The City of New York

JANUARY 2003 FINANCIAL PLAN

Fiscal Years 2003–2007

DETAIL

The City of New York
Michael R. Bloomberg, Mayor

Office of Management and Budget
Mark Page, Director

January 28, 2003

January 2003 Financial Plan

Fiscal Years 2003—2007

The Financial Plan

In accordance with the City Charter, the Preliminary Budget for 2004 includes a plan to balance revenues and expenses for the upcoming fiscal year and a financial plan covering estimates of expenses and revenues for the ensuing three years. The City's financial plan sets forth projected revenues and expenses for operations for fiscal years 2003 through 2007 based on Generally Accepted Accounting Principles (GAAP). The total budget is $44.4 billion for fiscal year 2003 and $44.1 billion for fiscal year 2004, after implementation of the City's Gap Closing Program. The budgets for 2003 and 2004 are balanced in accordance with GAAP. The assumptions upon which these expense and revenue estimates are based are summarized in the Supplemental Information section of this document.

The 2003 forecast provides for a general reserve of $300 million to offset any adverse changes which may arise during the remainder of the fiscal year. In addition, $621 million of prepayments is provided in the 2003 budget, of which $113 is included in the 2003 Budget Stabilization Account for the prepayment of fiscal year 2004 Debt Service and $508 million is included in the Municipal Assistance Corporation (MAC) budget for the prepayment of 2004 MAC debt service. A general reserve of $300 million is also provided in fiscal years 2004 thru 2007.

In November the City took the unprecedented step of releasing two months early a detailed plan for closing a $6.4 billion gap between forecast revenues and expenses. Since November the agency cuts have been put in place and the property tax has been increased, although not at the rate anticipated in the plan. The property tax increase of 18% yields $837 million, $1.7 billion, $1.8 billion and $1.9 billion in fiscal years 2003 thru 2006 respectively, while agency actions save $844 million, $1.1 billion, $1.1 billion and $1.2 billion in fiscal years 2003 thru 2006 respectively.

After implementation of the November Plan agency actions and the property tax increase, but before implementation of the City's January Gap Closing Program, budget gaps of $486 million, $3.4 billion, $4.3 billion, $4.5 billion and $4.4 billion in fiscal years 2003 through 2007 are projected.

To achieve balanced budgets for 2003 and 2004, a gap closing program has been developed to eliminate the projected gaps of $486 million in 2003 and $3.4 billion in 2004. The proposed gap closing program includes agency spending reductions and non-tax revenue increases of $64 million and $487 million in 2003 and 2004, agency savings from initiatives requiring state action of $2 million and $52 million in 2003 and 2004, federal aid of $420 million and $200 million in 2003 and 2004. In fiscal year 2004 the program also includes increased revenue of $962 million from Personal Income Tax reform, airport revenue of $690 million, labor productivity actions of $600 million, transportation initiatives of $200 million and other state aid of $200 million.

The recurring savings from implementation of this plan will leave remaining gaps of $1.5 billion in fiscal year 2005 and $2.0 billion in fiscal years 2006 and 2007.

The following tables represent the City's financial plan before implementation of the January Gap Closing Program, the Financial Plan Update detailing changes since the November 2002 Financial Plan and the City's financial plan after implementation of the Gap Closing Program.

Five Year Financial Plan Revenues and Expenditures
Before Gap Closing Program
($ in millions)

	2003	2004	2005	2006	2007
REVENUES					
Taxes:					
General Property Tax	$9,926	$11,167	$11,583	$12,006	$12,459
Other Taxes	12,620	12,715	13,518	14,441	15,263
Tax Audit Revenue	502	502	502	502	502
Miscellaneous Revenues	4,230	3,804	3,785	3,765	3,784
Transitional Finance Authority - 9/11	1,500	—	—	—	—
Unrestricted Intergovernmental Aid	754	555	555	555	555
Anticipated Federal & State Aid	230	—	—	—	—
Other Categorical Grants	1,075	770	673	694	710
Less: Intra-City Revenue	(1,107)	(1,039)	(1,036)	(1,034)	(1,033)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)	(15)
Subtotal: City Funds	**$29,715**	**$28,459**	**$29,565**	**$30,914**	**$32,225**
Inter-Fund Revenues	332	321	320	320	320
Total City Funds & Inter-Fund Revenues	**$30,047**	**$28,780**	**$29,885**	**$31,234**	**$32,545**
Federal Categorical Grants	5,386	4,192	4,158	4,151	4,161
State Categorical Grants	8,477	8,295	8,381	8,445	8,478
Total Revenues	**$43,910**	**$41,267**	**$42,424**	**$43,830**	**$45,184**
EXPENDITURES					
Personal Service					
Salaries and Wages	$16,850	$16,366	$16,311	$16,330	$16,336
Pensions	1,904	2,731	3,366	4,194	4,687
Fringe Benefits	4,700	4,856	5,121	5,404	5,704
Subtotal - Personal Service	$23,454	$23,953	$24,798	$25,928	$26,727
Other Than Personal Service					
Medical Assistance	4,006	4,240	4,388	4,532	4,536
Public Assistance	2,255	2,073	2,080	2,080	2,080
All Other	12,720	12,026	12,258	12,472	12,677
Subtotal - OTPS	$18,981	$18,339	$18,726	$19,084	$19,293
Debt Service	1,933	3,082	3,447	3,575	3,788
Budget Stabilization & Prepayments *	621	—	—	—	—
MAC Debt Service	214	23	490	492	494
General Reserve	300	300	300	300	300
Subtotal	$45,503	$45,697	$47,761	$49,379	$50,602
Less: Intra-City Expenses	(1,107)	(1,039)	(1,036)	(1,034)	(1,033)
Total Expenditures	$44,396	$44,658	$46,725	$48,345	$49,569
Gap To Be Closed - January Plan	**($486)**	**($3,391)**	**($4,301)**	**($4,515)**	**($4,385)**
Gap Closing Program	$486	$3,391	$2,806	$2,507	$2,351
Remaining Gap To Be Closed	**$—**	**$—**	**($1,495)**	**($2,008)**	**($2,034)**

* *The FY2003 Budget Stabilization & Prepayments reflect $508 million in MAC Debt Service and $113 million in Budget Stabilization costs that would have been paid in 2004.*

Financial Plan Update
($ in millions)

	2003	2004	2005	2006
Gaps to be Closed November Plan	**($1,073)**	**($6,360)**	**($6,736)**	**($7,020)**
City Council Actions				
Increase Property Taxes by 18%	837	1,727	1,810	1,875
November Plan Agency Program	844	1,108	1,130	1,205
General Reserve	(100)	(100)	(100)	(100)
Prepayments	(508)	508	—	—
Total Changes to Gap After Council Action	**$1,073**	**$3,243**	**$2,840**	**$2,980**
Gap After Council Action	**$—**	**($3,117)**	**($3,896)**	**($4,040)**
January Update of Baseline Forecasts				
Revenue Changes				
Tax Revenue Forecast	($108)	($289)	($282)	($412)
Non-Tax Revenue	(3)	(3)	2	(3)
Total Revenue Changes	**($111)**	**($292)**	**($280)**	**($415)**
Expenditure Changes				
Education	11	(91)	(42)	(43)
Debt Service	48	52	(22)	(20)
Labor	(223)	—	—	—
All Other Expense Changes	(63)	(91)	(61)	3
Total Expenditure Changes	**($227)**	**($130)**	**($125)**	**($60)**
FEMA Reimbursement (Timing Re-estimate)	($35)	$35	$—	$—
Total January Changes to Gap	**($373)**	**($387)**	**($405)**	**($475)**
Prepayments	($113)	$113	$—	$—
Gap to be Closed - January Plan	**($486)**	**($3,391)**	**($4,301)**	($4,515)
Gap Closing Plan				
Personal Income Tax Reform	$—	$962	$658	$159
Additional Agency Program	64	487	369	366
Federal Aid	420	200	250	250
Airport (Back Rent and ongoing lease payments)	—	690	93	96
Regional Transportation Initiatives	—	200	600	800
Agency Program Requiring State Action	2	52	36	36
Other State Aid	—	200	200	200
Labor Actions	—	600	600	600
Total Gap Closing Program	**$486**	**$3,391**	**$2,806**	**$2,507**
Remaining Gap	**$—**	**$—**	**($1,495)**	**($2,008)**

Five Year Financial Plan Revenues and Expenditures
After Gap Closing Program
($ in millions)

	2003	2004	2005	2006	2007
REVENUES					
Taxes					
General Property Tax	$9,926	$11,167	$11,583	$12,006	$12,459
Other Taxes	12,623	13,697	14,199	14,623	15,286
Tax Audit Revenue	502	522	502	502	502
Miscellaneous Revenues	4,237	4,637	4,009	3,992	4,014
Transitional Finance Authority - 9/11	1,500	—	—	—	—
Unrestricted Intergovernmental Aid	754	555	555	555	555
Anticipated Federal & State Aid	650	—	—	—	—
Other Categorical Grants	1,080	785	688	709	725
Less: Intra-City Revenue	(1,107)	(1,039)	(1,036)	(1,034)	(1,033)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)	(15)
Subtotal: City Funds	**$30,150**	**$30,309**	**$30,485**	**$31,338**	**$32,493**
Inter-Fund Revenues	332	322	320	320	320
Total City Funds & Inter-Fund Revenues	**$30,482**	**$30,631**	**$30,805**	**$31,658**	**$32,813**
Federal Categorical Grants	5,391	4,886	4,150	4,141	4,151
State Categorical Grants	8,477	8,574	8,658	8,722	8,755
Total Revenues	**$44,350**	**$44,091**	**$43,613**	**$44,521**	**$45,719**
EXPENDITURES					
Personal Service					
Salaries and Wages	$16,824	$16,234	$16,203	$16,222	$16,226
Pensions	1,904	2,731	3,366	4,194	4,687
Fringe Benefits	4,700	4,245	4,510	4,792	5,092
Subtotal - Personal Service	$23,428	$23,210	$24,079	$25,208	$26,005
Other Than Personal Service					
Medical Assistance	4,006	4,238	4,387	4,531	4,535
Public Assistance	2,255	2,054	2,065	2,068	2,069
All Other	12,714	12,260	11,376	11,390	11,595
Subtotal - OTPS	$18,975	$18,552	$17,828	$17,989	$18,199
Debt Service	1,919	3,045	3,447	3,574	3,788
Budget Stabilization & Prepayments *	621	—	—	—	—
MAC Debt Service	214	23	490	492	494
General Reserve	300	300	300	300	300
Subtotal	$45,457	$45,130	$46,144	$47,563	$48,786
Less: Intra-City Expenses	(1,107)	(1,039)	(1,036)	(1,034)	(1,033)
Total Expenditures	$44,350	$44,091	$45,108	$46,529	$47,753
Gap To Be Closed	**$—**	**$—**	**($1,495)**	**($2,008)**	**($2,034)**

* *The FY2003 Budget Stabilization & Prepayments reflect $508 million in MAC Debt Service and $113 million in Budget Stabilization costs that would have been paid in 2004.*

Overview

The performance of the U.S. economy overall was disappointing in 2002, especially because expectations of a rebound from the recession that began almost two years ago were high. Consumers, who managed to sustain growth even when the economy was shrinking in 2001, appear to have lost considerable steam in the latter part of the year due to the weakening labor market, the third consecutive yearly drop in the stock market, and the turbulent geo-political situation. As a result GDP growth likely faltered in the fourth quarter. Despite this, there are still enough signs to suggest that growth could pick up some time during the latter part of this year.

Most economists now expect the U.S. economy to grow slowly in the first two quarters of 2003 before accelerating in the second half of the year. Real GDP is forecast to rise by an average 2.9 percent in 2003 and then 4.5 percent in 2004. This result, however, hinges critically on two assumptions. First, in the event of a war in the Middle East, the resolution will be quick and successful. Second, a sizable amount of income will be injected into the economy through a fiscal stimulus program, despite anticipated sluggishness in labor markets for much of 2003. Employment, in fact, grows by less than one percent in 2003 before accelerating to 2.5 percent in 2004. With this as a necessary requisite, investment spending, which has improved in certain sectors in recent quarters, is also forecast to pick up in 2003 by five percent and a more robust 11 percent in 2004. Similarly, corporate earnings and the S&P 500 improve in 2003 and gain momentum in 2004.

It is necessary to point out that the usual uncertainties associated with forecasting are particularly true in this current plan as the assumption of global stability and a quick war is debatable. An adverse outcome, with spiraling oil prices, further erosion of consumer and investor confidence, or a global recession, could significantly jeopardize U.S. economic growth.

The sluggish pace of the current recovery at the national level does not bode well for a timely turnaround in the City's economy. Coming out of past recessions the City has typically lagged the nation's recovery. This is largely due to the fact that the City's economy does not gain much from the recovery in manufacturing that takes hold in the early phase of the up cycle, as well as the fact that demand for the City's service sectors only picks up when a recovery is firmly in place. The current cycle is not expected to be any different. The City continues to lose jobs in 2003, at least until the latter part of the year (over 40,000 private sector jobs on a year-over-year basis). In this forecast, by the end of 2003 the City loses almost 190,000 jobs since its peak in November 2000. Employment rebounds in 2004, almost a year after the nation.

In addition to the employment declines, the City's economic woes over the past two years have been further compounded by the drastic decline in compensation on Wall Street, more severe than anticipated in previous forecasts. New York Stock Exchange (NYSE) member firms have been able to squeeze out profits only by shrinking staff and compensation drastically. The bonus pool was cut an estimated 28 percent in 2001 and bonuses are expected to be slashed again this year by 30 percent on member-firm profits of $7 billion. Since the peak in 2002, the bonus pool is estimated to have dropped by

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

over 50 percent. As a result, the forecast for wage income in the City shows declines for two consecutive years, unprecedented in recent times.

On the bright side there are, however, indications that the situation on Wall Street has finally bottomed as activity in some key areas has started to pick up at least marginally. Profits are expected to increase in 2003 to $9.5 billion and then gradually rise to about $16 billion by the end of the Plan period as corporate earnings and the stock market resume growth.

Finally, the City's commercial real estate market has also softened considerably since 2000. The primary vacancy rate, which stood as low as three percent, has increased to over 11 percent and rents have fallen over 15 percent. Despite this evident deterioration, conditions are still better than the early 1990s, when vacancy rates neared 20 percent. In the most recent expansion, landlords exercised far greater restraint and caution in building space. Given the forecast for employment, conditions are likely to weaken again this year before stabilizing.

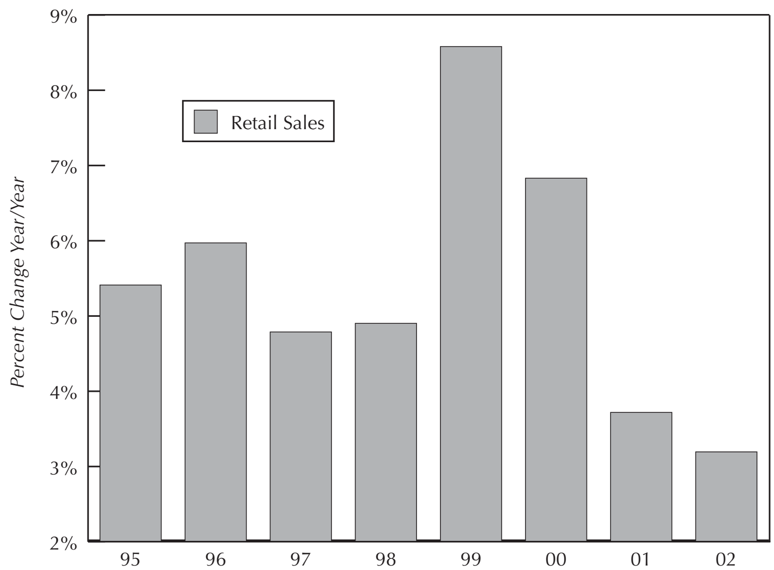
Last year as a result of the national recession, the protracted bear market on Wall Street and the shock of 9/11 on the local economy non-property tax revenue fell 11.0 percent, on a common rate and base. The sluggish pace of the national economic recovery, continuing job losses locally and continued weakness on Wall Street have again, over the last fiscal year, depressed the City's tax base in 2003, especially for taxes based on income and profits. The personal income tax is down 5.6 percent, on a common rate and base, reflecting a 1.8 percent decline in fiscal year 2003 wage income, due to a diminished bonus pool, and a decline in capital gains realizations for the second tax year in a row. Declining securities industry earnings and sagging national corporate profits have combined to suppress business income tax collections, which are down 7.9 percent on a common rate and base. Providing some stability for the current fiscal year is the property tax, with billable assessed value up 5.7 percent in 2003 and an increase in the average tax rate to $12.283 enacted November 25, 2002 for the second half of the year. As a result property tax revenue, including the tax increase, is forecast to grow 14.8 percent in 2003. The property tax offsets the weakness in non-property tax revenue and total revenue is up 6.2 percent, including the half-year property tax rate increase.

Non-property tax revenue rebounds moderately in 2004 with growth of 4.1 percent, on a common rate and base. The growth reflects a recovery in wage earnings (3.9 percent over the course of fiscal year 2004), securities industry profits (increased to $9.5 billion in calendar year 2003 from $7 billion in calendar year 2002) and an end to the job losses. The end of the national recession results in a return to trend growth in the national and local economies by calendar year 2004, and non-property tax revenue growth averages 6.3 percent in 2005 through 2007. Real property billable assessed value is up 6.4 percent for 2004, based on the tentative roll released January 15, 2003, and with the annualization of the January 1, 2003 rate increase property tax revenue increases 12.5 percent in 2004. With market value growth near inflation and a declining pipeline of assessed value increases to be phased in over the forecast period, property tax revenue growth averages 3.7 percent a year in 2005 through 2007. Total tax revenue in 2004 is forecast to grow at 6.0 percent and averages 5.1 percent in 2005 through 2007, before factoring in the effects of the proposed personal income tax reform.

The U.S. Economy

As the new year begins the nation is still awaiting official news on whether the national recession, which began in March 2001, has finally ended. Earlier in 2002, economists were expecting a turnaround in the first half of 2003, with GDP rebounding to above trend growth of 3½ percent. But with the fourth quarter GDP results poised to show little growth, the economy appears unable to recover from this sluggishness without some help. Forecasters are now hoping that a federal fiscal stimulus and a quick resolution to the geo-political crisis will lift the cloud hanging over the economy sometime in the second half of the year. Until then, the economy is only expected to maintain a languid trend growth rate.

Retail Sales were slow in 2002 due to consumer caution and a weak holiday season.

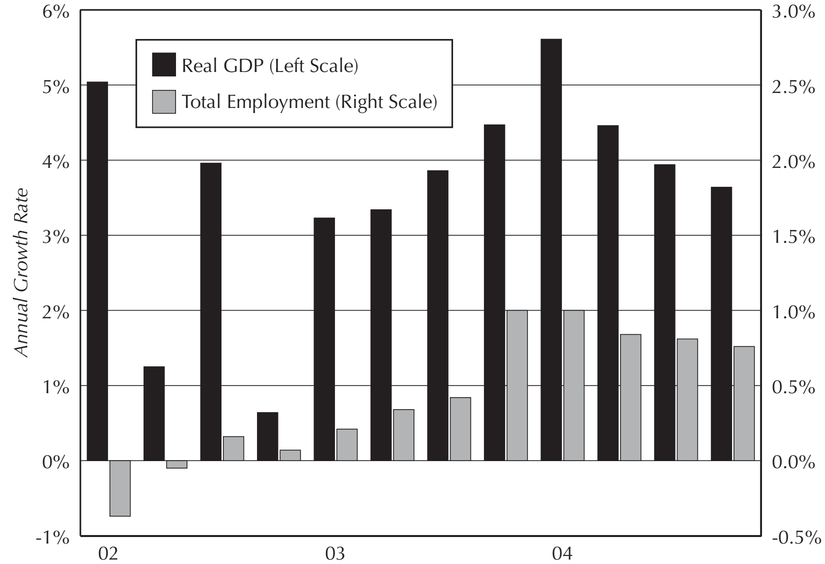


After what appeared to be an auspicious start to the holiday season, retail sales fell off in the weeks leading into Christmas and recorded only a disappointing 1.3 percent growth in December. Consumers were in no mood to shop as they had in previous years with the unemployment rate hovering at six percent in recent months and overall establishment employment continuing to decline. The manufacturing sector remains particularly hard hit, shedding another 5.5 percent, or almost 1 million jobs in 2002 and the transportation sector is still struggling to recover from the effects of the national slowdown and post-9/11 safety issues. Consumers no doubt were also concerned about the extremely volatile geo-political situation, with worries about the likelihood of war in the Middle East and the situation in North Korea. All of this did not make for a cheery holiday shopper. Most analysts estimate that GDP growth in the fourth quarter may have stalled.

