	(1,381)	(1,343)	(1,301)	(1,256)	(1,256)
Total City Funds	19,265	27,922	27,162	27,343	28,260	29,238

REVENUE ESTIMATES

($ in Millions)

	Fiscal Year 2001 8 Months Actual	Fiscal Year 2001 Forecast	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005
Federal Categorical Grants:						
JTPA	0	18	0	0	0	0
Community Development	121	339	304	267	267	266
Welfare	964	2,490	2,582	2,485	2,457	2,457
Education	46	1,069	1,046	1,046	1,046	1,046
Other	303	821	525	333	335	335
Total Federal Grants	1,434	4,737	4,457	4,131	4,105	4,104
State Categorical Grants:						
Welfare	850	1,583	1,517	1,501	1,507	1,511
Education	1,862	5,328	5,580	5,702	5,777	5,844
Higher Education	1	164	164	164	164	164
Health and Mental Health	154	417	358	359	359	359
Other	142	332	294	286	294	301
Total State Grants	3,009	7,824	7,913	8,012	8,101	8,179
TOTAL REVENUE	23,708	40,483	39,532	39,486	40,466	41,521

EXHIBIT 5

FULL-TIME EMPLOYEES

	2/28/01 Actual		6/30/02 Executive Budget	
	Total	City	Total	City
MAYORAL AGENCIES:				
Uniformed Forces:				
Police -Uniform	39,837	39,837	40,710	40,710
-Civilian	8,977	8,364	8,586	8,512
Fire -Uniform	11,404	11,396	11,096	11,089
-Civilian	4,242	4,233	4,900	4,897
Sanitation -Uniform	8,033	7,898	8,076	7,914
-Civilian	2,219	2,058	2,147	1,879
Correction -Uniform	10,487	9,744	10,846	10,103
-Civilian	1,532	1,417	1,821	1,706
Health and Welfare:				
Social Services	12,779	9,093	12,976	9,462
Admin. for Children's Services	7,076	6,996	7,619	7,457
Homeless Services	1,609	1,598	1,570	1,567
Health	2,876	2,001	3,294	2,446
Mental Health	208	123	241	159
Other Mayoral:				
Housing Preservation and Development	2,399	555	2,711	585
Environmental Protection	5,443	268	6,064	290
Finance	2,035	2,035	2,138	2,126
Transportation	3,869	1,776	3,972	1,814
Parks	1,969	1,703	2,008	1,662
Citywide Administrative Services	1,437	1,034	1,732	1,082
All Other Mayoral	9,231	6,163	9,532	6,390
COVERED ORGANIZATIONS:				
Board of Education -Pedagogical	94,174	77,039	95,306	77,992
-Non-Pedagogical	8,157	6,026	7,869	5,813
City University -Pedagogical	2,221	2,201	2,302	2,264
-Non-Pedagogical	1,554	1,553	1,385	1,376
ELECTED OFFICIALS:				
Mayoralty	871	820	1,089	1,014
All Other Elected	5,686	5,258	5,356	5,036
Total	250,325	211,189	255,346	215,345

EXHIBIT 5A

FULL-TIME EMPLOYEES CITY FUNDS

		Actual		Executive Budget
		12/31/93	2/28/01	6/30/02
MAYORAL AGENCIES:				
Uniformed Forces:				
Police	-Uniform [1]	36,340	39,837	40,710
	-Civilian [1]	10,082	8,364	8,512
Fire	-Uniform	11,241	11,396	11,089
	-Civilian [1]	4,636	4,233	4,897
Sanitation	-Uniform	7,756	7,898	7,914
	-Civilian	2,812	2,058	1,879
Correction	-Uniform	11,077	9,744	10,103
	-Civilian	2,133	1,417	1,706
Health and Welfare:				
Social Services [2]		15,616	9,093	9,462
Admin. for Children's Services [2]		8,215	6,996	7,457
Homeless Services		3,202	1,598	1,567
Health		3,161	2,001	2,446
Mental Health		248	123	159
Other Mayoral:				
Housing Preservation and Development		1,296	555	585
Environmental Protection [1]		437	268	290
Finance [3]		2,816	2,035	2,126
Transportation [1,3]		2,837	1,776	1,814
Parks		2,899	1,703	1,662
Citywide Administrative Services [4]		2,281	1,034	1,082
All Other Mayoral		8,145	6,163	6,390
COVERED ORGANIZATIONS:				
Board of Education	-Pedagogical	69,002	77,039	77,992
	-Non-Pedagogical	6,093	6,026	5,813
City University	-Pedagogical	2,422	2,201	2,264
	-Non-Pedagogical	1,420	1,553	1,376
ELECTED OFFICIALS:				
Mayoralty		1,274	820	1,014
All Other Elected		5,395	5,258	5,036
Total		222,836	211,189	215,345