Despite the sour note on which 2002 ended, there are still indications that growth, albeit quite modest, will return in 2003. Leading indicators have turned up in recent months, the housing market continues to benefit from low mortgage rates, and business confidence and investment have picked up in some key areas. As a result, real GDP is forecast to grow at an annual rate of just over three percent in the first two quarters of 2003 before picking up to 4½ percent in the latter part of the year and through 2004. Since the relative shallowness of the current recession does not bring about the pent-up consumer demand usually associated with the initial stages of a recovery, most economists are not forecasting the rapid acceleration typical of most earlier recoveries.

The economic recovery is predicated on sustained consumer spending, which is forecast to grow at 2.7 percent in 2003 and 4.1 percent in 2004. Although consumers are showing signs of fatigue, the federal stimulus package, once enacted, is expected to give consumers a needed boost, mainly in the latter part of 2003 and the following year. This boost will be vital to consumers given that the situation on the employment front is not expected to quickly improve. In fact, almost all the near-term gain in output comes from existing workers through productivity gains, rather than increases in employment. Total payroll employment is forecast to grow only 0.8 percent in 2003, with most of this growth coming later in the year.

The nation is not expected to surge out of recession with strong GDP growth in 2003. Instead, GDP grows at a moderate and close to trend rate.

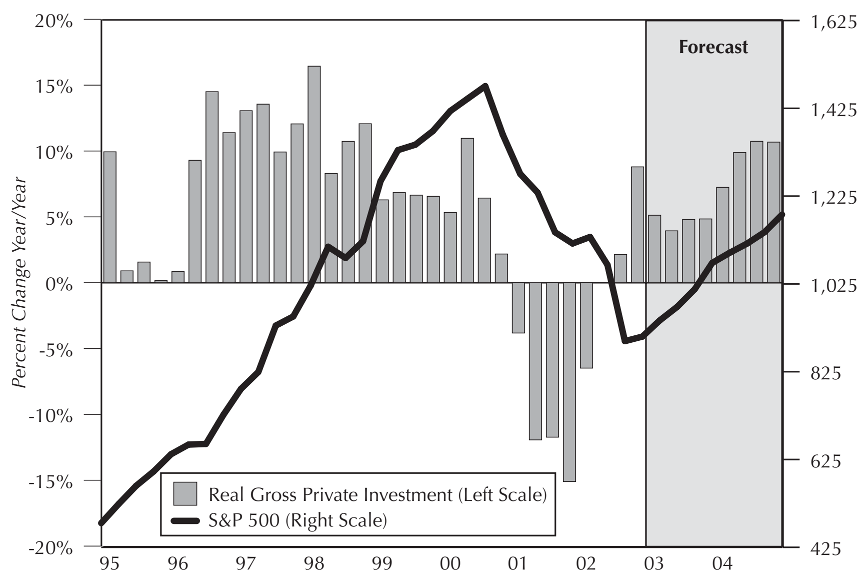


After two years of sharp declines, investment spending is also forecast to improve, increasing by five percent and 10½ percent, respectively, in 2003 and 2004. The turnaround in investment spending coincides with the return to profitability of corporate earnings, which are forecast to grow on average by 15 percent in 2003-2004, and a rebound in the S&P 500 after three years of declines.

In the out years, GDP resumes at trend growth of about 3½ percent per year, close to the forecast for consumption spending, the largest component of GDP. Investment spending grows at an average of about eight percent per year, in line with the historical average. The S&P 500 is also expected to increase at a rate of about eight percent per year, after the correction of 2000-2002. This overall modest economic outlook combined with continued strong productivity gains implies employment growth of only 1½ percent per year from 2004 through 2007. Excluding any oil price shocks, this forecast assumes that overall inflation remains tame at about 2-2½ percent.

The usual uncertainties associated with any forecast are particularly germane at this time. The geo-political situation is extremely cloudy, and the current forecast incorporates only the effects of a short and successful war in the Middle East. A different outcome poses a significant risk. On the economic front, there is much concern that the employment situation could deteriorate, dealing a serious blow to wary consumers.

Investment spending improves in 2003 after two years of declines, coinciding with a rebound in the S&P 500.



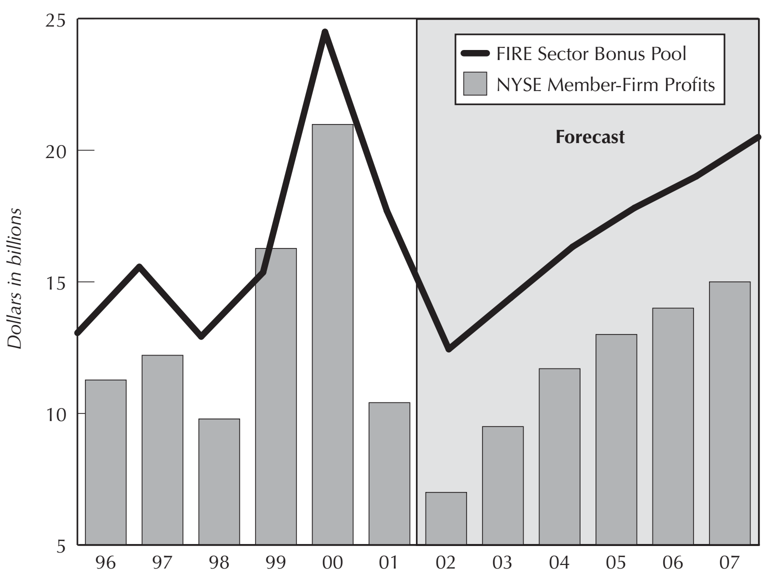
The New York City Economy

New York City's recoveries from recessions have historically lagged the nation, and the City's rebound from the current slowdown is not expected to be any different. As explained in the previous section, the nation's economy is forecast to turn around slowly at first but gains momentum in 2003 after two years of below average growth. The City's recovery, however, is not expected until late 2003.

The peak of the last economic cycle for the City was at the end of 2000. Since then the City has lost approximately 150,000 jobs. Close to 40,000 jobs were lost before September 11 with the fallout from the dot-com crash and the slowdown in the U.S., which began in the spring of 2001. In the three months immediately following the attack it was estimated that over 70,000 jobs were lost. Since January 2002 the City has lost another 40,000 jobs.

As the employment situation deteriorated wages have also fallen drastically. According to recently released wage data, the past two years were even worse than previously thought. The City's FIRE sector bonus pool is estimated to have fallen 28 percent in 2001[1], reflecting a drop in New York Stock Exchange (NYSE) member-firm profits from $21 billion in 2000 to $10.4 billion in 2001. For 2002, falling revenues (down by nearly 25 percent for the year on average from an already dismal year in 2001) caused by widespread sell-offs, little interest in the market, and the cost of settling conflict of interest charges has sent profits down further, to an estimated $7 billion[2]. Even this poor result was only achieved with the help of significantly lower interest costs and by slashing compensation costs through both job and bonus cutbacks. The FIRE sector bonus pool is expected to fall another 30 percent for 2002.

NYSE member-firm profits fall in 2002 cutting the FIRE sector bonus pool. Although profits and bonuses improve in 2003 and the out years, they do not reach the level seen in 2000.



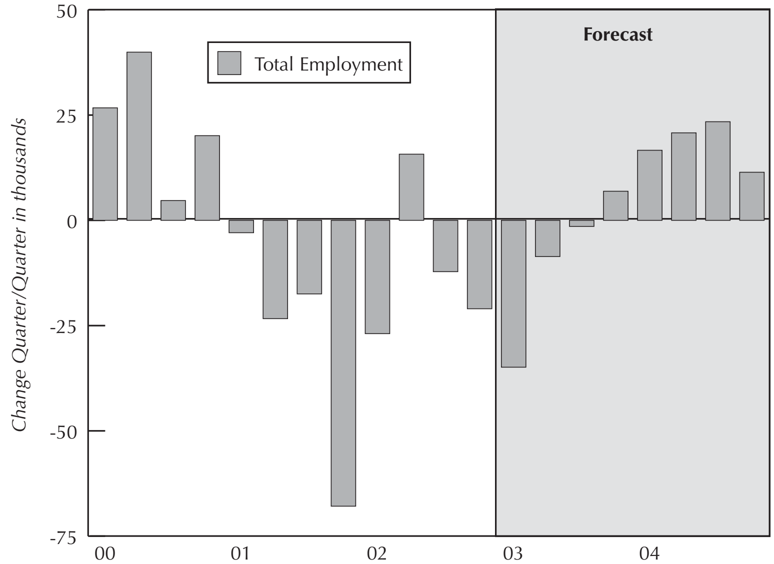
As a result of the bonus losses, FIRE sector wages fell by over 10 percent in calendar year 2002. The prospects for 2003 are better, with minor improvements on Wall Street lifting profits to $9.5 billion and the bonus pool rising by 16 percent. From 2004-2007 Wall Street profits are expected to grow by about 10 percent each year, reaching $15 billion in 2007, still well below the record levels of 1999 and 2000. Private non-FIRE wages (average employee wage) rise only 2.2 percent in 2002 and 2.6 percent in 2003, in line with the inflation

1) *The 2001 bonus pool as calculated by OMB consists of the total bonuses paid to FIRE sector employees over the fourth quarter of 2001 and the first quarter of 2002.*

2) *At time of publication, firms had not yet reported their fourth quarter profits. Through the first three quarters NYSE member firms earned $5.9 billion. The 2002 profit estimate includes an approximate $900 million settlement charge taken by firms in the fourth quarter.*

forecast, resulting in essentially no real wage growth. Non-FIRE wage growth picks up to average 4.0 percent from 2004-2007, slightly above the 2.5 percent rate of inflation.

The City is not expected to see job growth until the fourth quarter of 2003.



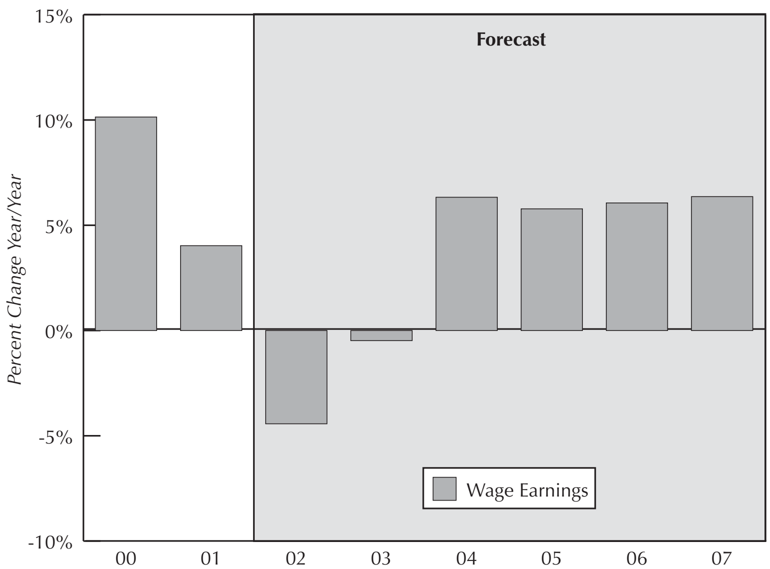
As mentioned, Wall Street has been actively reducing payrolls to compensate for the fall-off in their revenue. After eliminating approximately 4,000 jobs in 2001, the FIRE sector cut 26,000 more jobs in 2002, 15,000 of which came from the securities sector. The FIRE sector alone accounted for nearly one-third of the private sector job losses in 2002, estimated at nearly 88,000. Another 24,000 jobs left business services, most likely a direct result of the securities losses. All the other service sectors combined added 2,000 jobs as the non-cyclical sub-sectors--medical, educational and social services--all posted gains. Trade and TCPU (transportation, communications, and public utilities) were both hit hard in 2002, as a combination of weak local consumption and plummeting tourism resulted in a loss of 9,000 and 14,000 jobs, respectively. The goods-producing sectors of the economy--construction and manufacturing--also contracted. Manufacturing shed 13,000 jobs, and construction shrank by 3,000 jobs despite a relatively healthy housing market.

Job growth in the City is not expected to begin until the fourth quarter of 2003, lagging the U.S. by three quarters, and even then growth is projected to be anemic. On an annual basis, the private sector loses 42,000 jobs in 2003 before rebounding, adding 49,000 jobs in 2004 and then roughly 40,000 jobs per year in the out years. Government contracts by 16,000 jobs in 2003, leaving total employment down 58,000 jobs.

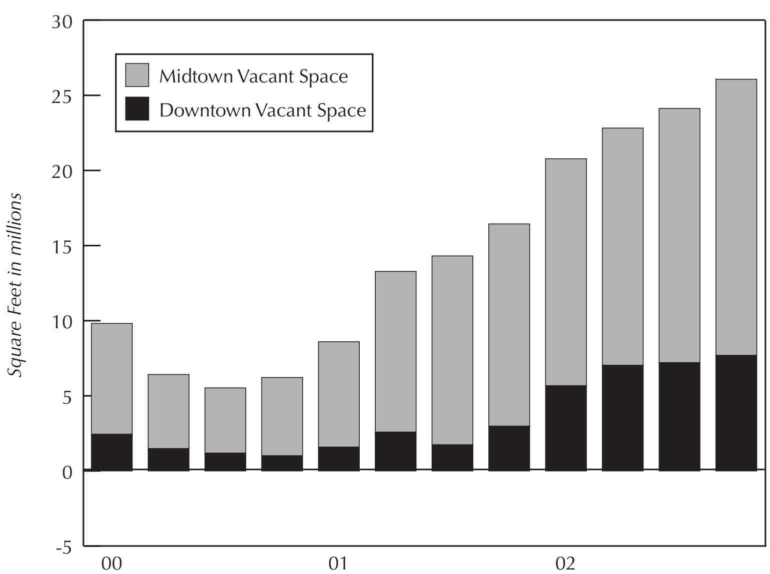
Most of the private sector losses in 2003 are forecast for the FIRE and manufacturing sectors. The FIRE sector continues to suffer from a battered Wall Street, with 7,000 more securities jobs and 3,000 more banking jobs cut. Manufacturing sheds another 10,000 jobs. As a result, services and trade are expected to lose 9,000 and 7,000 jobs, respectively. Construction declines by 4,000 jobs in 2003 and TCPU falls by 1,000. By 2004, a stable FIRE sector allows the rest of the economy to grow and services average 30,000 new jobs a year, with trade adding 8,000 jobs a year.

The substantial job losses, combined with lower bonuses and weakness on Wall Street, result in a total wage earnings decline of 4.4 percent, or close to $5 billion, in 2002. Total wage earnings drop another 0.5 percent in 2003. It is not until 2004 that

Wage earnings fall in 2003 for the second consecutive year.



Vacant office space has risen dramatically in the past two years.



wage earnings begin to rebound, up over six percent, and maintain the same strength during the rest of the forecast period.

It is of little surprise, given the weak labor market and Wall Street's performance, that conditions in the City's commercial real estate market have significantly deteriorated. By the end of 2002, there were nearly 26 million square feet of primary office space available on the market, compared to 16 million square feet at the start of the year. The primary market vacancy rate (annual average) almost doubled from 5.8 percent in 2001 to 10.4 percent in 2002 with much of the weakness Downtown. Vacancy rates Downtown averaged 15 percent in 2002 and are not expected to recover from the devastation experienced on September 11, for quite some time. Midtown's decline has been less severe, with vacancy rates averaging 9.3 percent for the year. With so much vacant space available for lease, landlords have been forced to lower rents considerably. Primary market rents have fallen to $52.77 on average in 2002, nearly 10 percent below the 2001 level. The secondary market, the once celebrated home of the dot-com, loosened further in 2002 with vacancy rates climbing to almost 14 percent and asking rents down nearly nine percent.

With additional job losses anticipated, both the Downtown and Midtown primary office markets are expected to worsen in 2003. Vacancy rates Downtown climb to above 20 percent in 2003 and asking rents fall another 11 percent to $39 per square foot[3]. Eventually the much lower effective rents and employment growth lead to a slight improvement in 2004. As for Midtown, vacancy rates hit over 11 percent in 2003 with asking rents down another 11 percent to $49 per square foot. Vacancy rates stabilize at 8.5 percent in 2004-2007 even with the addition of approximately eight million square feet of inventory coming

3) *Office market data are compiled using statistics published by Cushman & Wakefield. Asking rents do not necessarily reflect the actual deal rents. Also the effective rent, including tax incentives and landlord givebacks, especially in Downtown could be considerably lower.*

on line because of an expected employment recovery. Following conditions in the primary market, vacancy rates in the secondary market stabilize at around 13 percent on average with asking rents in the high $30 per square foot range for the forecast period.

While current conditions are certainly not robust, there is a markedly different atmosphere today in the City's office market, than in the early 1990s. Plagued by the loss of over 350,000 jobs, concurrent with the addition of substantial speculative building, the market tanked in the early 1990s. Primary market vacancy rates soared to nearly 20 percent and it was not until 1997 that the City's real estate market began to turn around. With only a relatively small amount of new inventory, much of which is already assumed pre-leased[4], and only half as many job losses expected, the City is expected to get through this current downturn without the same office market decline.

4) Over the plan period there are approximately nine million square feet of new primary inventory. With the exception of World Trade Center 7, the World Trade Center rebuilding is not expected to be completed until after 2007, beyond the scope of this forecast.

Financial Plan 2003-2007 Forecast
Forecasts of Selected United States and New York City Economic Indicators
Calendar Years 2002-2007

	2002	2003	2004	2005	2006	2007	1970-2000*
NATIONAL ECONOMY							
Real GDP							
Billions of 1996 Dollars	9,435	9,707	10,142	10,516	10,873	11,203	
Percent Change	2.4	2.9	4.5	3.7	3.4	3.0	3.2
Non-Agricultural Employment							
Millions of Jobs	130.8	131.9	135.1	137.7	139.5	141.0	
Change from Previous Year	-1.1	1.0	3.3	2.6	1.7	1.5	
Percent Change	-0.8	0.8	2.5	1.9	1.2	1.1	2.1
Consumer Price Index							
All Urban (1982-84=100)	179.9	184.1	188.7	193.2	197.3	201.5	
Percent Change	1.6	2.3	2.5	2.4	2.2	2.1	5.1
Wage Rate							
Dollars Per Year	38,375	39,825	41,610	43,397	45,064	46,769	
Percent Change	2.3	3.8	4.5	4.3	3.8	3.8	5.3
Personal Income							
Billions of Dollars	8,944	9,362	9,956	10,550	11,131	11,705	
Percent Change	3.0	4.7	6.4	6.0	5.5	5.2	7.9
Before-tax Corporate Profits							
Billions of Dollars	654	736	868	851	841	875	
Percent Change	-2.4	12.6	17.8	-1.9	-1.2	4.0	8.2
Unemployment Rate							
Percent	5.8	5.9	5.3	5.0	5.1	5.1	6.3 (avg)
10-Year Treasury Bond Rate							
Percent	4.6	5.2	6.5	6.7	6.7	6.5	8.2 (avg)
Federal Funds Rate							
Percent	1.7	1.7	3.3	4.2	4.9	5.0	7.4 (avg)
NEW YORK CITY ECONOMY							
Real Gross City Product**							
Billions of 1996 Dollars	408	399	414	426	444	462	
Percent Change	-4.7	-2.2	3.7	3.0	4.1	4.1	3.0
Non-Agricultural Employment							
Thousands of Jobs	3,611	3,553	3,602	3,641	3,683	3,720	
Change from Previous Year	-91.2	-57.6	49.1	38.8	41.4	37.3	
Percent Change	-2.5	-1.6	1.4	1.1	1.1	1.0	-0.2
Consumer Price Index							
All Urban NY-NJ Area							
(1982-84=100)	192.2	196.8	202.0	207.3	212.5	217.9	
Percent Change	2.7	2.4	2.6	2.6	2.5	2.5	5.1
Wage Rate							
Dollars Per Year	59,567	59,920	62,870	65,909	69,170	72,782	
Percent Change	-1.9	0.6	4.9	4.8	4.9	5.2	6.5
Personal Income							
Billions of Dollars	310	315	331	347	366	389	
Percent Change	-0.9	1.3	5.4	4.8	5.4	6.2	7.0
NEW YORK CITY REAL ESTATE MARKET							
Manhattan Primary Office Market							
Asking Rental Rate***							
Dollars Per Sq Ft	52.77	46.46	44.78	45.57	46.61	47.35	
Percent Change	-10.3	-12.0	-3.6	1.8	2.3	1.6	N.A
Vacancy Rate***							
Percent	10.4	12.8	11.3	10.4	9.8	9.2	N.A

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

Tax Revenue Forecast

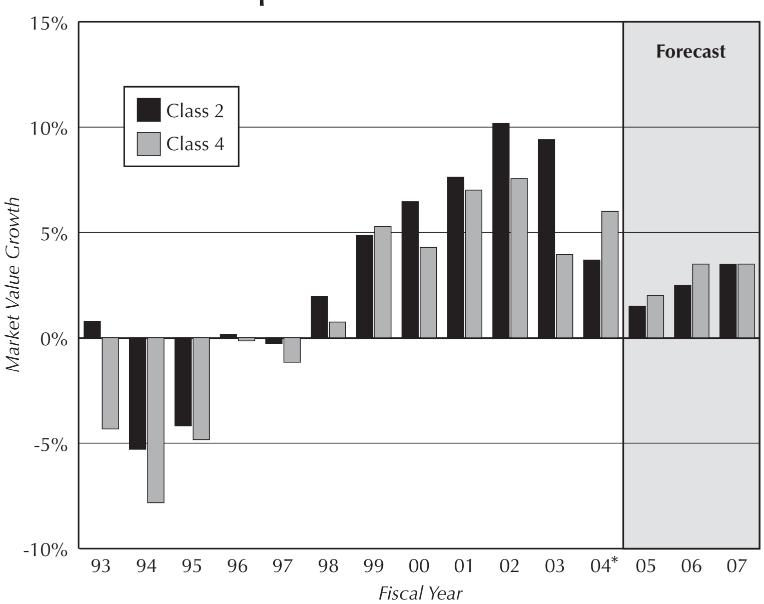
Real Property Tax

With the tax increase effective January 1, 2003, the real property tax is estimated at $9,926 million for 2003, an increase of 14.8 percent from the prior year. The average tax rate was $10.366 for the first half of 2003 and it was raised to $12.283 for the second half of 2003 and the remainder of the plan period. For 2004 the property tax is expected to yield $11,167 million, growth of 12.5 percent over 2003. The forecast for 2003 has been raised from the estimate made for the November 25, 2002 Tax Fixing Resolution by $18 million. Refunds are projected to be lower, but this saving is offset by reduced estimates for lien sale proceeds and an increase in uncollectibles.

The property tax forecast for 2004 is based on the tentative roll which was released by the Department of Finance on January 15, 2003. The total billable assessed value (AV) on the tentative roll (after accounting for the veterans and STAR exemptions) grew by $6 billion or 6.3 percent over 2003 to $100.5 billion. This is expected to be reduced by $1.2 billion on the final roll, which is released in May, as a result of Tax Commission actions, Department of Finance changes by notice and completion of exemption processing. Billable AV on the final roll is expected to increase by 5.0 percent. With the annualization of the January 1, 2003 rate increase, the levy is forecast to increase by $1.5 billion over 2003, an increase of 13.9 percent.

The billable AV increases reflect the pipeline* of assessed value growth from prior years as well as the latest increase in market value. For 2004, the tentative roll reflected 9.0 percent increase in market value, following last year's 9.6 percent increase. Market value growth is forecast to further drop to 2.2 percent in 2005 before gradually rising to a three percent annual rate of increase in the outyears. Although market value growth is slowing, the pipeline is still substantial, and as seen in the chart on the following page, will help sustain average billable AV growth of 3.7 percent from 2005 through 2007.

Increasing Costs and the National and Local Recessions Dampen Market Value Growth in 2005



* Based on the tentative roll released on January 15, 2003.

Class 1 properties (one-, two- and three-family homes) saw a 13.6 percent market value growth on the tentative roll, the largest increase for any tax class this year and close to last year's growth of 13.5 percent. The operation of the real property tax law (S7000 A) limits the billable assessment increases for Class 1 properties to no more than six percent annually and 20 percent over five years. Due to this limitation, the billable assessed value of Class 1

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

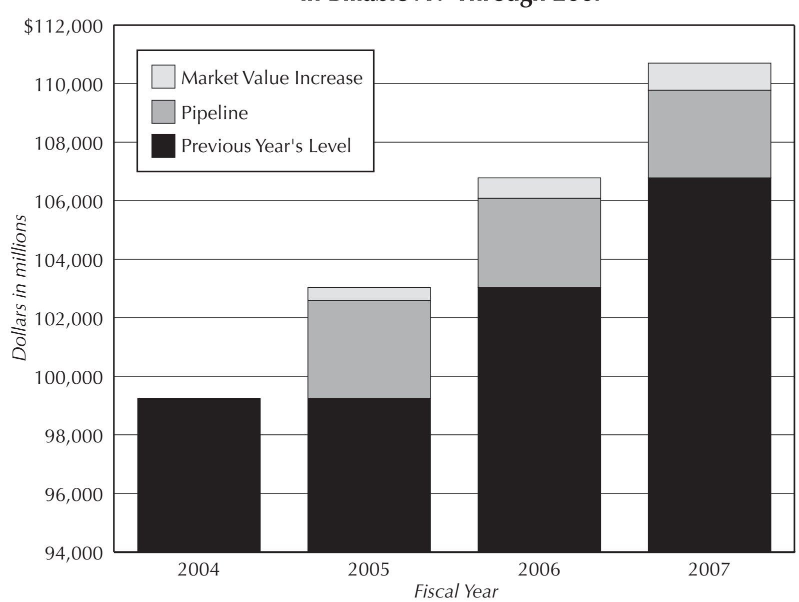
properties on the 2003 tentative roll showed growth of only 5.4 percent over 2003. The final roll billable assessed value is expected to increase by only 4.0 percent. Class 1 billable assessed value growth is expected to slow to an average of 3.0 percent per year from 2005 through 2007.

Class 2 properties (apartments, condominiums and cooperatives) saw a 3.7 percent market value growth on the tentative roll. This increase is due mainly to market value strength in rental properties and condominiums in Manhattan, while Class 2 properties in other boroughs saw either flat growth or declines in market value. On last year's tentative roll, all boroughs experienced 5 to 11 percent market value growth. With a substantial pipeline built in the previous four years, the billable assessed value on the 2004 tentative roll still grew by 7.4 percent. The billable assessed value on the final roll is expected to show growth of 6.2 percent. Increasing insurance and fuel costs and the limited ability of landlords to pass on any cost increases to tenants are expected to suppress net operating income and consequently the market value growth for Class 2 rental properties going forward. As a result, market value growth is forecast to slow to 1.5 percent in 2005 before rebounding moderately to 2.5 percent and 3.5 percent in 2006 and 2007, respectively. Billable assessed value, again sustained by the pipeline, is expected to average growth of 4.2 percent from 2005 through 2007.

Class 3 properties (utilities) saw billable assessed value growth of 1.3 percent, with a market value growth of 1.2 percent over the previous year on the 2004 tentative roll. No reduction from the tentative roll to the final roll is expected for Class 3 properties. Class 3 billable assessed value is expected to grow an average of 1.4 percent in 2005 through 2007.

Class 4 properties (office and commercial space) saw market value growth of 6.0 percent on the tentative roll, exceeding the 4.4 percent market value growth seen on last year's tentative roll (4.0 percent on the final roll). Office buildings saw 5.6 percent market value growth compared to a 7.1 percent increase last year, while hotels reversed last year's 14.4 percent decline with a 9.9 percent increase. The strong market value growth this year, and the considerable pipeline built in the previous five years, lead to strong billable assessed value growth on the 2004 tentative roll of 6.7 percent. With an estimated tentative-to-final roll reduction of $747 million, the billable assessed value on the final roll is expected to be $46 billion, 5.0 percent growth over the previous year. As vacancy rates and asking rents for both primary and secondary office

The Pipeline Will Fuel Most of the Growth in Billable AV Through 2007



space deteriorate as a result of national and local recessions, market value growth is anticipated to slow to 2.0 percent in 2005 and rebound moderately to 3.5 percent in 2006 and 2007. Class 4 billable assessed value is forecast to grow an average of 3.9 percent from 2005 through 2007.

Real Property Transfer & Mortgage Recording Taxes

Revenue from the real property transfer tax for 2003 is forecast at $464 million, an increase of $14 million over the November Plan. The mortgage recording tax forecast for 2003 has been increased by $33 million to $448 million. This represents real property transfer tax collections growth of 9.1 percent over 2002 levels, while collections from the mortgage recording tax are expected to decline 6.1 percent.

Residential real estate market activity has continued to be strong through December. Real property transfer tax collections from residential real estate activity are now forecast at $282 million in 2003, an increase of $6 million from the November Plan, while mortgage recording tax collections from residential real estate activity are now forecast at $297 million in 2003, an increase of $29 million from the November Plan.

Despite higher vacancy rates and declining asking rents for commercial properties, collections from transactions involving commercial properties have been robust so far this year, a result of several sales of large 'trophy' office towers as well as stability in the underlying base. The 2003 forecast for the real property transfer tax from commercial transactions has been increased $8 million from the November Plan, to $182 million, representing a 24.3 percent increase over 2002 levels. Collections from commercial mortgage recordings are now forecast at $151 million in 2003, a $4 million increase over the November Plan.

Overall, the residential and commercial forecasts for the real property transfer and mortgage recording taxes recognize strong collections year-to-date. However, revenue growth is expected to fall off in the third and fourth quarters, as increasing office vacancies take their toll on the commercial sector and job losses and bonus cutbacks diminish activity in the residential market.

The full impact of this weakness is expected in 2004. Real property transfer tax collections are forecast to decline 9.1 percent to $422 million in 2004, before increasing an average 7.6 percent a year in 2005 to 2007, while mortgage recording tax collections are estimated to decline 13.4 percent to $388 million before growth returns and averages 7.1 percent a year from 2005 to 2007. Loophole closing measures for the real estate transaction taxes as well as additional State reimbursement for administering the taxes will account for $8 million of the forecast revenue in 2004.

Commercial Rent Tax

Commercial rent tax revenue is forecast at $398 million for 2003, an increase of $18 million from the November Plan and growth of 4.8 percent over 2002. Revenue for 2004 is estimated at $413 million, an increase of $24 million over the November

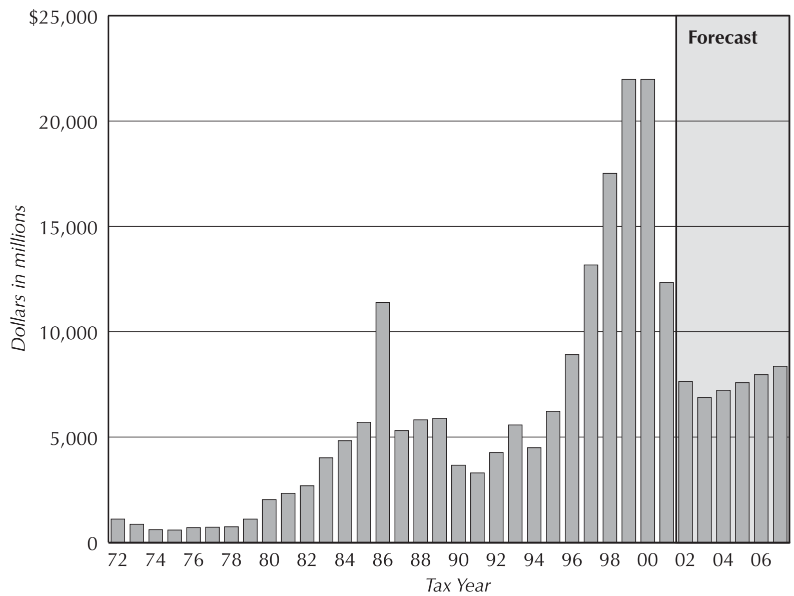
Plan, 3.8 percent growth from 2003.

The projected increase in the 2003 commercial rent tax reflects strength in collections through December and an anticipated increase in collections for the second half of the year due to the pass through to tenants of the recent property tax rate increase. Although vacancy rates are forecast to increase by 0.9 percent in 2004 and asking rents are projected to decline by 5.5 percent, commercial rent tax collections are forecast to increase an average of 3.3 percent from 2005 through 2007, due to the rent escalator clauses built into leases for space already rented.

Personal Income Tax

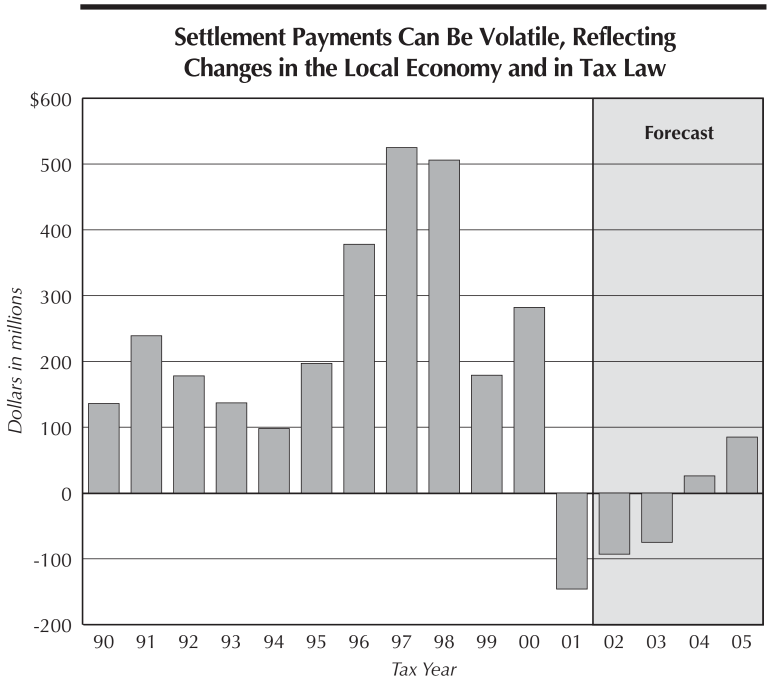
The personal income tax forecast, before changes due to Transitional Finance Authority (TFA) retention, has been lowered by $93 million in 2003 and by $206 million in 2004 from the November Plan levels. Collections, before TFA retention, are now forecast to be flat in 2003 and to rise 3.2 percent in 2004. Tax receipts retained by the TFA for debt service reduce personal income tax collections by $560 million in 2003 and $809 million in 2004.

Capital Gains Continue to Decline Reflecting Weakness in the Equity Markets



Since tax collections peaked in 2001, the national recession, the bear market on Wall Street and the shock of 9/11 have severely reduced the income subject to the personal income tax. For tax year 2001, NYSE member-firm profits fell to $10.4 billion after reaching $21.0 billion the prior year, leading to a bonus cutback of 28 percent. The stock market decline also took its toll on capital gains realizations which are estimated to have fallen 44 percent in tax year 2001. Tax year 2002 showed further deterioration, with NYSE member-firm profits dropping to an estimated $7 billion, leading to another 30 percent bonus cut and a further 38 percent drop in capital gains realizations. As a result, personal income tax receipts are forecast to decline by 5.6 percent (common rate and base) this fiscal year after falling 14.9 percent (common rate and base) in 2002.

Withholding, reflecting an increase in withholding rates effective June 1, 2002, is forecast to increase 2.5 percent in fiscal year 2003. On a common rate and base, withholding collections are down nearly one percent for 2003. Estimated payments, no doubt reflecting the stock market's decline, are now forecast to decline by almost 12 percent for the year. This April, the settlement on tax year 2002 liability (the net of final returns, refunds, extensions and City/State offsets) is expected to be negative, like last year, with refunds exceeding remittances by $93 million. As seen in the chart, the



settlement has been positive until the filing for tax year 2001. In that year, the delayed implementation of the withholding table change reflecting the partial repeal of the 14 percent additional tax accounted for over $100 million of the negative settlement. For the settlement on tax year 2002 liability, it is estimated that there will be a positive impact of $80 million from the delayed implementation of the withholding table for the re-institution of the full 14 percent additional tax on June 1, 2002. The settlement is still expected to be negative due to the diminished levels of capital gains realizations.

Liability for tax year 2002 is forecast to decline 5.7 percent (8.2 percent on a common rate and base) after dropping 14.5 percent for tax year 2001. With job losses ending and bonuses improving, along with the modest improvement expected in tax year 2003 securities industry profits, 2003 liability is forecast to increase 1.8 percent, lifting growth on fiscal year 2004 collections to 3.2 percent (before TFA retention). Stronger and more sustained improvement in the national and local economies thereafter boosts personal income tax revenue growth to more typical annual rates of increase, averaging 6.9 percent, in 2005 though 2007 (before TFA retention and the impact of the tax reform proposal).

Business Income Taxes

The forecast for business income tax collections (general corporation, banking corporation and unincorporated business taxes) has been reduced by $172 million in 2003 from the November Plan level. Collections are now expected to decline 10.0 percent from last year's level, which itself was 18.1 percent lower than 2001.

For 2004, the forecast has been reduced by $258 million from the November Plan level. Still, collections are forecast to increase by 10.1 percent, reflecting improving corporate profits nationally, higher profitability on Wall Street and a decline in refund payouts.

Through December, business tax collections have declined 15.6 percent from the prior year. General corporation tax collections are down 8.2 percent year-to-date reflecting weak securities industry profits in calendar year 2002, as well as a decline in national corporate profits. The forecast for NYSE member-firm profits for calendar year 2002 is now $7.0 billion, the lowest level since 1994, leading to a forecast decline in FIRE sector liability in tax year 2002 of 16.6 percent. Non-FIRE corporate tax liability for tax year 2002 is also down, by an estimated 7.6 percent, a result of continued weak national corporate profits. Overall, general corporation tax revenue is forecast to decline 11.8 percent in 2003.

Year-to-date banking corporation tax collections are down 49.0 percent from the same prior year period, partly due to a significant increase in refunds. In calendar year 2002, earnings at clearinghouse banks were hampered by mounting non-performing loans, the slump in investment banking revenues, as well as a steep decline in trading revenue, lowering liability and tax collections. Payments from other banks are also suppressed as a result of lower liability as well as the use of overpayments from prior years. Banking corporation tax collections are forecast to remain weak in the second half of the year, leading to a forecast decline of 29.9 percent in 2003.

Year-to-date, unincorporated business tax collections are down 9.1 percent from the level seen for the same period of last year. This decline is due to a sharp increase in refunds, as gross collections have increased slightly from the prior year period. While falling NYSE member-firm profits have also resulted in lower liability for unincorporated FIRE sector firms, the relative stability of many of the City's service sectors has offset this decline to some extent. Collections are forecast to increase somewhat from the prior year in the remaining quarters, leading to forecast growth of 1.1 percent for 2003.

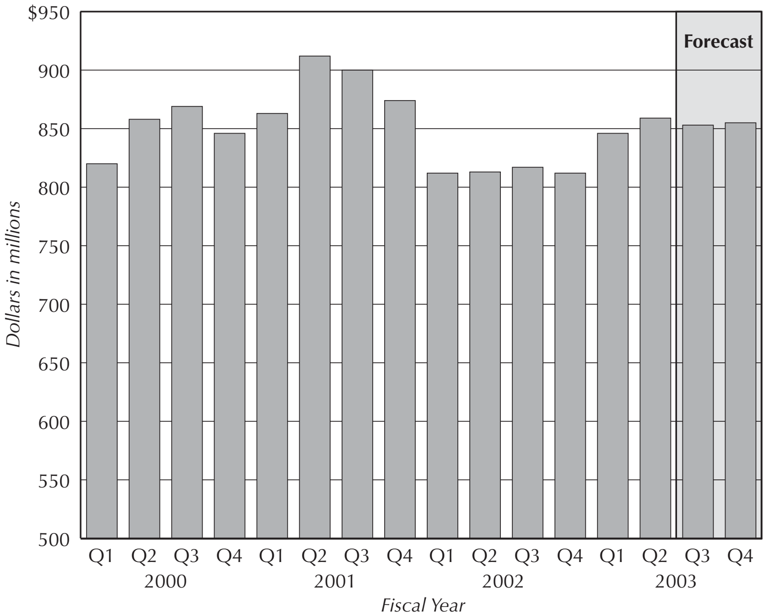
In 2004, business income tax collections are forecast to increase 10.1 percent from the prior year, reflecting a projected increase of 12.6 percent in national corporate profits in calendar year 2003, an increase in securities industry profits to $9.5 billion and a reduced level of overpayments after large refund payouts in 2003. The general corporation tax is forecast to increase 8.6 percent; the banking corporation tax is forecast to increase 31.4 percent; and the unincorporated business tax is forecast to increase 6.2 percent. Business income tax collections are forecast to grow an average of 9.4 percent in 2005 through 2007, coinciding with the continuing recovery in the national and the local economies. Included in the business tax forecast for 2004 and for 2005 to 2007 are $12 million and $13 million respectively, for proposals requiring legislative action to increase the rate of interest on underpayments and to close a loophole concerning REIT taxation.

Sales & Use Tax

The sales tax forecast is increased by $24 million in 2003 and by $26 million in 2004 from the November Plan levels. Sales tax revenue is forecast to grow 4.4 percent in 2003 and 2.6 percent in 2004, after plummeting 8.2 percent in 2002. Growth on a common rate and base is forecast at 4.5 percent in 2003 and 3.3 percent in 2004.