1. The 12/93 actual has been adjusted to reflect HAPD and TAPD mergers, the Traffic Enforcement transfer and the EMS transfer. The 12/93 actual for DEP has been adjusted to reflect the reclassification of Water and Sewer positions.
2. The 12/93 actual has been restated to include the portion of HRA that transferred to Social Services and Social Services has been adjusted for the estimated number of employees which transferred to Admin. for Children's Services.
3. The 12/93 actual for DOF has been restated to reflect the PVB and City Sheriff transfers and DOT actual has been restated to reflect the transfer of PVB and Traffic Enforcement.
4. Previously Dept. of General Services. Restated to include Dept. of Personnel.

EXHIBIT 6

FY 2002 EXECUTIVE BUDGET
CITY GAP CLOSING PROGRAM - 5 YEAR VALUE
(City $ in 000's)

	2001	2002	2003	2004	2005
MAYORAL AGENCIES:					
Uniformed Forces:					
Police	$44,567	$63,150	$5,365	$5,715	$5,715
Fire	15,197	9,710	9,710	7,253	7,253
Correction	89,961	40,366	10,000	10,000	10,000
Sanitation	96,820	45,907	35,048	35,115	35,115
Health and Welfare:					
Admin. for Children's Services	25,960	38,295	34,824	28,960	28,960
Social Services	3,269	73,006	49,537	47,502	47,502
Homeless Services	3,439	2,641	2,060	1,723	1,723
Health	14,377	23,523	19,268	19,268	19,268
Mental Health	3,660	9,126	5,524	5,524	5,524
Other Mayoral:					
Cultural Affairs	—	20,114	20,264	20,264	20,264
Housing Preservation & Dev.	29,250	72,528	17,782	17,782	17,782
Environmental Protection	8,562	1,195	1,195	520	520
Finance	57,320	94,940	26,451	22,426	20,174
Transportation	44,534	23,657	12,485	10,100	10,100
Parks	11,054	12,027	7,038	7,038	7,038
Citywide Admin. Services	26,760	20,356	9,989	5,657	5,657
Other	52,559	257,808	104,048	103,592	103,156
COVERED ORGANIZATIONS:					
Board of Education	—	4,000	4,000	4,000	4,000
Health and Hospitals Corp.	—	300	300	300	300
OTHER:					
Miscellaneous Budget	17	7,415	6,749	6,774	6,801
Procurement Savings	—	26,438	26,438	26,438	26,438
Subtotal Agency Programs	**$527,306**	**$846,502**	**$408,075**	**$385,951**	**$383,290**
CITYWIDE INITIATIVES:					
Privatization of OTB	—	250,000	—	—	—
Reimb. for Landfill Closure Costs	—	225,000	—	—	—
State & Federal Actions	—	150,000	150,000	150,000	150,000
Total Program	**$527,306**	**$1,471,502**	**$558,075**	**$535,951**	**$533,290**

Technical Note: Gap closing program includes initiatives from the November 17, 2000 and the January 25, 2001 Financial Plans and the April 25, 2001 Executive Budget.