Buoyed by historic employment gains, record profits on Wall Street and a strong emerging local tourism industry, sales tax revenue growth averaged 8.2 percent from 1997 through 2001 (common rate and base). By 2002, the national recession and the impact of the 9/11 terrorist attack combined to drastically reduce sales tax revenues.

With Two Quarters of Collections Available, It Appears that Sales Have Rebounded from the Post 9/11 Lows



Following 9/11 visitor spending fell, as hotel occupancy and room rates plummeted. Sales activity in lower Manhattan was severely hampered, especially in the months immediately following the attack, as the area was nearly inaccessible. In 2002, sales tax revenue fell 7.4 percent (common rate and base), a revenue decline that exceeded those seen in the severe local recession of the early 1990s.

In 2003, sales tax revenue is forecast to rebound moderately with consumption in the City recovering from the suppressed levels of the prior year. The hotel and tourism industry is benefiting as occupancy rates recover nearly to pre-9/11 levels, although a fall-off in foreign tourists and business travelers has left hoteliers with a loss of pricing power and low room rates. Collections year-to-date through December have increased 5.9 percent over the same prior year period and indicate a recovery from the suppressed levels seen in the prior year. However, the first quarter was lifted an estimated $50 million as the result of two changes in the administration of the tax pertaining to the Prompt Tax Program and a lowering of the EFT filing threshold. After adjusting for these changes, an analysis of the first two quarters suggests a small positive forecast change for the remaining quarters of 2003. Growth in wage earnings and the continued recovery within the hotel and tourism industry in 2004 lift sales tax revenue. These trends carry forward and account for the average sales tax revenue growth of 5.3 percent expected over years 2005 through 2007.

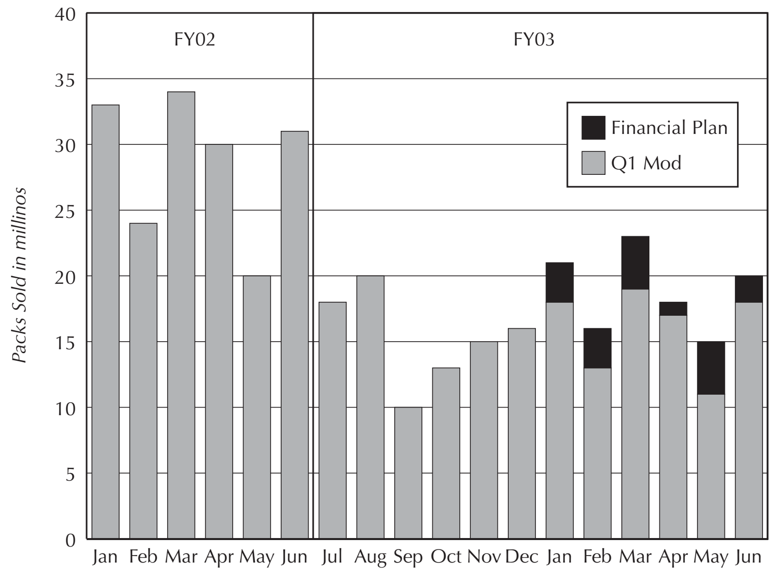
The impact of utility deregulation continues to re-shape the sales tax base. Prior to November 1, 2000, the portion of the Con Ed electric load available for competitive retail access was set by PSG agreement. On November 1, 2000, 100 percent of the Con Ed electric load was made available to competition. Estimates of the participation in competitive retail access continue to be revised. In recent modifications, these estimates have been trending downwards thereby reducing estimated losses. In 2003, the impact of energy deregulation and State utility reform legislation is estimated to reduce revenues by approximately $9 million. By 2004, the impact of energy deregulation and State utility reform legislation is estimated to reduce revenues by $12 million compared to the November Plan forecast of $38 million.

All Other Taxes

The forecast for all other taxes is $719.8 million in 2003, an increase of $21.2 million from the November Plan level of $698.6 million. Other tax revenue for 2004 is estimated at $721.7 million.

Cigarette tax revenue for 2003 is forecast at $142 million, an increase of $9 million over the November Plan. In the second quarter, cigarette sales have been slightly higher than seen in the first quarter. Annual cigarette sales based on the second quarter's data indicate an annual decline in cigarette tax revenues of 55 percent in 2003, instead of the 60 percent decline projected in the November Plan. The forecast reflects a distribution to New York State to hold the State budget harmless for the projected decline in State cigarette and sales tax revenue resulting from the City tax increase. The City raised the cigarette tax from $0.08 to $1.50 per 20 cigarettes, effective July 2, 2002. Revenue for 2004 is now forecast at $120 million, a decline of 15.5 percent from the 2003 level. From 2005 through 2007 cigarette tax collections are projected to fall an average of 2.6 percent a year.

Cigarette Sales Have Increased During The Second Quarter. Cigarette Sales For The Year Are Now Expected To Fall 55% Instead Of 60%.



Hotel tax revenues are forecast at $206 million in 2003, unchanged from the November Plan. Hotel occupancy has returned to near pre-9/11 levels, however hotel room rates, while recovering somewhat over last year's levels, remain weak. Business travel and foreign tourism remain weak, yet overnight visits from domestic tourists are up. The combined effect has impeded hoteliers' ability to raise prices, despite occupancy rate improvements. Revenue for 2004 is estimated at $227 million, unchanged from the November Plan level. The hotel tax is projected to grow 7.4 percent from 2005 through 2007 as the national recovery quickens and foreign tourism recovers.

In 2003, Payments in Lieu of Taxes (PILOTs) are forecast at $144.6 million, an increase of $15.7 million from the November Plan. The increase results primarily from the revision to the PILOT payment estimates by the Battery Park City Authority and the Industrial Development Agency due to the half-year impact of the property tax increase. In 2004, PILOTs are forecast at $143.8 million, an increase of $28.5 million from the November Plan. The increase results primarily from the revision to the PILOT payment estimates by the Battery Park City Authority and the Industrial Development Agency due to the full-year impact of the property tax increase. The utility tax is forecast at $282 million for 2003, an increase of $24 million from the November Plan levels, reflecting higher heating oil and electric prices. For 2004, utility tax revenue is forecast at $271 million, a decline of 3.9 percent over 2003.

Tax Enforcement Revenue

Tax audit revenue is forecast at $501.6 million in 2003, an increase of $16.2 million over 2002. As a part of the City's program to reduce the projected budget gap, the Department of Finance will rigorously pursue delinquent taxpayers through agency audit activities and computer matches. Audit revenue is forecast at $522 million in 2004. Included in this forecast is $20 million of revenue from an amnesty program for outstanding business taxes that are more than three years delinquent.

Tax Revenue Forecast
($ in Millions)

			Fiscal Year		
	2003	*2004*	*2005*	*2006*	*2007*
Real Estate Related Taxes:					
Real Property	$9,926	$11,167	$11,583	$12,006	$12,459
Commercial Rent	398	413	425	435	455
Mortgage Recording *	448	388	418	441	476
Real Property Transfer *	464	422	455	485	526
Income Based Taxes:					
Personal Income (PIT)					
Total PIT	4,507	4,652	5,006	5,366	5,678
Less: TFA Retention	(560)	(809)	(1,024)	(1,010)	(1,013)
PIT - General Fund	3,947	3,843	3,982	4,356	4,665
General Corporation *	1,173	1,274	1,454	1,574	1,649
Banking Corporation *	224	295	369	440	473
Unincorporated Business *	799	849	921	980	1,042
Consumption and Use Taxes:					
Sales and Use **	3,509	3,601	3,810	3,989	4,198
Utility	282	271	279	280	285
All Other	720	722	748	769	781
Subtotal	21,890	23,244	24,444	25,755	27,009
Tax Audit Revenue *	502	522	502	502	502
Total Baseline	**$22,392**	**$23,766**	**$24,946**	**$26,257**	**$27,511**
Tax Initiative (PIT)	—	962	658	159	—
STAR Aid	659	658	680	715	736
Total ***	**$23,051**	**$25,386**	**$26,284**	**$27,131**	**$28,247**

* *Includes State actions.*
** *Includes amount for MAC debt service of $722 million in 2003, $23 million in 2004, $490 million in 2005, $492 million in 2006, and $494 million in 2007.*
*** *Totals may not add due to rounding.*

Tax Revenue Forecast
All Other Taxes
($ in Millions)

	Fiscal Year 2003	2004	2005	2006	2007
Hotel Tax	$206.0	$227.0	$251.0	$269.0	$281.0
Excise Taxes:					
Cigarette	142.0	120.0	117.0	114.0	111.0
Horse Race Admissions	0.1	0.1	0.1	0.1	0.1
Beer and Liquor	21.5	21.5	21.5	21.5	21.5
Liquor Licence	3.0	3.0	3.0	3.0	3.0
Off-Track Betting (Dividend)	5.6	12.2	13.5	14.8	16.2
OTB Surtax	20.6	21.0	21.3	21.6	21.9
Auto Related Taxes:					
Commercial Motor Vehicle	49.5	49.5	49.5	49.3	49.3
Auto Use	33.2	33.2	33.2	33.2	33.2
Taxi Medallion	3.6	3.6	3.6	3.6	3.6
Miscellaneous Taxes:					
Other Tax Refunds	(15.2)	(15.2)	(15.2)	(15.2)	(15.2)
Waiver	70.8	68.8	68.8	68.8	68.8
PILOTS	144.6	143.8	147.2	151.5	154.7
Penalties and Interest:					
P&I - Real Estate Current Year	10.0	10.0	10.0	10.0	10.0
P&I - Real Estate Prior Year	38.0	37.0	37.0	37.0	37.0
P&I - Other (Refunds)	(13.5)	(13.8)	(13.6)	(13.1)	(14.8)
Total All Other Taxes	**$719.8**	**$721.7**	**$747.9**	**$769.1**	**$781.3**

State and Federal Agenda

The State and Federal Agenda for 2004-2007 is designed to control the growth of costly mandated programs and produce savings for the City, and in many cases, the State Government. In addition to the personal income tax reform package and regional transportation initiatives, the City is seeking an additional $275 million from the State to fund the ongoing costs of the new teachers' contract, an additional $52 million in tax loophole closers and increased assessments on fire insurance premilums, and $200 million from other State initiatives to help close the City's budget gap. The State can choose from a menu of programs that total approximately $1.5 billion, of which $750 million have no additional cost to the State.

The City is also seeking $200 million of federal initiatives to help close the budget gap and $700 million of Homeland Security and First Responder funding for new emergency preparedness spending. A menu of federal gap closing initiatives totaling approximately $1.5 billion is provided to help meet the $200 million target.

STATE AGENDA

State Education Aid

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

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

In order to maintain this commitment to educating our children, the City seeks an additional $275 million from the State to fund the ongoing costs of the teachers' contract.

Tax Enforcement Actions and Loophole Closers

The following proposals address a number of problems the City has faced regarding the collection of back taxes and the expansion of loopholes that exist within a variety of taxes. The enactment of these proposals will provide the City a total of $39 million in additional revenue in 2004 and $22.8 million each year thereafter. These proposals have already been included in the Department of Finance's Agency Program in order to offset additional budget cuts.

Amnesty Program for Business Taxes: The City recommends an Amnesty Program for outstanding business tax collectibles in which debtors would be allowed to pay all outstanding liability with no more than three years of outstanding interest. It is estimated that $20 million in additional revenue would be realized with this form of tax amnesty.

Real Property Transfer Tax Administrative Expense Reimbursement: The City proposes an increase in the reimbursement for administrative expenses related to the Real Property Transfer Tax for the State and the Transit Authority. It is anticipated that this increase will produce an additional $2 million in revenue each year.

2 Percent Increase in Interest Rates Applicable to Tax Underpayments: The City proposes a 2 percent increase in interest rates on City-administered business and excise tax underpayments. This proposal mirrors the State's recently enacted interest rate increase that was part of its tax amnesty program. The City will realize an additional $2.5 million in revenue in 2003 and $10 million annually thereafter should this increase be implemented.

Close Loopholes within the Real Property Transfer (RPTT), Mortgage Recording Tax (MRT) and on the taxation of REITs: The City recommends amendments to the RPTT, MRT and on the taxation of REITS in order to address a number of technical loopholes which taxpayers have increasingly been utilizing. The RPTT loophole allows taxpayers to transfer a controlling economic interest in an entity that has assets other than real property without adequately accounting for the value of the real property. The MRT currently has a loophole that provides an exemption from taxation for supplemental mortgages. Finally, it is proposed that the City be allowed to mirror the federal government and close the loophole for dividends received on REIT distributions to shareholders. It is estimated that these changes in tax treatment will provide the City an additional $9 million in revenue annually from 2004 through 2007.

Increase Assessment on Fire Insurance Premiums from 2 Percent to 4 Percent

Since 1909, all foreign (out of state) and alien (out of the country) mutual and stock insurance companies providing property and casualty insurance within the State of New York are required to pay a 2 percent tax on (gross) fire insurance premiums. The City of New York recommends that this assessment be increased from 2 percent to 4 percent. The enactment of this proposal will generate additional revenue for all New York State localities. Furthermore, these funds are remitted directly to the New York

City Fire Department which will receive $13.2 million in 2004. This enhanced revenue has already been included in the Fire Department's Agency Program in order to offset additional budget cuts.

No-Cost State Gap Closing Initiatives

Medicaid Cost Containment

Medicaid spending is one of the biggest components of New York City's budget, and costs continue to rise at a dramatic rate. In 2002, Medicaid expenditures amounted to $3.62 billion dollars (excluding Disaster Relief Medicaid). Costs are projected to increase by 4.9 percent to $3.79 billion in 2003 and grow to over $4 billion by 2004. The growth in Medicaid expenditures far outpaces the City's ability to raise revenue. There are various ways to reduce the costs of the Medicaid program. A variety of options are available that will enable the State and City to continue its commitment to health care, but will also recognize the need to establish priorities and deploy new management tools to ensure that these priorities are met. In the current environment, local governments cannot be expected to continue to contribute funding without any real ability to ensure that all Medicaid recipients receive the highest quality of care and that continued investments reflect long-term local public priorities. A new Medicaid reform package should include options that establish priorities, while providing programmatically sound incentives to manage the Medicaid program better at the local level. They should allocate reductions across the spectrum of the Medicaid system--appropriately targeting both recipients and providers. Comprehensive Medicaid reform will provide recurring savings at both the local and State government levels. It is imperative that the State and localities finds ways to control the exploding costs of the Medicaid program.

Establish an Early Intervention Pool

The Early Intervention Program (EI) is a federally mandated program that provides coordinated and comprehensive services to children between the ages of 0 and 3 who either already have or are at risk of developmental delays. The goal of EI is to reduce the likelihood of serious developmental disability for the child in the future. While the federal government requires that the State and City provide EI services, the federal government does not share in the costs of the program, except for Medicaid-eligible children. In 2002, the entire program cost approximately $345 million, and costs are expected to increase by 15 percent in 2003. New York City, as with all counties across the State, is experiencing a tremendous growth in utilization in the EI program, resulting in higher program costs. An assessment on inpatient hospital stays paid through insurance premiums (including Medicaid) could be used to create a state-wide EI pool of funds. This pool would be used by the State and localities to defray the cost of non-Medicaid EI services. An assessment of approximately 2.4 percent on inpatient hospital care would generate slightly more than $150 million in savings in EI for New York City taking into account the offset of increasing Medicaid rates.

Tort Reform

New York City proposes that the State enact far reaching tort reform legislation. Tort liability costs have increased dramatically since the early 1990s. Each year the City pays out approximately $500 million in tort claims. This amount is almost three times the City's payout a decade ago. Due to the dramatic increase in the City's tort liability in recent years, the City is requesting that the State enact tort reform legislation. The City's proposal includes several initiatives that will produce savings for both the City and the State. It is anticipated that at least $100 million in savings annually will be realized as a result of tort reform.

Debt Finance Reform

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

Increase the Authorization for Taxi Medallions

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

Class One Absentee Landlords

Many landlords in New York City own small residential properties and rent them out in order to earn income. Some of these properties are one-, two- and three-family homes that are classified as Class 1 residential properties. These landlords do not reside at these properties and are, therefore, absentee owners who benefit from the Class 1 lower assessment rate, while other income-generating properties, such as rental apartments, are classified as Class 2 properties and are assessed at a higher rate. Since these absentee owners use these homes as investment properties and do not primarily reside in them, they do not contribute toward their fair share in real estate taxes. In order to achieve equity, New York City proposes that a 25 percent surcharge be levied on the taxes paid by these Class 1 absentee landlords. This surcharge would yield an additional $44 million in revenue for New York City in 2004.

Bond Act Funds for Municipal Recycling

The City of New York has been eligible to receive State funds from a number of environmental bond acts to offset the costs of providing recycling services. Under the Solid Waste and Air Quality sections of the 1972 Environmental Quality Bond Act (EQBA), there was approximately $46 million available to New York City for recycling. It was not until 1998 (26 years after the Bond Act was enacted) that the Department of Sanitation (DOS) received $24.8 million for Recycling Contracts and Composting at Rikers Island. Approximately $22 million of this Bond Act is still available for payment to the City. In addition, under the 1993 Environmental Protection Fund (EPF), funds were made available to the City for municipal recycling projects. The Department of Sanitation has requested $8 million of these funds. Payment from both the EQBA and the EPF funds would provide New York City with approximately $30 million.

Flexible Use of Child Care Funding

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

Nighttime Thoroughbred Racing at OTB

This proposal will create expanded simulcast opportunities for New York City Off Track Betting (OTB). The simulcasting of out-of-state races on a regular basis was authorized by the State Legislature in 1994. Revenues from out-of-state wagers are used, in large measure, to strengthen purses and maintain quality New York racing. These simulcasts have proven to be an enormously successful feature at OTBs and racetracks. Current law prohibits simulcasting of thoroughbred races between 7:30 pm and midnight; racing at harness tracks offer the only authorized wagering opportunities during these hours. By expanding the simulcast menu to allow nighttime out-of-state thoroughbred racing, New York City OTB estimates a $150 million annualized increase in gross handle in New York City alone. This increase handle will result in an additional $15 million in revenue to New York City each year.

Increase the Authorization for Red Light Cameras

The City's Red Light Camera Program has been an extremely effective public safety tool since its inception in 1993. Thousands of cars, taxis and buses have been caught running red lights by the fifty cameras currently in place throughout the City. This program has assisted in the reduction of traffic accidents and has helped modify driver behavior. The cameras have been shown to dramatically reduce the number of violations at the intersections where they are located. Given the success of this program, the City is seeking to increase the number of cameras by 50 each year for the next two years, bringing the total number of cameras throughout the City to 150. Although there will be additional expenses associated with the expansion of this program, the safety of vehicular passengers and pedestrians will be greatly increased. If legislation providing for the additional cameras passes the State Legislature in March, the City anticipates an additional $63 million in gross revenue (prior to expenses) when the new cameras are fully operational.

General State Gap Closing Initiatives

Cap Medicaid at State Fiscal Year 2001 Levels

An alternative to enacting sweeping Medicaid costs containment measures, is the New York State Association of Counties' proposal that the State cap Medicaid spending for localities at State Fiscal Year 2001 levels. New York City's Medicaid budget is rapidly growing and expected to exceed $4 billion by 2004. Increased utilization, the increased number of eligible individuals (due to expanded eligibility requirements) and the growing cost of healthcare are all contributing to the exploding rise in costs. New York State has one of the most generous Medicaid programs in the country, opting to provide many of the optional services allowed by the federal government. Most states may have a local match requirement for selected Medicaid services, but do not require local participation for all service provided under the program. However, New York State is an exception. The State requires counties to contribute a 25 percent matching share in the expenditures for most services with the exception of certain long term and mental health care. The localities have very little control over the provision of services, yet still must pay for the expense. Furthermore, the State has taken several actions recently that have expanded the program and placed more financial pressure on the counties. It is unfair to require localities to provide and pay for expensive State-mandated health services, without allowing any involvement in the decision to provide these services.

Capping local spending at the 2001 levels will force the State to make some real decisions on controlling the Medicaid program. Further, New York City and all other localities would realize significant budgetary relief. The City could realize savings of close to $394 million in 2004; $404 million in 2005 and $414 million in 2006 and 2007.

Relief from Social Services and Administration Caps

Eliminate the Mental Hygiene Reimbursement Cap: State appropriations for local mental hygiene services continually leave New York City with a shortfall that has to be funded with 100 percent City tax dollars. The State and City equally share costs for mental hygiene services until the City reaches a State-imposed reimbursement cap. For 2003, the State only reimbursed the City $39 million for mental hygiene programs, while the City spent over $120 million. As the State continues to deinstitutionalize patients from State institutions, localities are struggling with the burden to provide appropriate and quality services to the increasing number of the mentally ill who are ending up in the community and on the streets. If the State eliminated the reimbursement cap for mental hygiene programs and continued to reimburse localities at 50 percent of the costs for all mental hygiene services, the City would save approximately $24 million each year.