EXHIBIT 6A

FY 2002 EXECUTIVE BUDGET
CITY GAP CLOSING PROGRAM - 5 YEAR VALUE
(City $ in 000's)

	2001	2002	2003	2004	2005
OTHER:					
Mayoralty	$587	$93,080	$1,118	$1,118	$1,118
Board of Elections	163	125	125	125	125
Campaign Finance Board	2,870	—	—	—	—
Office of the Actuary	234	—	—	—	—
Tax Commission	41	84	84	84	84
Law	4,395	6,540	40	40	40
City Planning	250	522	522	522	522
Investigation	380	—	—	—	—
Research Library	—	2,952	2,952	2,952	2,952
NY Public Library	—	17,609	17,609	17,609	17,609
Brooklyn Public Library	—	12,968	12,968	12,968	12,968
Queens Public Library	—	12,345	12,345	12,345	12,345
City University	959	8,059	8,059	8,059	8,059
Board of Correction	81	—	—	—	—
City Clerk	24	—	—	—	—
Aging	1,869	7,954	4,954	4,954	4,954
FISA	3,488	3,133	530	283	35
Juvenile Justice	255	4,987	1,087	1,087	1,087
Payroll Admin.	1,403	8,938	846	658	470
Equal Employment Comm.	50	—	—	—	—
Civil Service Commission	190	—	—	—	—
Taxi & Limo	4,321	2,500	1,100	1,100	1,100
Human Rights	39	71	71	71	71
Youth & Community Development	5,000	22,716	19,716	19,716	19,716
Conflicts of Interest	72	21	21	—	—
Office of Collective Bargaining	30	—	—	—	—
Probation	2,830	4,166	2,586	2,586	2,586
Dept. of Business Services	10,066	27,834	1,334	1,334	1,334
Buildings	1,030	3,166	166	166	166
Trade Waste Commission	195	230	—	—	—
DOITT	10,864	9,935	7,756	7,756	7,756
DORIS	56	72	72	72	72
Consumer Affairs	152	1,295	1,145	1,145	1,145
Subtotal	$51,894	$251,302	$97,206	$96,750	$96,314
OTHER ELECTED:					
BP - Manhattan	$20	$129	$129	$129	$129
BP - Bronx	50	161	161	161	161
BP - Brooklyn	112	225	225	225	225
BP - Queens	136	271	271	271	271
BP - Staten Island	41	103	103	103	103
Comptroller	306	5,526	5,862	5,862	5,862
Public Advocate	—	76	76	76	76
DA - Manhattan	—	15	15	15	15
Subtotal	$665	$6,506	$6,842	$6,842	$6,842
Total Other	**$52,559**	**$257,808**	**$104,048**	**$103,592**	**$103,156**

Technical Note: Gap closing program includes initiatives from the November 17, 2000 and the January 25, 2001 Financial Plans and the April 25, 2001 Executive Budget.

EXHIBIT 6B

FY 2002 EXECUTIVE BUDGET
CITY GAP CLOSING PROGRAM - BY EXPENSE AND REVENUE

(City $ in 000's)

	Expense	Revenue	Total
MAYORAL AGENCIES:			
Uniformed Forces:			
Police	$63,150	—	$63,150
Fire	8,710	1,000	9,710
Correction	40,366	—	40,366
Sanitation	45,907	—	45,907
Health and Welfare:			
Admin. for Children's Services	38,295	—	38,295
Social Services	73,006	—	73,006
Homeless Services	2,641	—	2,641
Health	23,523	—	23,523
Mental Health	9,126	—	9,126
Other Mayoral:			
Cultural Affairs	20,114	—	20,114
Housing Preservation & Dev.	16,528	56,000	72,528
Environmental Protection	(480)	1,675	1,195
Finance	15,842	79,098	94,940
Transportation	10,530	13,127	23,657
Parks	4,667	7,360	12,027
Citywide Admin. Services	9,921	10,435	20,356
Other	107,408	150,400	257,808
COVERED ORGANIZATIONS:			
Board of Education	4,000	—	4,000
Health and Hospitals Corp.	300	—	300
OTHER:			
Miscellaneous Budget	7,415	—	7,415
Procurement Savings	26,438	—	26,438
Subtotal Agency Programs	**$527,407**	**$319,095**	**$846,502**
CITYWIDE INITIATIVES:			
Privatization of OTB	—	250,000	250,000
Reimb. for Landfill Closure Costs	—	225,000	225,000
State & Federal Actions	74,000	76,000	150,000
Total Program	**$601,407**	**$870,095**	**$1,471,502**

Technical Note: Gap closing program includes initiatives from the November 17, 2000 and the January 25, 2001 Financial Plans and the April 25, 2001 Executive Budget.