Eliminate the Home Care Savings Target: The State continues to impose a home care savings target on the City of New York. The savings target was first implemented in 1997 and is now at $32 million as legislated in the Health Care Reform Act 2000 (HCRA). This target requires the City to show a savings of at least $32 million in home care expenditures based on the cost of services per recipient compared to a cost per recipient determined by the State. The State sets a maximum amount the City can spend per recipient, but in actuality the City is required to spend less than the maximum in order to achieve the savings target. However, even if savings are achieved in the per capita expenditure, if these savings do not reach $32 million the City is still penalized. The State determined per recipient cost is determined by the actual per recipient cost during the base period of July 1996 to March 1997 trended forward. Essentially, New York City is required to bring the cost per recipient in the current year down to the statewide average that existed in 1997 ($32 million).

Given that the City has little or no input into this State mandated program, this target is unfair and disproportionately penalizes New York City. Furthermore, the State has consistently failed to provide localities with the tools necessary to contain costs in the home care program. New York City has made considerable effort to control costs through the years in the Medicaid home care program without jeopardizing quality and availability of care to those who need it. The State needs to share in its responsibility to control costs as well as eliminate the home care savings target.

Relief from the Social Services Administration Cap: Since 1989, the State has imposed a reimbursement cap on local administrative expenditures for temporary and disability assistance, Medicaid and Food Stamps. This cap has never been adjusted for inflation, and the City expects to lose approximately $70 million in unreimbursed claims. While the State's intent is to control administrative expenditures, equal investment in this area dramatically reduces program costs.

Restoration of the Stock Transfer Incentive Fund Payment

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

Equity in Correctional Reimbursement

State Law requires the State to provide reimbursement to localities for the incarceration of state-ready inmates and parole violators at $40 per inmate per day. State-ready prisoners are convicted felons who have been sentenced and committed to the State Department of Correctional Services, but have not yet been accepted by the State. Parole violators are also individuals who are temporarily detained in City correctional facilities. Despite this law, the State only reimburses localities $34 per inmate per day. Both the current rate as required by law and the rate paid by the State leaves the City with a substantial shortfall, since the actual average cost per inmate per day is approximately $252. Given that these individuals are the responsibility of the State, the State should provide the appropriate level of reimbursement to the City for its services. The City is requesting a four-year phase-in to full reimbursement. According to the City's proposal, starting in 2004, the reimbursement rate would be 25 percent of the actual cost and this rate would grow 25 percent each fiscal year until reaching 100 percent of the actual cost in 2007.

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

Reimbursement for World Trade Center Expenditures

In addition to a substantial loss of tax revenue to both New York City and New York State as a result of events surrounding September 11th, the City has also accumulated approximately $650 million of additional out-of-pocket expenses that the Federal Emergency Management Agency (FEMA) is unable to reimburse under the current guidelines. While the City and FEMA have cooperated and worked at great lengths to maximize reimbursements, the FEMA statute is not designed to reimburse localities for expenses in response to a major terrorist attack. Without some relief in federal guidelines or amendments to the statute, these expenses will go un-reimbursed.

Specifically, as a result of the attacks, the Police Department and the Fire Department were forced to deploy thousands of police officers and firefighters to the site of ground zero and other high risk areas instead of their normal work locations. In addition, many other city employees were dispatched to ground zero and other locations rather than their normal work sites. These necessary personnel deployments cost the City over $350 million.

Furthermore, although the attacks on September 11th were directed towards lower Manhattan, the City was forced to provide enhanced security at a number of high risk areas, including bridges and tunnels. These enhanced security measures were absolutely necessary as a direct result of the City being the target and cost the City upwards of $100 million. Additional unreimbursable expenses include Disaster Relief Medicaid and accelerated Fire Training to train new firefighters to take the place of those who were lost.

Homeland Security and First Responder Funding for New Emergency Preparedness Spending

President Bush's budget proposal for federal fiscal year 2003 set aside $3.5 billion to localities for First Response and Homeland Security. Several legislative initiatives have been introduced; however, Congress has yet to decide how the money will be distributed. The City of New York is seeking $700 million for its first responders. New York is the most populous city in the nation; it is a symbol of the United States to people around the world, and, as such, a target for terrorists. As seen on September 11, 2001, when a devastating event happens in New York, it has an enormous impact on the nation. Given these factors, the City's extensive network of first responders need substantial funds to plan and prepare for the safety of more than eight million citizens. This means implementing security enhancements, updating equipment with the most effective technology, and upgrading police, fire and medical facilities. In addition to the needs of the New York Police Department and the Fire Department, the City is requesting funds for the Department of Health and Mental Health, the Office of Emergency Management and the New York City Health and Hospitals Corporation.

No Cost Federal Gap Closing Initiatives

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

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

A primary objective of the HMGP is to implement projects which solve a repetitive problem, or a problem which poses risk to life and property if left unresolved. In fact, the first two priorities listed by FEMA under the State and City Property Protection section are Protection of Public Infrastructure and Utilities and Protection of Key Governmental and Healthcare Facilities. The best way for the City to accomplish these objectives is through enhanced security measures such as increased police presence and emergency response units. In addition to normal long term mitigation plans, the City has submitted written requests to the State government for a broadening of the definition of eligible projects to include such security measures. As an alternative, the City will request that a portion of the funds made available to localities through the President's First Responder program, also mentioned above, will be used for certain operating expenditures.

Federal Welfare Spending Mandate Relief

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

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

Flexible Use of Community Development Block Grant

Currently, the Department of Housing and Urban Development (HUD) imposes a 15 percent limit on the amount of Community Development Block Grant (CDBG) entitlement funds that can be used for public services. Public services, as defined within the CDBG regulations to include programs that are related to employment, crime prevention, child care, health, drug abuse, education, fair housing, energy conservation, welfare, homebuyer down payment assistance or recreational needs, in addition to many others. Due to the economic impact on New York City from the terrorist attacks of September 11th, the City requested an increase in the public services cap from 15 percent to 25 percent commencing July 1, 2002. Furthermore, the City also requested a suspension of the requirement that the public service be new or a quantifiable increase in the level of service. In response to this request, HUD granted a one year waiver, which saved the City $20 million. The City will pursue this same request for 2004 and 2005, providing budget relief of $20 million in the next two fiscal years.

General Federal Gap Closing Initiatives

Increase in Federal Share of Medicaid Funding by 3 percent

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

Recently, legislation was introduced in the Senate that temporarily increases the FMAP formula by 2.45 percent for 18 months beginning in April 2003. Under this proposal, States are eligible to receive the temporary FMAP increase as long as they do not restrict Medicaid eligibility between September 3, 2003 and September 30, 2004, the date that the temporary FMAP legislation would sunset. New York City could save approximately $294 million over the 18 month period if the bill were to be enacted into law.

Provide Medicare Drug Benefit

The Federal Medicare program does not currently offer a prescription drug benefit to enrollees. However, those individuals enrolled in the New York State's Medicaid program do receive prescription drug services. If the federal government were to provide similar services under the Medicare program, more individuals would receive coverage. In addition, the City and State's Medicaid costs would be offset since Medicare is funded by the federal government and would provide the same service. A comprehensive Medicare drug benefit would save the New York City Medicaid program up to $145 million in the first year.

State and Local Government Assistance

Recently, in response to the sluggish national economy a number of economic stimulus plans were introduced in Washington. Although the plans differ quite substantially, they all offer an extension of unemployment benefits, forms of individual tax relief and some business tax relief. While New York City desires the speedy economic recovery that these proposals envision, it is imperative that grants to states and localities be part of any economic stimulus package enacted into law by Congress.

From 1972 until 1986 the federal government provided funds to localities through a general revenue sharing program. During this time, the City of New York received substantial funds, with awards reaching hundreds of million of dollars each year. It is time for the federal government to renew its commitment to the nation's states and localities in much the same way. As state and local coffers are dwindling, an influx of federal aid would provide much-needed budget relief, in addition to the local economic stimulus that is essential for a nationwide recovery.

Specifically, New York City supports the State and Local Aid and Economic Stimulus Act of 2003, sponsored by Senators Schumer and Stowe, as well as many others proposals introduced in Congress which will provide fiscal relief to state and local governments.

Reimbursement of Costs for Protecting Foreign Dignitaries and the United Nations

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

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

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

Increase in the State Criminal Alien Assistance Program Funding

Currently, the federal government reimburses localities for a portion of the costs of incarcerating illegal aliens who have been convicted of one felony or two misdemeanor offenses. New York City typically receives approximately $30 million each year to help offset the costs of keeping these individuals in local jails through the State Criminal Alien Assistance Program (SCAAP). This program provides much-needed federal assistance to state and local governments. However, this level of funding only covers a third of the City's costs. The City's jail system held more than 10,000 criminal illegal aliens in 2001, leading to costs of more than $90 million. Cuts in this program would force the City to divert already scarce law enforcement resources away from crime prevention and homeland security efforts. The City requests that SCAAP funding be fully restored and increased to an appropriate level to cover the full cost of this program.

Restore Federal Medicaid Funding for Legal Immigrants

With the passage of welfare reform in 1996, the federal government expressly prohibited Medicaid funding for legal immigrants. However, in 2001 the New York State Supreme Court ruled case that the State of New York must provide Medicaid to those legal immigrants that meet the income eligibility requirements. Since the federal government can no longer provide reimbursement, Medicaid costs for this population are split between the City and the State. The City seeks to repeal the prohibition of federal funds for legal immigrants which would save the City approximately $27 million each year.

Capital Program

The Modified Capital Commitment Plan for Fiscal Years 2003-2006 authorizes agencies to commit $24.8 billion, of which $22.8 billion will be City-Funded. City funds include proceeds of bonds issued by the City Municipal Water Finance Authority, New York City Transitional Finance Authority, Jay Street Development Corp., and the State Dormitory, as well as City general obligation and Tobacco Settlement bonds (as described in the Financing Program section).

The targeted level for City-funded commitments is $5.3 billion in Fiscal Year 2003. The aggregate agency-by-agency authorized commitments of $8.2 billion exceed the Fiscal Year Financial Plan by $2.9 billion. Excess authorizations in this proportion have proven necessary to achieve commitment spending targets by accommodating such factors as scope changes and delays.

The Capital Program Since 1999

The following table summarizes capital committments over the past four years.

FY 1999-2002 Commitments
*($ in Millions)**

	1999 City Funds	1999 All Funds	2000 City Funds	2000 All Funds	2001 City Funds	2001 All Funds	2002 City Funds	2002 All Funds
Environmental Protection								
Equipment	$81	$81	$74	$85	$60	$68	$115	$239
Sewers	185	185	224	224	90	90	199	199
Water Mains	200	203	212	212	178	178	492	492
Water Pollution Control	198	198	408	412	970	970	806	806
Water Supply	4	4	85	85	130	130	135	135
Subtotal	*$668*	*$671*	*$1,003*	*$1,018*	*$1,428*	*$1,436*	*$1,747*	*$1,871*
Transportation								
Mass Transit	$116	$116	$109	$109	$91	$91	$6	$6
Highways	171	184	111	115	214	223	211	217
Highway Bridges	92	94	193	228	147	198	63	101
Waterway Bridges	177	355	82	86	127	269	46	35
Subtotal	**$556**	**$749**	**$496**	**$538**	**$579**	**$781**	**$327**	**$359**
Education & Hospitals								
Education	$1,400	$1,400	$1,123	$1,160	$2,178	$2,429	$1,337	$1,340
Higher Education	12	14	10	11	7	8	9	10
Hospitals	56	56	19	19	65	65	77	77
Subtotal	*$1,468*	*$1,470*	*$1,152*	*$1,191*	*$2,250*	*$2,502*	*$1,422*	*$1,427*
Housing & Economic Development								
Housing	$161	$259	$182	$294	$261	$390	$321	$438
Economic Development	54	59	21	21	202	213	190	193
Port Development	0	0	0	0	0	0	0	0
Subtotal	*$215*	*$318*	*$203*	*$315*	*$463*	*$603*	*$510*	*$632*
City Operations & Facilities								
Correction	$63	$74	$59	$59	$107	$108	$31	$32
Fire	66	66	49	49	120	120	149	149
Police	46	46	37	11	43	43	119	119
Public Buildings	65	67	80	84	79	81	167	167
Sanitation	63	63	198	198	150	150	216	216
Parks	158	174	141	147	205	207	166	169
Other	323	352	304	364	671	743	976	1,073
Subtotal	*$784*	*$842*	*$868*	*$912*	*$1,374*	*$1,452*	*$1,825*	*$1,926*
Total Commitments	$3,691	$4,050	$3,721	$3,974	$6,094	$6,775	$5,832	$6,214
Total Expenditures	$4,385	$4,786	$3,919	$4,256	$4,389	$5,310	$5,436	$6,320

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

FY 2003-2006 Commitment Plan
*($ in Millions)**

	2003 City Funds	2003 All Funds	2004 City Funds	2004 All Funds	2005 City Funds	2005 All Funds	2006 City Funds	2006 All Funds
Environmental Protection								
Equipment	$188	$188	$63	$135	$59	$59	$15	$15
Sewers	287	288	189	189	104	104	82	82
Water Mains	737	742	342	342	460	460	432	432
Water Pollution Control	973	1,003	1,620	1,645	600	625	323	348
Water Supply	138	138	31	31	491	491	140	140
Subtotal	***$2,322***	***$2,359***	***$2,245***	***$2,343***	***$1,714***	***$1,739***	***$992***	***$1,017***
Transportation								
Mass Transit	$525	$525	$75	$75	$75	$75	$75	$75
Highways	267	303	214	278	232	274	291	322
Higway Bridges	264	313	308	383	331	534	204	204
Waterway Bridges	196	263	145	173	251	290	89	89
Subtotal	***$1,252***	***$1,403***	***$743***	***$910***	***$888***	***$1,173***	***$659***	***$690***
Education & Hospitals								
Education	$824	$825	$659	$659	$613	$613	$792	$792
Higher Education	59	79	8	8	7	8	8	12
Hospitals	539	539	88	88	12	12	20	20
Subtotal	***$1,422***	***$1,442***	***$755***	***$755***	***$632***	***$633***	***$820***	***$824***
Housing & Economic Development								
Housing	$270	$387	$221	$355	$222	$375	$284	$384
Economic Development	431	521	161	161	61	61	158	158
Subtotal	***$701***	***$908***	***$382***	***$516***	***$283***	***$436***	***$443***	***$543***
City Operations & Facilities								
Correction	$147	$147	$83	$83	$99	$99	$121	$121
Fire	172	172	46	46	40	40	66	66
Police	177	177	50	50	47	47	56	56
Public Buildings	154	156	82	82	54	54	97	97
Sanitation	174	174	132	145	644	644	203	203
Parks	328	383	125	129	38	38	124	127
Other	1,351	1,512	1,056	1,265	272	314	577	641
Subtotal	***$2,503***	***$2,721***	***$1,574***	***$1,800***	***$1,194***	***$1,235***	***$1,245***	***$1,312***
Total Commitments	**$8,199**	**$8,834**	**$5,699**	**$6,324**	**$4,710**	**$5,216**	**$4,160**	**$4,386**
Reserve for Unattained Commitments	**(2,869)**	**(2,869)**	**(129)**	**(129)**	**301**	**301**	**298**	**298**
Commitment Plan	**$5,330**	**$5,965**	**$5,570**	**$6,195**	**$5,011**	**$5,517**	**$4,458**	**$4,684**
Total Expenditures	**$5,281**	**$5,848**	**$4,788**	**$5,304**	**$4,876**	**$5,375**	**$4,607**	**$5,083**

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

The Department of Design and Construction

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

In the past 19 years, the Mayor's Office of Management and Budget(OMB) has successfully utilized several "tools" of value management as a means of maximizing the City's return on investment. These include the value engineering, value analysis and cost estimating methodologies, defined below:

- *Value engineering (VE) systematically reviews construction designs, costs and functions for the purpose of achieving the most effective project at the lowest life–cycle costs, both capital and operating. Value engineering is conducted on selected major capital projects at an early enough phase to confirm that their scope includes all required elements, to identify potential problems and to incorporate solutions and recommendations into the design.*

- *Value analysis (VA) fundamentally redesigns key operational functions to effect increased efficiency and improvements. Value analysis is applied to the review of the City's operational processes and procedures to assist agencies in streamlining their procedures.*

- *Cost estimating (CE) determines whether the expected cost for construction projects is in line with the proposed budget. Independent cost estimates of capital projects are used to verify adequacy of capital funding and to provide a "check" on the reliability of agency design estimates.*

In its role as technical support to OMB, the Value Engineering Unit is able to provide expertise otherwise unavailable in–house. Also, working with a VE team of outside consultants and experts, along with input from agency clients, the VE Unit is able to review capital projects and processes, and greatly contribute to the effectiveness of how the City conducts its business and manages its resources. This truly collaborative effort also provides a forum to address the concerns of the interested parties.

Financing Program

The City's financing program projects $26.8 billion of long-term borrowing for the period of 2003 through 2007 to support the City's current capital program. More than 94 percent of the financing will be implemented through four bond issuers: the City, through its general obligation (GO) bonds, the New York City Transitional Finance Authority (TFA), the New York City Municipal Water Finance Authority (NYW or the Authority) and TSASC, Inc., whose bonds are secured by tobacco settlement revenues. In addition, the City will utilize the Dormitory Authority of the State of New York (DASNY) and the Jay Street Development Corp. (JSDC) to fund several capital initiatives. JSDC will continue to finance the construction of a new court facility at 330 Jay Street in Brooklyn. In addition to the two borrowings implemented to date totaling $526 million, JSDC is expected to complete its third and final bond financing in early FY2004. DASNY will issue bonds for the City's other court facilities and the expansion and reconstruction of HHC facilities. The annual financing amounts during the plan period for each of the bond issuing entities are listed in the table below.

On September 13, 2001, the TFA was given a statutory authority to borrow $2.5 billion to finance costs related to the September 11th terrorist attack on New York City. Pursuant to that authority, the TFA has issued approximately $2 billion of long-term debt in the first half of fiscal year 2003. TFA will reach its statutory bonding capacity of $11.5 billion (excluding bonds for recovery purposes) in FY2004 and, unless its statutory bonding capacity is increased, TFA financing for the City's ongoing capital program during the plan period will decrease significantly relative to prior year amounts. The City will issue approximately $12.5 billion of its GO bonds during the plan period, which represents the largest share, 44 percent, of the total program. NYW's annual bonding amount, excluding refunding, will average about $1.8 billion. The aggregate NYW financing during the plan period will account for approximately 37% of the City's total program. TSASC, Inc. completed a second bond financing in the amount of $500 million in early FY2003 and is expected to issue the remaining program bonds in the next two years.

Financing Program

($ In millions)

	2003	*2004*	*2005*	*2006*	*2007*	*Total*
City General Obligation Bonds	$2,250	$1,620	$2,550	$2,950	$3,100	$12,470
TFA (1)	1,100	705	0	0	0	1,805
TSASC (2)	390	815	717	0	0	1,922
NYW (3)	1,718	1,842	1,972	1,830	1,668	9,030
DASNY and Other Conduit Debt (4)	0	787	230	316	230	1,563
Total	**$5,458**	**$5,769**	**$5,469**	**$5,096**	**$4,998**	**$26,790**

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

(2) The FY2003 proceeds to the City from TSASC includes $295 million from the August 2002 bond sale, $15 million borrowed under the federal Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) and $80 million for reserve, capitalized interest and OID.

(3) NYW includes commercial paper and reserve amounts. Figures do not include bonds that defease commercial paper.

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

The following three tables show total projected debt outstanding, debt service costs and debt service ratios.

Debt Outstanding

($ In millions)

	2003	2004	2005	2006	2007
City General Obligation Bonds	$29,642	$29,798	$30,790	$32,194	$33,666
TFA	11,470	12,432	12,738	12,289	11,822
TSASC	1,246	2,019	2,715	2,678	2,651
MAC	2,525	2,151	1,758	1,354	924
DASNY and Other Conduit Debt	2,959	3,263	3,408	3,600	3,726
Total Debt Outstanding	**$47,842**	**$49,662**	**$51,409**	**$52,115**	**$52,789**
Water Finance Authority	**$12,388**	**$14,032**	**$15,822**	**$17,450**	**$18,919**

Annual Debt Service Costs

($ In millions)

	2003	2004	2005	2006	2007
City General Obligation Bonds*	$2,410	$2,954	$3,228	$3,302	$3,492
TFA	560	809	1,024	1,010	1,013
TSASC	103	97	163	200	199
MAC**	214	531	490	492	493
DASNY and Other Conduit Debt	172	204	218	272	297
Total Debt Service	$3,459	$4,595	$5,123	$5,277	$5,493
Water Finance Authority	**$671**	**$828**	**$991**	**$1,125**	**$1,206**

* *Includes short-term (RANs) interest costs but excludes prepayment of debt service.*

** *Excludes prepayment of debt service.*

Debt Burden

	2003	2004	2005	2006	2007
Total Debt Service (NYC GO, Conduit, MAC, TFA & TSASC) as %:					
a. Total Revenue**	7.68%	10.21%	11.44%	11.54%	11.71%
b. Total Taxes**	14.49%	17.39%	18.61%	18.60%	18.63%
c. Total NYC Personal Income	1.11%	1.43%	1.51%	1.48%	1.46%
Total Debt Outstanding (NYC GO, Conduit, MAC, TFA & TSASC) as %:					
a. Total NYC Personal Income	15.41%	15.42%	15.13%	14.62%	14.03%

** *Total revenues and total taxes include amounts required to suppoprt TFA and TSASC debt service.*

The Transitional Finance Authority

TFA Recovery Bonds and Notes:

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

As noted above, on September 13, 2001, the State of New York authorized the TFA to issue additional debt to finance costs (whether capital or expense) related to or arising from the September 11th terrorist attack in an amount outstanding of up to $2.5 billion. In October 2001, the TFA issued the first $1 billion of New York City Recovery Notes to pay such costs, including $500 million to replace lost revenues resulting from the attack. During the first quarter of FY2003, TFA issued three series of Recovery Bonds (Series 2003-1, Series 2003-2 and Series 2003-3) totaling $2.03 billion. One billion dollars of bond proceeds were used to pay recovery costs consisting of revenue losses associated with the September 11 event and the remaining $1.03 billion were used to retire the Recovery Notes issued in October 2001. The TFA Recovery Bonds are subordinated to TFA senior debt and have a 20-year level debt service payment structure. Recovery Bonds were sold as floating rate bonds except for four maturities in years 2003 to 2006 from Series 2003-3 totaling about $143 million, which were sold at a fixed rate. The fixed rate Recovery Bonds were sold at yields ranging between 1.66% and 2.56%. The yields are comparable to those of senior lien TFA bonds. The Recovery Bonds have the same credit ratings as the TFA's senior debt (Aa2 from Moody's and AA+ from S&P and Fitch).

The floating rate Recovery Bonds are supported by liquidity facilities provided by banks and by the New York State Common Retirement Fund ("CRF"). The $191.2 million liquidity support from the CRF was a ground-breaking transaction: it allows the CRF to diversify and enhance returns on its investment portfolio with relatively low risk while facilitating competitive pricing for TFA by expanding the pool of liquidity providers beyond the traditional banking institutions.

The issuance of floating rate Recovery Bonds saves interest costs for TFA. The BMA index, which is a tax exempt floating rate index, has ranged between 0.95% and 1.85% in the last 12 months, averaging about 1.35%. The TFA's floating rate bonds are generally traded at 0.1% below the BMA average of about 1.25% last year. The TFA's

30-year fixed rate bonds were sold at a yield of 5.04% in the most recent transaction in November 2002. The difference in interest rates between the floating rate bonds and the 30-year fixed rate bonds is about 379 basis points. If the spread between the short-term and the long-term interest rates remains as wide as the current market at 3.8%, the annual debt service savings on the $1.9 billion of TFA floating-rate Recovery Bonds could be as high as $72 million annually.

TFA Refundings and New Money Issuances:

In the first quarter of FY2003, TFA also completed two refinancings of its existing debt, Series 2003A and Series 2003B. The TFA took advantage of the low interest rate environment in the summer, adopted an innovative financing idea, (the "stepped-coupon bonds," discussed in the next paragraph) and achieved total budget savings of $121 million and $47 million in FY2003 and FY2004, respectively. The true interest costs (TICs) were 4.15% for Series 2003A and 3.96 % for Series 2003B. The present value savings were 8.5% for Series 2003A and 6.2% for Series 2003B.

The stepped-coupon bonds have a fixed coupon that increases (or "steps up") at the end of the refunding escrow period when all the refunded bonds have been paid. At that time, TFA expects to call or purchase the stepped-coupon bonds and convert them into floating rate bonds. The structure allows the TFA to reduce the interest costs of those bonds with long maturities from 16 to 29 years to that of a bond with 11-year maturity for the first 9 years. After the escrow period, the interest rates on these bonds will be reduced to those of floating rate bonds, assuming TFA will re-finance these bonds with floating rate bonds. In addition, the stepped-coupon bonds give TFA more flexibility in managing its overall interest rate exposure. The credit facilities for the future floating rate issuance do not have to be locked in today, thus saving enhancement costs and freeing up capacity for other financing options during the period.

In addition to the issuance of refunding bonds and Recovery Bonds, TFA also issued approximately $600 million of Series 2003C bonds and $555 million of Bond Anticipation Notes (BANs) on November 7, 2002. The proceeds of the 2003C bonds were applied to defease the BANs issued in November 2001. Four hundred and fifty million dollars of the Series 2003 C bonds were fixed rate and $150 million bonds were floating rate. The TIC for the fixed portion of the 2003C bonds was 4.63%. The new BANs with a one-year maturity were competitively bid out with a TIC of 1.63%. The proceeds of the BANs funded the City's capital program.

TFA expects to issue another $600 million of Bonds and $555 million of BANs in February, 2003. The bond proceeds will be used to defease BANs issued in February 2002 and the new BAN proceeds will be used for capital purposes. In FY2004, the TFA will issue a $550 million BAN and $1.3 billion of bonds. Of the $1.3 billion in bonds issued in FY2004, $1.1 billion will be used to retire the two BANs issued in FY2003 and the remainder will be used for capital purposes. In FY2005, TFA will issue $555 million of bonds to defease BAN issued in FY2004. This will complete the TFA's new money financing under current its statutory authority.

The City's personal income tax revenues are projected to grow at an average of 5.9% percent between 2003 and 2007 despite the elimination of various surcharges and implementation of tax cuts. TFA is projected to continue to have very strong coverage of debt service.

New York City General Obligation Bonds and Cash Flow Financing

With interest rates at historically low levels, the City has implemented from June 2002 a series of refinancings of General Obligation (GO) bonds to realize budget savings totaling $446 million in FY2003 and $50 million in FY2004. A total of $3.6 billion of bonds were refunded during the period between May 2002 and January 2003, of which $1.6 billion utilized the recently passed Federal legislation that allows the City to advance refund up to $4.5 billion of bonds before January 2005 that would not have been eligible for advance refunding a second time under federal tax law.

The first two refundings, Series 2002 E, F and G and Series 2003 A and B, were both about $1 billion. They achieved a minimum of 3% present value savings and a total of $364 million of budget savings in FY2003 and FY2004. Series 2002E, F and G and Series 2003 A and B, which consisted of all fixed-rate tax exempt bonds, achieved all-in TICs of 4.65% and 4.44%, respectively.

In November 2002, the City executed another refunding transaction, Series 2003 C, D and E, which consisted of $148 million of fixed rate taxable bonds, $400 million of tax-exempt variable rate bonds and $600 million of tax-exempt fixed rate bonds. The refunding achieved a present value savings of more than 6.5% and a total of $80 million of budget savings between 2003 and 2004. The City also entered into interest rate exchange agreements with four swap counterparties on the $400 million of floating rate bonds. Pursuant to the agreements, the City pays the counterparties a fixed payment semi-annually at 3.269% per annum on the $400 million notional amount in exchange for floating rate payments calculated based on 62.8% of 1-month LIBOR payable monthly. Based on trading patterns of outstanding City debt, it is anticipated that the City's floating rate bonds will trade on average over the life of the bonds at 62.8% of LIBOR. Therefore, the swap payments that the City expects to receive over time will offset the interest costs on the bonds, leaving the net costs on the bonds equal to the fixed payments the City makes to the counterparties. The agreements allow the City to pay 3.929% (including 66 basis points for liquidity and remarketing costs) for bonds due 2014-2020, which is from 88 to 100 basis points lower than rates that would have been paid on fixed rate bonds. The tax- exempt fixed rate portion of the Series 2003 C, D and E bonds was sold at yields ranging between 1.68% in 2003 to 4.8% in 2015.

The taxable portion of Series 2003C, D and E was competitively bid out at TIC of 3.57%.

On January 22, 2003, the City issued another $1.2 billion of general obligation bonds (Series 2003 F, G and H), which included $650 million of new money bonds and $555 million in refunding bonds. The $650 million new money financing consisted of $500 million of traditional tax-exempt fixed rate bonds and $150 million of taxable indexed floating rate bonds sold by private placement to a European investor. The yields on the tax-exempt fixed rate bonds ranged between 2.05% and 5.35% for maturities in years 2005 and 2033, respectively. The TIC for the tax-exempt new money series was 5.23%. The spread to LIBOR on the taxable bonds ranged between 38 basis point to 73 basis points for maturities in 2005 and 2017, respectively. With the 3-month LIBOR rate at a record low of 1.37% as of January 17, 2003, the taxable interest rates were set for the initial three-month period at a range between 1.75% and 2.10% for maturities in year 2005 and 2017, respectively. These rates on the taxable indexed floater compare favorably against those in both the domestic fixed rate and floating rate markets.

The January 2003 GO borrowing also included $555 million of refunding bonds, consisting of $307 million of tax-exempt fixed rate bonds, $215 million of tax exempt floating rate bonds with a fixed-payer swap similar to the one executed in connection with the GO Series 2003 C, D and E transaction described above, and $39 million of taxable fixed rate bonds. The refunding generated $4 million and $34 million of budget savings in FY2003 and FY2004, respectively. The yields on the tax-exempt fixed rate bonds range between 1.23% to 4.25% for maturities in year 2003 to 2011, respectively. The taxable bonds, with maturities only in 2003 and 2004 were sold competitively with an average yield of 1.93%. In addition, the City negotiated two interest rate exchange agreements with an aggregate notional amount of $215 million, where the City will make fixed payments in exchange for receiving adjustable payments based on a percentage of LIBOR. These agreements essentially lock in low fixed interest costs on the floating rate bonds, similar to the swap agreements on Series 2003 C, D and E bonds described above. The fixed rates payable by the City are 2.818% and 3.259% on $60 million and $155 million notional amounts, respectively. The floating rate payments to be received by the City are based on 60.8% and 61.8% of 1-month LIBOR.

In addition to the financings described above, the City plans to issue a total of $1.6 billion of GO bonds for capital purposes in Spring 2003 and $1.6 billion in FY2004. Beginning in FY2005, when TFA will exhaust its currently authorized bonding capacity, the City, unless the TFA's bonding authority is increased, will increase its GO financing program to $2.6 billion, $3.0 billion and $3.1 billion in FY2005, 2006 and 2007, respectively.

Currently the debt service for the City and its related financing entities (TFA, TSASC, MAC and lease debt, excluding the effect of pre-payments) is 7.7 percent of the

City's total budgeted revenues in FY 2003. The ratio will rise to 11.7 percent in FY 2007. As a percentage of tax revenues, the debt service ratio is 14.5 percent in FY 2003 and is projected to increase to 18.6 percent in FY 2007.

During calendar year 2002, short-term interest costs as reflected in the $3.5 billion of VRDBs have been 1.32 percent on average for tax-exempt debt and 1.84 percent for taxable GOfloating rate debt. These VRDBs, which have traded on average at rates that are at least 350 basis points lower than those for the fixed-rate debt, are expected to generate an annual debt service savings of over $120 million.

In October 2002, the City issued $1.5 billion of RANs for its seasonal cash flow needs. The TIC for the 6-month RANs was 1.385%. The City expects to issue $2.4 billion of RANs or TANs in each of the next four fiscal years.

Lease Appropriation Debt

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

In December 2001, the City financed a portion of the costs for three projects through DASNY, totaling $548 million. The projects include a new DNA lab, an ambulatory service facility at Bellevue Hospital and phase two of the reconstruction of Kings County Hospital. Of the $548 million financing, $127 million was in fixed rate mode and the remaining $421 million was variable debt that resets via a weekly auction. The fixed rate bonds, which were insured by FSA, were sold with yields ranging from 3.63% in 2005 to 4.91% in 2014. DASNY bonds are secured by the City's lease payments and a Medicaid intercept.

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 $20.83 billion in General and Second Resolution bonds and subordinated crossover refunding bonds. Refunding bond issuance amounted to $8.02 billion. Of this aggregate bond par amount, $11.48 billion is outstanding, $7.97 billion was refinanced with lower cost debt, and $1.37 billion was retired with Authority revenues as it matured. In addition to this long-term debt, NYW uses an $800 million tax-exempt commercial paper program as a source of flexible short-term financing.

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

To date in Fiscal Year 2003, the Authority has closed six financing transactions. The First Resolution Series A, B, C and D issuances consisted of bond sales directly to the public. The Second Resolution Series 1 and 2 bonds were issued to the EFC to secure bonds issued by EFC. Series A, C, D and Series 2 bonds included refunding bonds, providing NYW with between 6% and 11% present value savings in each case.

The projected financing activity for the remainder of Fiscal Year 2003 will consist of a bond sale by NYW directly to the public for an estimated $500 million and approximately $250 million in bonds issued to EFC. Additionally, NYW may be able to take advantage of other potential refunding opportunities during the remainder of the year should the interest rate environment be favorable.

On July 9, 2002, the Fiscal 2003 Series A, B & C bonds were delivered, in par amounts of $741,090,000 for the Series A bonds, $150,000,000 for the Series B bonds and $300,300,000 for the Series C bonds. Although the spread to the MMD Triple-A scale widened compared to other recent NYW bond issues, interest rates on the Series A issue remained favorable, with a true interest cost of 5.355%. The structure included serial bonds maturing in 2003 through 2029 and term bonds maturing in 2034. The 2034 term bonds sold at 5.32% yield, while serial maturities ranged from a yield of 1.55% in 2003 to a yield of 5.29% in 2029. NYW also sold $20 million of muni-CPI bonds in the 2013 maturity, a derivative product which swapped a floating rate tied to the consumer price index to a fixed interest rate, resulting in a lower yield than traditional fixed rate debt.

The Series B bonds were sold as refundable principal installment bonds, maturing in 2004, 2005 and 2006 allowing NYW to take advantage of the relatively low rates at the short end of the interest rate curve. The spread over the MMD Triple-A scale was between 10 and 11 basis points. Yields ranged from 2.1% to 2.92% in the various maturities and the true interest cost of the issuance was 2.77%. Principal in each maturity will be advance refunded and extended up to 40 years prior to the principal payment date.

The Series C bonds were sold as variable rate demand bonds, with $100,100,000 offered in the weekly reset mode and $200,200,000 sold in the daily reset mode. Three different remarketing agents were chosen to remarket these bonds. The structure included term bonds maturing in 2018.

Proceeds from the combined sale of the Series A, B and C bonds were used to defease all of NYW's Series One, Series Five and a portion of its Series 6 commercial paper, funded the debt service reserve, paid certain costs of issuance and refunded a portion of its Fiscal 1993 Series A bonds.

On October 10, 2002, $250,000,000 of FY 2003 Series D bonds were delivered in a common plan of finance with $148,040,809 of 2003 Series 1 bonds, issued to EFC. Proceeds from the Series D bonds were used to refund all of NYW's outstanding Fiscal 1987 Series A and 1987 Series B bonds and a portion of its 1994 Series B, 1996 Series A and 1994 Series F bonds. These bonds were second advance refundings allowed under the Liberty Zone provisions and provided in excess of 6% present value savings. The bond structure included serial maturities through 2017 with spreads to the MMD Triple-A scale ranging from 1 basis point below to 13 basis points above the scale. Yields ranged from a very favorable 1.464% in 2003 to 4.04% in 2017, with a true interest cost for the transaction of 3.89%. Premium bonds were sold in almost every maturity.

The proceeds of the 2003 Series 1 bonds were used to defease all of NYW's Series 3 and a portion of its Series 4 commercial paper and funded the costs of issuance. The 2003 Series 1 bonds were offered through a competitive sale using an internet-based bidding platform with seven bidders responding. The successful bid included serial maturities from 2003 through 2024 and term bonds in 2027 and 2032. Yields ranged from 1.35% in 2003 to 4.68% on the term bonds due in 2032. The yield on the 2032 term bonds was a very favorable 5 bp higher than the MMD Triple-A Scale, with earlier serial maturities trading as much as 10 basis points below the scale. The true interest cost was 4.28 % with an effective all in yield of 2.77%, after subsidy.

On November 14, 2002, $608,654,720 of 2003 Series 2 bonds, issued to EFC were delivered, one of the largest offerings made by NYW through EFC. The transaction partially refunded NYW's Fiscal 1994 Series 1 bonds and fully refunded its Fiscal 1996 Series 1, Fiscal 1998 Series 2, Fiscal 1998 Series 5 and Fiscal 1999 Series 1 bonds, extended the maturity date to 30 years from the original issuance date of the refunded bonds and paid certain costs of issuance. The sale included serial bonds from 2003 to 2023 and term bonds in 2028. The yields on the term bonds are 5.00%, a 4 basis point spread above the MMD Triple-A Scale. The true interest cost on the bonds issued to EFC was a favorable 4.6%.

During the period of 2003 and 2007, NYW 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 expected series of Tobacco Flexible Amortization Bonds (Tobacco Bonds) in 1999 to finance a portion of the City's capital program. Those bonds are the highest-rated bonds secured by TSRs issued to date by various states and localities. In December 2001, TSASC and the City completed a $150 million loan agreement with the US Department of Transportation (USDOT) under the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA). The loan agreement provides for funding by the USDOT for one third of the capital costs associated with the Staten Island ferries and ferry terminals project. The loan is scheduled to be drawn down over the next two to three years based on actual capital expenditures. The repayment of the loan is secured with TSASC's revenues, payable over the next 30 years on a parity with other TSASC senior bonds. The 5.52% interest costs on the TIFIA loan was estimated to be at least 30 basis points lower than the TSASC's borrowing rate under comparable market conditions.

In August 2002, TSASC implemented a second public offering for $500 million. Unlike the 1999-1 Series, the 2002-1 series offer investors bonds with a fixed-payment structure and a super-sinker payment structure, which have become more popular in the municipal tobacco bonds market since TSASC's 1999-1 transaction. The yields on the bonds range between 3% to 6% for maturities in year 2006 and 2032, respectively. The spreads to MMD-AAA (a municipal bonds index) vary between 45 basis points in year 2006 and 99 basis points in year 2032. While the yields on the TSASC bonds are still higher than those the City General Obligation Bonds despite a higher credit rating, TSASC bonds continue to be traded at lower rates than those of tobacco bonds issued by other New York municipalities in the secondary market.

The third and the fourth TSASC financings, each with approximately $700 million of par amount, are scheduled for FY2004 and 2005, respectively.

TSASC has acquired the City's 3.4% share of the national total TSRs payable under the Master Settlement Agreement (MSA) entered into between 46 States and the manufacturers of about 95 percent of cigarettes sold in the US. After TSASC retains sufficient TSRs to pay for its debt service and operating expenses, the excess TSRs flow to the City through ownership of a residual certificate. The MSA provides for an upfront payment, four Initial Payments payable on each January 10, beginning in 2000 and continuing through 2003 and an Annual Payment payable on every April 15, beginning in 2000. As listed below, TSASC has received a total of $807 million payments from tobacco manufactures since its inception.

TSASC's Tobacco Settlement Revenues Received
($ In millions)

	1999	2000	2001	2002	2003	Total
Upfront Payment	$84	$0	$0	$0	$0	$84
Initial Payment (Due & Received on or about January 10)	0	73	66	68	73	280
Annual Payment (Due & Received on or about April 15)	0	118	138	187	178*	621
Total	**$84**	**$191**	**$204**	**$255**	**$251**	**$985**

* *Estmated*

Based on data available to TSASC, the relative market share among the PMs changed from year to year and the overall US cigarette shipment in 1999 and 2000 were roughly the same as those forecast in the TSASC Series 1999-1 official circular. In general, the Annual Payments vary according to an inflation factor and the annual amount of cigarettes shipped in the US by tobacco manufacturers participating in the MSA, among other factors. Also, the amounts of TSRs received to date are subject to modification as the Independent Auditor receives updated cigarette shipment information from various sources. The adjustments were and will be made against subsequent TSRs.

Supplemental Information

Expenditure Assumptions

The baseline expenditure estimates in the plan are derived from the four-year financial plan submitted on November 14, 2002 as adjusted for the City Council Budget modification and also include approved Federal and State categorical grants through January 21, 2003. The new estimates also reflect other approved budget modifications, new needs, changes in inflation assumptions and other adjustments as discussed below.

Personal Services

The estimates for Personal Services over the five-year period of the plan are as follows:

	($ in millions)				
	2003	*2004*	*2005*	*2006*	*2007*
Salaries & Wages	$16,475	$16,021	$15,964	$15,980	$15,986
Pension	1,904	2,731	3,366	4,194	4,687
Other Fringe Benefits	4,700	4,856	5,121	5,404	5,704
Reserve for Collective Bargaining:					
Department of Education	49	57	57	57	57
Other	326	288	290	293	293
Total	**$23,454**	**$23,953**	**$24,798**	**$25,928**	**$26,727**

Salaries & Wages

The baseline projections for salaries and wages reflect personnel costs associated with current and projected headcount levels including most wage adjustments for the 2000-2002 round of collective bargaining.

Pensions and Other Fringe Benefits

Pension expense projections for 2003 and beyond incorporate the draft valuation results prepared by the Office of the Actuary and other financial plan adjustments. The projections include the estimated costs associated with investment losses that occurred in both 2001 and 2002 as well as a reserve for additional investment losses that might occur in 2003. Further adjustments are made to capture the effects of early retirement and the estimated costs of benefit improvements resulting from recent State legislation. Consistent with State law, the costs of funding a portion of retiree benefit increases are being phased in over a ten year period.

Total pension expenses for the financial plan are shown below:

	($ in millions) 2003	2004	2005	2006	2007
City Actuarial	$1,845	$2,660	$3,286	$4,106	$4,593
Non-City Actuarial	27	37	45	51	57
Non-Actuarial	32	34	35	37	37
Total	**$1,904**	**$2,731**	**$3,366**	**$4,194**	**$4,687**

Social Security cost estimates reflect the projected tax rates and wage ceilings issued by the Social Security Administration as well as planned payroll adjustments. Unemployment Insurance costs are consistent with the statutory maximum weekly benefit levels and planned payroll adjustments. Workers' Compensation costs are consistent with the compensation rate schedule mandated by State law and the projected growth in medical costs. Health insurance estimates reflect current levels of coverage based on the latest population and premium data available from the City's health insurance providers. Out-year projections reflect anticipated increases in hospital and medical trends.

Reserve for Collective Bargaining

The Labor Reserve contains funding not already included in baseline salaries. These funds of collective bargaining principally represent the undistributed portion of the 2000-2002 round of collective bargaining, as well as smaller amounts from the prior round. Funds for Department of Education collective bargaining have been transferred to the Department and are held in a discrete collective bargaining Unit of Appropriation. There are no additional funds in the reserve for collective bargaining increases for the period after the expiration of the 2000-2002 round of contracts. Any increases after this shall come from increased productivity, and only after the savings from this source already assumed in the plan are achieved.

Other Than Personal Services

The following items are included in this category:

	($ in millions) 2003	2004	2005	2006	2007
Administrative OTPS	$10,580	$9,862	$10,037	$10,183	$10,323
Public Assistance	2,255	2,073	2,080	2,080	2,080
Medical Assistance	4,006	4,240	4,388	4,532	4,536
Health and Hospitals Corp.	201	195	192	191	191
Covered Agency Support & Other Subsidies	1,938	1,969	2,029	2,097	2,164
City & MAC Debt Service	2,768	3,105	3,937	4,067	4,282
General Reserve	300	300	300	300	300
Total	**$22,048**	**$21,744**	**$22,963**	**$23,450**	**$23,876**

Administrative OTPS

The estimates in this category include new needs in the baseline. For 2004 through 2007 most expenditures have been increased to reflect the effect of inflation. The inflation adjustment, which is shown in a citywide account, represents an annual 2.8 percent increase in 2004 through 2007. Baseline costs for energy and lease requirements are shown in the appropriate operating agency, while out-year inflationary costs are primarily shown in city-wide accounts as noted in the following two sections.

Energy

The financial plan for 2003 through 2007 reflects the current projection for energy related purchases. Gasoline and fuel oil prices are projected to maintain their current elevated levels for the duration of fiscal year 2003. The volatility in energy prices is the result of the petroleum sector labor strike in Venezuela, the situation in the Middle East, and the reluctance of OPEC to increase petroleum production. For 2004 through 2007, energy costs are projected to return to levels prior to the current situation.

Usage adjustments are held constant, with the exception of varying workload adjustments, the privatization initiative in the In-Rem program, and the annualization of 2003 adjustments, where applicable.

The annual cost projections are as follows:

Energy Costs
($ in millions)

	2003	*2004*	*2005*	*2006*	*2007*
Gasoline	$32	$29	$30	$32	$32
Fuel Oil	45	37	39	41	41
HPD-In Rem	9	7	2	0	0
HPD-Emergency Repairs	2	2	2	0	0
Heat, Light & Power	470	514	521	526	526
Total	**$558**	**$589**	**$594**	**$599**	**$599**

Leases

Agency baseline expenditures carry the cost of leases at a constant level of $474 million for 2004 through 2007 with the exception of the annualization of 2003 adjustments where applicable. A citywide adjustment for 2004 through 2007 provides for the increased cost of leases based on a 3.0 percent annual inflator. The four-year plan includes $493 million for leases in 2004, $508 million in 2005, $524 million in 2006, and $540 million in 2007. Of these amounts, the citywide adjustment is $19 million, $34 million, $50 million and $66 million respectively in 2004 through 2007.

Public Assistance

The financial plan for Public Assistance projects 420,764 persons on Public Assistance in June 2003, remaining at that level for the balance of the plan.

Medical Assistance

The financial plan for Medical Assistance funds 2.1 million eligibles including 76,000 in Medicaid Managed Care. Medicaid expenditure growth is projected at 7.8 percent for fiscal year 2004.

Health and Hospitals Corporation

The City support for the Health and Hospitals Corporation reflects the costs incurred by HHC in providing healthcare to prison inmates and uniformed service employees, as well as various other City services and debt service costs for HHC bonds. This amount is estimated at $113 million in fiscal years 2003 and $106 million in 2004 and $107 million in fiscal years 2005 through 2007. Personnel services expenses remain essentially flat for fiscal years 2003 through 2007 pending the next collective bargaining agreement. Affiliation costs start with a baseline of $548 million in fiscal year 2003 and assume incremental increases in each subsequent year. The Corporation's third party revenue is expected to increase. The full assumptions underlying the plan are set forth in the covered organization submissions for the Health and Hospitals Corporation.

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 $300 million for 2003-2007 to provide for uncontrollable increases in expenditures as well as shortfalls in revenue. The General Reserve has been increased above the required $100 million to allow for any further uncertainties that may occur in the future.

Debt Service

Debt Service projections estimate payments of debt service on currently outstanding City and MAC debt and future City issuances in accordance with the financing program for 2003-2007. Actual debt service payments in these years will be affected by the timing of such issuances as well as market conditions. Projections of debt service on debt to be issued are based on estimates of the periods of probable usefulness of the expenditures to be financed for the City.

City debt service payments also include payments to MAC for amortization and interest on City obligations held by MAC. During 2003-2007 the City estimates that payments to MAC will be $722 million, $23 million, $490 million, $492 million, and $494 million respectively. 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 requirements from certain State revenues otherwise available to the City.

A Budget Stabilization account has been established in 2003 for the prepayment of future years' debt service costs. Funding of $113 million has been provided in 2003 for this purpose.

The details of the program are provided in the Capital and Financing Section. The baseline debt service estimates are as follows:

($ in millions)

	Long Term	*Short Term*	*Lease Purchase*	*Budget Stabilization*	*Total City*	*MAC*	*Total City and MAC*
2003	$1,749	$12	$172	$113	$2,046	$722	$2,768
2004	2,843	35	204	0	3,082	23	3,105
2005	3,154	75	218	0	3,447	490	3,937
2006	3,228	75	272	0	3,575	492	4,067
2007	3,417	75	296	0	3,788	494	4,282

NEW YORK CITY
Five Year Expenditure Analysis
After PEG Implementation

(All Funds - $ in million)

	2003	2004	2005	2006	2007
Uniformed Forces					
Police Department	$3,523	$3,354	$3,386	$3,383	$3,383
Fire Department	1,142	1,042	1,041	1,039	1,039
Department of Correction	875	842	851	845	845
Department of Sanitation	971	953	967	967	967
Health and Welfare					
Admin. for Children Services	2,346	2,202	2,210	2,210	2,210
Department of Social Services	5,986	5,999	6,141	6,281	6,297
Dept. of Homeless Services	641	662	663	662	663
Dept Health & Mental Hygiene	1,426	1,319	1,371	1,399	1,427
Other Mayoral					
NY Public Library - Research	17	16	16	16	16
New York Public Library	88	85	85	85	85
Brooklyn Public Library	64	62	62	62	62
Queens Borough Public Library	61	59	59	59	59
Department for the Aging	237	187	187	187	187
Department of Cultural Affairs	122	103	103	103	103
Housing Preservation & Dev.	394	366	362	368	368
Dept of Environmental Prot.	805	696	695	694	694
Department of Finance	187	186	185	185	185
Department of Transportation	541	491	494	494	494
Dept of Parks and Recreation	259	193	196	196	196
Dept of Citywide Admin Srvces	712	718	723	722	722
All Other Mayoral	1,331	1,102	1,099	1,103	1,102
Major Organizations					
Department of Education	12,484	12,180	12,257	12,396	12,540
City University	477	466	466	466	466
Health and Hospitals Corp.	931	935	950	967	967
Other					
Citywide Pension Contributions	1,904	2,731	3,366	4,194	4,687
Miscellaneous	4,396	3,960	4,210	4,488	4,762
Debt Service	2,032	3,045	3,447	3,574	3,788
M.A.C. Debt Service	722	23	490	492	494
State and Federal Actions	—	375	(775)	(975)	(975)
General Reserve	300	300	300	300	300
Energy Adjustment	2	12	21	29	29
Lease Adjustment	—	19	35	50	66
OTPS Inflation Adjustment	—	34	70	107	145
Elected Officials					
Mayoralty	106	71	71	71	71
All Other Elected	376	344	344	344	344
Total Including Intra-City	**$45,458**	**$45,132**	**$46,148**	**$47,563**	**$48,788**
Intra/City	1,109	1,038	1,034	1,033	1,032
Total Excluding Intra-City	**$44,349**	**$44,094**	**$45,114**	**$46,530**	**$47,756**

NEW YORK CITY
Five Year Expenditure Analysis
After PEG Implementation
(City and Other Categorical Funds - $ in million)

	2003	2004	2005	2006	2007
Uniformed Forces					
Police Department	$3,249	$3,194	$3,230	$3,228	$3,228
Fire Department	1,122	1,040	1,038	1,037	1,036
Department of Correction	820	789	799	792	792
Department of Sanitation	944	926	940	940	940
Health and Welfare					
Admin. for Children Services	636	600	608	626	626
Department of Social Services	3,953	4,279	4,416	4,551	4,560
Dept. of Homeless Services	286	304	309	311	314
Dept Health & Mental Hygiene	738	769	816	839	859
Other Mayoral					
NY Public Library - Research	17	16	16	16	16
New York Public Library	88	85	85	85	85
Brooklyn Public Library	64	62	62	62	62
Queens Borough Public Library	61	59	59	59	59
Department for the Aging	117	86	86	86	86
Department of Cultural Affairs	121	102	102	102	102
Housing Preservation & Dev.	64	56	58	59	58
Dept of Environmental Prot.	692	659	657	656	656
Department of Finance	182	182	181	181	181
Department of Transportation	289	291	297	298	298
Dept of Parks and Recreation	161	155	157	157	157
Dept of Citywide Admin Srvces	211	206	211	210	210
All Other Mayoral	724	695	696	702	702
Major Organizations					
Department of Education	5,161	5,090	5,116	5,189	5,308
City University	300	293	293	293	293
Health and Hospitals Corp.	843	853	871	889	889
Other					
Citywide Pension Contributions	1,686	2,576	3,210	4,036	4,528
Miscellaneous	4,175	3,747	3,997	4,275	4,549
Debt Service	2,017	3,027	3,427	3,563	3,777
M.A.C. Debt Service	722	23	490	492	494
State and Federal Actions	—	(600)	(1,050)	(1,250)	(1,250)
General Reserve	300	300	300	300	300
Energy Adjustment	2	12	21	29	29
Lease Adjustment	—	17	28	42	54
OTPS Inflation Adjustment	—	34	70	107	145
Elected Officials					
Mayoralty	62	56	58	58	58
All Other Elected	341	322	322	322	322
Citywide Total	**$30,148**	**$30,305**	**$31,976**	**$33,342**	**$34,523**

Revenue Detail

($ in million)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Taxes:					
• Real Property	$9,926	$11,167	$11,583	$12,006	$12,459
• Personal Income Tax	3,947	3,843	3,982	4,356	4,665
• General Corporation Tax	1,173	1,274	1,454	1,574	1,649
• Banking Corporation Tax	224	295	369	440	473
• Unincorporated Business Tax	799	849	921	980	1,042
• Sale and Use	3,509	3,601	3,810	3,989	4,198
• Commercial Rent	398	413	425	435	455
• Real Property Transfer	464	422	455	485	526
• Mortgage Recording Tax	448	388	418	441	476
• Utility	282	271	279	280	285
• All Other	720	721	748	769	781
• Tax Audit Revenue	502	522	502	502	502
• Tax Initiatives Program	—	962	658	159	—
• State Tax Relief Program	659	658	680	715	736
Total Taxes	**$23,051**	**$25,386**	**$26,284**	**$27,131**	**$28,247**
Miscellaneous Revenue:					
• Licenses, Franchises, Etc.	$362	$352	$356	$350	$350
• Interest Income	43	67	95	116	126
• Charges for Services	462	480	486	484	480
• Water and Sewer Charges	881	866	887	904	914
• Rental Income	105	789	187	190	193
• Fines and Forfeitures	536	666	665	665	665
• Miscellaneous	741	378	297	249	253
• Intra-City Revenue	1,107	1,039	1,036	1,034	1,033
Total Miscellaneous	**4,237**	**4,637**	**4,009**	**3,992**	**4,014**
Unrestricted Intergovernmental Aid:					
• N.Y. State Per Capita Aid	327	327	327	327	327
• Other Federal and State Aid	427	228	228	228	228
Total Unrestricted Intergovernmental Aid	**$754**	**$555**	**$555**	**$555**	**$555**

Revenue Detail

($ in million)

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Transitional Finance Authority 9/11	$1,500	$—	$—	$—	$—
Anticipated State and Federal Aid:					
• Anticipated Federal Aid	650	—	—	—	—
• Anticipated State Aid	—	—	—	—	—
Total Anticipated Aid	**$650**	**$—**	**$—**	**$—**	**$—**
Other Categorical Grants	1,080	785	688	709	725
Inter Fund Agreements	332	322	320	320	320
Reserve for Disallowances					
against Categorical Grants	(15)	(15)	(15)	(15)	(15)
Less: Intra City Revenue	(1,107)	(1,039)	(1,036)	(1,034)	(1,033)
TOTAL CITY FUNDS	**$30,482**	**$30,631**	**$30,805**	**$31,658**	**$32,813**
Federal Categorical Grants:					
• Community Development	312	265	258	243	243
• Welfare	2,482	2,157	2,152	2,156	2,163
• Education	1,452	1,279	1,261	1,261	1,261
• Other	1,145	1,185	479	481	484
Total Federal Grants	**5,391**	**4,886**	**4,150**	**4,141**	**4,151**
State Categorical Grants:					
• Welfare	1,648	1,584	1,591	1,592	1,590
• Education	5,861	5,802	5,871	5,938	5,962
• Higher Education	164	164	164	164	164
• Department of Health					
and Mental Hygiene	471	471	479	484	493
• Other	333	553	553	544	546
Total State Grants	**8,477**	**8,574**	**8,658**	**8,722**	**8,755**
TOTAL REVENUE	44,350	44,091	43,613	44,521	45,719

Full-Time and Part-Time Positions (FTEs)

	Dec. 2001 Actual		Dec. 2002 Actual		June 2004 January Plan	
	Total Funds	City Funds	Total Funds	City Funds	Total Funds	City Funds
Uniformed Forces						
Police Department - Uniform*	39,297	39,297	37,687	37,687	34,774	34,774
Police Department - Civilian	14,789	14,176	14,493	13,880	15,196	14,496
Fire Department - Uniform	11,120	11,113	10,735	10,729	10,667	10,658
Fire Department - Civilian	4,496	4,492	4,395	4,392	4,450	4,445
Department of Correction - Uniform	10,617	9,874	10,245	9,498	9,829	9,086
Department of Correction - Civilian	1,606	1,491	1,612	1,497	1,641	1,526
Sanitation Department - Uniform	7,957	7,810	7,627	7,484	6,965	6,803
Sanitation Department - Civilian	2,271	2,059	1,985	1,819	2,083	1,815
Health and Welfare						
Child Services	7,711	7,657	7,487	7,012	7,954	7,442
Social Services	14,462	10,919	13,404	9,105	12,778	9,339
Homeless Services	2,034	2,025	2,144	2,123	2,125	2,122
Health & Mental Hygiene	5,402	4,390	5,441	4,269	5,078	4,110
Other Agencies						
HPD	2,602	640	2,542	573	2,696	611
Environmental Protection	5,704	366	5,625	368	6,292	401
Finance	2,360	2,360	2,200	2,200	2,377	2,365
Transportation	4,350	2,433	4,105	2,058	4,400	2,217
Parks	6,631	6,232	5,277	4,883	3,545	3,008
Citywide Admin. Services	1,761	1,178	1,886	1,273	2,199	1,587
All Other	17,847	13,603	17,080	12,852	16,926	13,066
Covered Organizations						
Department of Education - Peds	111,801	93,778	110,778	91,945	111,857	92,639
Department of Education - Non-Peds	24,920	21,640	25,477	21,146	24,881	20,228
C.U.N.Y - Peds	4,273	4,273	4,051	4,046	3,977	3,972
C.U.N.Y - Non -Peds	2,300	2,299	2,382	2,379	2,094	2,094
Sub-Total	**306,311**	**264,105**	**298,658**	**253,218**	**294,784**	**248,804**
Non-City Employees paid in part by City Subsides**						
Health and Hospital Corporation	37,941		38,622		36,972	
Housing Authority	14,863		14,907		16,000	
Libraries	4,428		4,190		4,096	
Cultural Institutions	1,728		1,779		1,460	
School Construction Authority	933		857		453	
All Other	1,241		1,303		1,365	
Sub-Total	**61,134**		**61,658**		**60,346**	
Total	**367,445**		**360,316**		**355,130**	

* *The Police Department uniform headcount will be at 37,210 with the swearing-in of attrition replacement recruit classes July 1, 2003 and each July 1 thereafter.*

** *For these agencies the December 2001 data reflects staffing as of February 2002.*

Full-Time Employees

	Dec. 2001 Actual		Dec. 2002 Actual		June 2004 January Plan	
	Total Funds	City Funds	Total Funds	City Funds	Total Funds	City Funds
Uniformed Forces						
Police Department - Uniform*	39,297	39,297	37,687	37,687	34,774	34,774
Police Department - Civilian	9,268	8,655	8,840	8,227	9,532	8,832
Fire Department - Uniform	11,120	11,113	10,735	10,729	10,667	10,658
Fire Department - Civilian	4,418	4,414	4,309	4,306	4,343	4,338
Department of Correction - Uniform	10,617	9,874	10,245	9,498	9,829	9,086
Department of Correction - Civilian	1,563	1,448	1,568	1,453	1,587	1,472
Sanitation Department - Uniform	7,957	7,810	7,627	7,484	6,965	6,803
Sanitation Department - Civilian	2,216	2,004	1,936	1,772	2,034	1,766
Health and Welfare						
Child Services	7,306	7,263	7,093	6,694	7,397	6,885
Social Services	12,409	9,128	11,426	7,459	10,950	7,648
Homeless Services	1,531	1,522	1,569	1,548	1,586	1,583
Health & Mental Hygiene	3,123	2,198	3,214	2,152	3,056	2,174
Other Agencies						
HPD	2,365	536	2,329	504	2,602	550
Environmental Protection	5,369	270	5,301	254	6,045	290
Finance	2,033	2,033	1,924	1,924	2,180	2,168
Transportation	3,967	2,149	3,865	1,853	4,072	2,112
Parks	1,907	1,662	1,963	1,661	1,842	1,496
Citywide Admin. Services	1,549	970	1,567	956	1,749	1,138
All Other	15,931	12,330	15,300	11,703	15,484	12,090
Covered Organizations						
Department of Education - Peds	94,595	77,568	94,303	78,271	94,472	78,209
Department of Education - Non-Peds	8,118	6,088	7,800	6,474	7,880	6,117
C.U.N.Y - Peds	2,263	2,263	2,278	2,278	2,302	2,302
C.U.N.Y - Non-Peds	1,567	1,566	1,606	1,605	1,382	1,382
Sub-Total	**250,489**	**212,161**	**244,485**	**206,492**	**242,730**	**203,873**
Non-City Employees paid in part by City Subsides**						
Health and Hospital Corporation	35,331		36,093		34,443	
Housing Authority	14,717		14,756		15,500	
Libraries	3,802		3,576		3,463	
Cultural Institutions	1,706		1,752		1,437	
School Construction Authority	933		857		453	
All Other	1,190		1,250		1,308	
Sub-Total	**57,679**		**58,284**		**56,604**	
Total	**308,168**		**302,769**		**299,334**	

* *The Police Department uniform headcount will be at 37,210 with the swearing-in of attrition replacement recruit classes July 1, 2003 and each July 1 thereafter.*

** *For these agencies the December 2001 data reflects staffing as of February 2002.*

Expense Program

PEG Program

(City Funds- $ in 000's)

	Fiscal Year 2003 Expense	Fiscal Year 2003 Revenue	Fiscal Year 2003 Total	Fiscal Year 2004 Expense	Fiscal Year 2004 Revenue	Fiscal Year 2004 Total	Fiscal Year 2005 Expense	Fiscal Year 2005 Revenue	Fiscal Year 2005 Total
UNIFORMED FORCES									
Police	$—	$—	$—	($5,000)	($85,000)	($90,000)	$16,000	($85,000)	($69,000)
Fire	(5,000)	—	(5,000)	(7,365)	—	(7,365)	(7,365)	—	(7,365)
Sanitation	—	—	—	(23,700)	(6,000)	(29,700)	—	(6,000)	(6,000)
Correction	(6,830)	(600)	(7,430)	(17,524)	(200)	(17,724)	(24,168)	(200)	(24,368)
HEALTH AND WELFARE									
Social Services	(3,848)	—	(3,848)	(17,852)	—	(17,852)	(13,827)	—	(13,827)
Admin. for Children's Services	—	—	—	(38,259)	—	(38,259)	(35,240)	—	(35,240)
Homeless Services	—	—	—	(9,830)	—	(9,830)	(9,830)	—	(9,830)
Health & Mental Hygiene	(549)	—	(549)	(8,982)	(6,700)	(15,682)	(9,255)	(6,600)	(15,855)
Aging	3,380	—	3,380	(9,568)	—	(9,568)	(9,568)	—	(9,568)
Youth & Community Dev.	—	—	—	(4,333)	—	(4,333)	(4,333)	—	(4,333)
OTHER MAYORAL									
Libraries	—	—	—	(6,836)	—	(6,836)	(6,836)	—	(6,836)
Cultural Affairs	—	—	—	(6,520)	—	(6,520)	(6,520)	—	(6,520)
Housing Preservation & Dev.	—	—	—	—	(5,250)	(5,250)	(1,031)	(2,000)	(3,031)
Finance	(469)	(1,000)	(1,469)	(1,184)	(2,200)	(3,384)	(3,225)	(2,200)	(5,425)
Transportation	(3,877)	(424)	(4,301)	(6,698)	(4,528)	(11,226)	(1,812)	(8,192)	(10,004)
Parks & Recreation	—	—	—	(3,100)	(3,130)	(6,230)	(3,100)	(750)	(3,850)
Citywide Admin. Services	(3,041)	(1,000)	(4,041)	(3,524)	(5,152)	(8,676)	(2,824)	(600)	(3,424)
All Other Agencies	(1,874)	(4,795)	(6,669)	(21,095)	(11,675)	(32,770)	(18,674)	(6,113)	(24,787)
MAJOR ORGANIZATIONS									
Department of Education	(20,692)	—	(20,692)	(130,175)	—	(130,175)	(110,319)	—	(110,319)
HHC	—	—	—	(6,774)	—	(6,774)	(6,774)	—	(6,774)
CUNY	—	—	—	7,436	—	7,436	7,436	—	7,436
OTHER									
Debt Service	(13,544)	—	(13,544)	(36,239)	—	(36,239)	(573)	—	(573)
Subtotal Agency Programs	($56,344)	($7,819)	($64,163)	($357,122)	($129,835)	($486,957)	($251,838)	($117,655)	($369,493)
CITYWIDE INITIATIVES									
PIT Reform	—	—	—	—	(962,000)	(962,000)	—	(658,000)	(658,000)
Airport Lease	—	—	—	—	(690,000)	(690,000)	—	(93,000)	(93,000)
Labor Actions			—	(600,000)	—	(600,000)	(600,000)		(600,000)
State and Federal Actions	—	(422,500)	(422,500)	(599,000)	(53,184)	(652,184)	(1,050,000)	(35,984)	(1,085,984)
GRAND TOTAL	**($56,344)**	**($430,319)**	**($486,663)**	**($1,556,122)**	**($1,835,019)**	**($3,391,141)**	**($1,901,838)**	**($904,639)**	**($2,806,477)**

PEG Program

(City Funds- $ in 000's)

	Fiscal Year 2006 Expense	Revenue	Total	Fiscal Year 2007 Expense	Revenue	Total
UNIFORMED FORCES						
Police	$16,000	($85,000)	($69,000)	$16,000	($85,000)	($69,000)
Fire	(7,365)	—	(7,365)	(7,365)	—	(7,365)
Sanitation	—	(6,000)	(6,000)	—	(6,000)	(6,000)
Correction	(24,368)	(200)	(24,568)	(24,368)	(200)	(24,568)
HEALTH AND WELFARE						
Social Services	(9,852)	—	(9,852)	(9,829)	—	(9,829)
Admin. for Children's Services	(35,240)	—	(35,240)	(35,240)	—	(35,240)
Homeless Services	(9,830)	—	(9,830)	(9,331)	—	(9,331)
Health & Mental Hygiene	(9,255)	(6,600)	(15,855)	(9,255)	(6,600)	(15,855)
Aging	(9,568)	—	(9,568)	(9,568)	—	(9,568)
Youth & Community Dev.	(4,333)	—	(4,333)	(4,333)	—	(4,333)
OTHER MAYORAL						
Libraries	(6,836)	—	(6,836)	(6,836)	—	(6,836)
Cultural Affairs	(6,520)	—	(6,520)	(6,520)	—	(6,520)
Housing Preservation & Dev.	(1,245)	(500)	(1,745)	(1,790)	—	(1,790)
Finance	(3,225)	(2,200)	(5,425)	(3,225)	(2,200)	(5,425)
Transportation	(1,351)	(10,631)	(11,982)	(1,436)	(11,053)	(12,489)
Parks & Recreation	(3,100)	(750)	(3,850)	(3,100)	(750)	(3,850)
Citywide Admin. Services	(2,824)	(600)	(3,424)	(2,824)	(600)	(3,424)
All Other Agencies	(17,860)	(5,588)	(23,448)	(16,479)	(5,875)	(22,354)
MAJOR ORGANIZATIONS						
Department of Education	(112,141)	—	(112,141)	(114,004)	—	(114,004)
HHC	(6,774)	—	(6,774)	(6,774)	—	(6,774)
CUNY	7,436	—	7,436	7,436	—	7,436
OTHER						
Debt Service	(159)	—	(159)	(49)	—	(49)
Subtotal Agency Programs	($248,410)	($118,069)	($366,479)	($248,890)	($118,278)	($367,168)
CITYWIDE INITIATIVES						
PIT Reform	—	(159,000)	(159,000)	—	—	—
Airport Lease	—	(96,000)	(96,000)	—	(99,000)	(99,000)
Labor Actions	(600,000)		(600,000)	(600,000)		(600,000)
State and Federal Actions	(1,250,000)	(35,984)	(1,285,984)	(1,250,000)	(35,984)	(1,285,984)
GRAND TOTAL	**($2,098,410)**	**($409,053)**	**($2,507,463)**	**($2,098,890)**	**($253,262)**	**($2,352,152)**

Police Department

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
Uniform PS savings Based on the planned peak headcount of 37,210, required salary increases, and historical attrition, uniform salary savings are expected in 2004	-	-	(21,000)	-	-	-
Hire 300 TEAs The Police Department will improve its enforcement of parking regulations by strategically deploying 300 additional traffic agents in congested areas throughout the City, resulting in enhanced traffic mobility and generating approximately 1.7 million additional parking summonses.	300C	-	(69,000)	(69,000)	(69,000)	(69,000)
Total Agency Program	300C	-	(90,000)	(69,000)	(69,000)	(69,000)

C = Civilians

* As of 6/30/04

Fire Department

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
Additional EMS Revenue Projected revenue from EMS Ambulance Services will increase above the planned target due to an increase in the Medicare reimbursement rate and a recent increase in ambulance transport fees.	-	(5,000)	(7,365)	(7,365)	(7,365)	(7,365)
Total Agency Program	-	(5,000)	(7,365)	(7,365)	(7,365)	(7,365)

* As of 6/30/04

Department of Sanitation

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
Landfill Closure Funding Reduction (FY 04 only) The Department will save $23.7 million in landfill closure costs due to negotiated prices and the impact of the World Trade Center incident on landfill operations.	-	-	(23,700)	-	-	-
Increase Sanitation Fines from $50 to $100 The Department of Sanitation proposes to increase the base fine from $50 to $100 for Sanitation code violations.	-	-	(8,000)	(8,000)	(8,000)	(8,000)
Charge Business Improvement Districts for Basket Collection The City will not charge Business Improvement Districts for waste basket collection by the Department of Sanitation.	-	-	2,000	2,000	2,000	2,000
Total Agency Program	-	-	(29,700)	(6,000)	(6,000)	(6,000)

* As of 6/30/04

Department of Correction

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
Heat, Light & Power Savings Heat, Light & Power Savings associated with continued closure of jail facilities and powerhouse and steam tunnel efficiencies.	-	(4,000)	(2,000)	-	-	-
Civilian Headcount Reductions Savings resulting from the elimination of civilian positions in Fiscal Years 2003 and 2004.	(100)C	(1,208)	(661)	-	-	-
Overtime Reduction Overtime Reduction	-	-	-	(8,000)	(8,000)	(8,000)
Elimination of Substance Abuse Programs Elimination of substance abuse programs including civilian counselor positions and a contract with Narco Freedom.	(83)C	-	(6,108)	(4,608)	(4,608)	(4,608)
Eliminate Adult Education Contract Eliminate contract with LaGuardia Community College for adult education services.	-	-	(1,300)	(1,300)	(1,300)	(1,300)
Uniform Headcount Reduction Reduction associated with the consolidation of Kings County and Bellevue Hospital Wards, elimination of the Harbor and the Health Stat Units, civilianization of the Central	(70)U	(880)	(4,231)	(6,936)	(6,936)	(6,936)

U = Uniformed
C = Civilians

* As of 6/30/04

Department of Correction

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
Operations Division, and the recall of positions assigned to other agencies.						
Correction/Probation Merger Savings The Department of Correction can eliminate 14 positions as a result of the merger of the Departments of Correction and Probation.	(14)C	-	(582)	(582)	(582)	(582)
Increased State Court Return Revenue Expected reimbursement for "Court Return" inmates for the time period of 1/1/99 through 12/31/99.	-	(28)	-	-	-	-
Social Security Bounty Payments Increased revenue from the Social Security Administration for reporting inmates who cannot legally receive social security benefits.	-	(124)	(342)	(342)	(342)	(342)
Additional Commissary and Phone Revenue The Department of Correction will collect additional revenue from commissary sales and telephone surcharges.	-	(600)	(200)	(200)	(200)	(200)
Fringe Benefits Fringe benefit savings associated with uniform and civilian headcount reductions.	-	(590)	(2,300)	(2,400)	(2,600)	(2,600)
Total Agency Program	(70)U (197)C	(7,430)	(17,724)	(24,368)	(24,568)	(24,568)

U = Uniformed
C = Civilians

* As of 6/30/04

Admin. for Children Services

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
Administrative Efficiencies Savings from streamlining LAN support, telecommunications and staff training.	(3)	-	(798)	(798)	(798)	(798)
Increase Adoptions An increase in adoptions processed during 2003 will produce foster care savings in 2004.	-	-	(1,944)	-	-	-
Reduce Infant Length of Stay Enhanced service planning will reduce length of stay in foster care for infants.	-	-	(343)	(343)	(343)	(343)
Reduce Length of Stay in Foster Care Enhanced review of permanency planning will increase adoptions and family reunifications for teens in foster care.	-	-	(1,611)	(1,611)	(1,611)	(1,611)
Central Insurance Savings Savings from increased monitoring of Central Insurance Program costs.	-	-	(1,500)	(1,500)	(1,500)	(1,500)
Improve Contractor Cost Allocation Adjustments to contractor allocation plans will provide federal revenue for overhead costs.	-	-	(1,000)	(1,000)	(1,000)	(1,000)

* As of 6/30/04

Admin. for Children Services

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
Improve Administrative Reimbursement Rates Revisions to the agency's cost allocation plan will generate addtional federal revenue.	-	-	(3,000)	(3,000)	(3,000)	(3,000)
Reduce Child Care Slots Underutilization Consolidate classrooms to reduce underutilized child care slots.	-	-	(2,000)	(2,000)	(2,000)	(2,000)
Consolidate Preventive Services Administration Reorganization of preventive services planning and monitoring units will produce administrative savings.	(5)	-	(69)	(69)	(69)	(69)
Rent Out Children's Center Rental income for events held at the ACS Children's Center.	-	-	(21)	(21)	(21)	(21)
Child Care Fee Increase Adjusts the sliding scale co-payments for subsidized child care producing increased fee collection.	-	-	(5,800)	(5,800)	(5,800)	(5,800)
Maximize Support Collections for Foster Care Increase child support from parents who voluntarily place children in foster care.	-	-	(600)	(600)	(600)	(600)

* As of 6/30/04

Admin. for Children Services

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
Reduced Planned Personnel Increases Eliminates funding for 100 additional planned hires. Staffing will be maintained at current levels.	(100)	-	(1,375)	(1,375)	(1,375)	(1,375)
Reduce Funds for MSW Program Reduces funds for employee scholarships from $2 million to $1.4 million.	-	-	(192)	(192)	(192)	(192)
Reduction to Foster Care and Adoption Rates Reduces contract foster care agency rates and foster and adoptive parent stipends by 2%.	-	-	(7,195)	(7,195)	(7,195)	(7,195)
Child Care Accruals Site preparation delays will produce accruals in contracts for planned child care expansion.	-	-	(1,200)	-	-	-
Contract Foster Care Re-estimate The number of children in contract foster care is projected to average 22,919 in 2004, a decline of 1,300 from 2003.	-	-	(9,610)	(9,735)	(9,735)	(9,735)
Total Agency Program	(108)	-	(38,258)	(35,239)	(35,239)	(35,239)

* As of 6/30/04

Department of Social Services

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
Public Assistance Case Review Savings from review of public assistance cases where no adult is part of the case.	-	-	(1,916)	(939)	(773)	(632)
Medicaid Ambulette Transportation A prior authorization system has been developed to review claims for State authorized Medicaid ambulette rides.	-	-	(1,226)	(1,250)	(1,275)	(1,301)
New Contract for Food Pantry Deliveries The Agency plans to implement a new contract for the purchase, warehousing and delivering of food to more than 600 food programs throughout the City.	-	-	-	(928)	(928)	(928)
Restore TANF MOE Revenue Restoration of FFY00 TANF funds previously withheld by the State for the Maintenance of Effort (MOE).	-	(3,848)	(3,848)	-	-	-
Re-estimate of Administrative Funding Due to changes in the Agency's claiming methodologies, the budget will be adjusted to include appropriate levels of federal reimbursement.	-	-	(5,743)	(5,829)	(3,046)	(3,138)
Medicaid Transportation for Methodone Mainteneance Clients	-	-	(3,600)	(3,600)	(3,600)	(3,600)

* As of 6/30/04

Department of Social Services

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
Administrative savings will be achieved by transferring responsibility for client transportation payments to methadone maintenance providers.						
Interim Assistance Reimbursement The City will receive reimbursement from the Social Security Administration (SSA) for Safety Net expenses for clients who are deemed eligible SSI.	-	-	(1,519)	(1,281)	(230)	(230)
Total Agency Program	-	(3,848)	(17,852)	(13,827)	(9,852)	(9,829)

* As of 6/30/04

Dept. of Homeless Services

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
Increase Reimbursement for Family Shelters DHS will implement a plan to increase public assistance enrollment for families in shelter, providing additional State and Federal Revenue.	-	-	(9,202)	(9,202)	(9,202)	(9,202)
Eliminate Family Rental Assistance Program Eliminates funding for time limited rent subsidy program that has been underutilized.	-	-	(628)	(628)	(628)	(130)
Total Agency Program	-	-	(9,830)	(9,830)	(9,830)	(9,332)

* As of 6/30/04

Department for the Aging

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
Transfer Senior Centers to NYCHA The transfer of 105 senior centers in NYCHA facilities to the Housing Authority will provide the department an alternative means of achieving savings without reducing services.	-	-	(29,400)	(29,400)	(29,400)	(29,400)
Participant Contributions Restores the reduction of city funding that was made in anticipation of an increase in participant contributions.	-	1,300	2,600	2,600	2,600	2,600
Restoration of Senior Centers Senior centers will not be consolidated as originally planned.	-	-	2,216	2,216	2,216	2,216
Naturally Occurring Retirement Community Contracts (NORCs) in NYCHA Reinstates contracts for seven NYCHA Naturally Occurring Retirement Communities.	-	-	1,062	1,062	1,062	1,062
Restoration of Furlough/One Day Per Week Closing Restores funding for Senior Center furlough initiative.	-	-	7,400	7,400	7,400	7,400
Restores Weekend Meals Program	-	-	1,770	1,770	1,770	1,770

* As of 6/30/04

Department for the Aging

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
Miscellaneous Program Restorations Restores miscellaneous programs serving the elderly.	-	2,080	4,784	4,784	4,784	4,784
Total Agency Program	-	3,380	(9,568)	(9,568)	(9,568)	(9,568)

* As of 6/30/04

Dept Health & Mental Hygiene

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
Mental Hygiene Revenue Collections The Department will collect additional revenues for mental hygiene services.	-	-	(2,450)	(2,450)	(2,450)	(2,450)
Early Intervention Revenue Enhancement The Department will receive additional Medicaid reimbursement for Early Intervention Program costs by qualifying more children for the Medicaid program.	-	-	(5,500)	(5,500)	(5,500)	(5,500)
OTPS Savings The Department will generate savings through better management of OTPS spending.	-	-	(602)	(500)	(500)	(500)
Personal Service Reductions	-	(549)	(2,174)	(2,825)	(2,825)	(2,825)
DOH Summons Enforcement Policy Change The Department of Health and Mental Hygiene will improve its enforcement strategy by recognizing a greater number of violations and establishing higher minimum fines for all violations, achieving increased compliance and generating additional revenue.	-	-	(2,082)	(2,082)	(2,082)	(2,082)
Increased Fees for Birth and Death Certificates The Department of Health and Mental Hygiene	-	-	(1,874)	(2,499)	(2,499)	(2,499)

* As of 6/30/04

Dept Health & Mental Hygiene

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
will seek State legislation to increase the fees for Birth and Death Certificates from $15 to $20.						
Additional Revenue from Audit Recoveries The Department of Health and Mental Hygiene will receive one-time additional revenue from increased contract audit recoveries.	-	-	(1,000)	-	-	-
Total Agency Program	-	(549)	(15,682)	(15,856)	(15,856)	(15,856)

* As of 6/30/04

Housing Preservation & Dev.

Description	City Personnel*	City Funds ($ In Thousands)				
		2003	2004	2005	2006	2007
PEG PROGRAM						
Demo Stab Funding Shift HPD has identified some building stabilization work as CD eligible.	-	-	-	(250)	(250)	(250)
NPCP TL Contract Reduction HPD is eliminating all non-CD eligible NPCP contracts.	-	-	-	(281)	(281)	(281)
West Village Apartments - Mitchell-Lama Buyout The Department of Housing Preservation and Development will collect revenue from the repayment of the City's mortgage for the West Village Apartments.	-	-	-	(1,500)	-	-
Cathedral Gardens Land Sale The Department of Housing Preservation & Development will sell the Cathedral Gardens site through a Request for Proposal.	-	-	(5,250)	-	-	-
Additional 421-a Fees The Department of Housing Preservation and Development will realize additional revenue as a result of an increased number of applicants for the 421-a multi-family residential Tax-Exempt Program.	-	-	-	(500)	(500)	-

* As of 6/30/04

Housing Preservation & Dev.

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
TPT Seed Loan Funding Shift HPD has identified another mechanism for funding a portion of the Third Party Transfer seed loan.	-	-	-	(500)	(500)	(1,000)
Queens Blvd. Lease Savings This HPD office will be moving into City owned space.	-	-	-	-	(214)	(259)
Total Agency Program	-	-	(5,250)	(3,031)	(1,745)	(1,790)

* As of 6/30/04

Department of Finance

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
Citywide Lease Portfolio Efficiencies The Department of Finance is scheduled to vacate 25 Elm Place effective June 2004. They will be relocating to 59 Maiden Lane.	-	-	(184)	(2,225)	(2,225)	(2,225)
Mortgage Recording Tax (MRT) Administrative Expense Reimbursement DOF will submit a claim to the State Dept. of Taxation and Finance along with documentation that substantiates the amount due the city for prior year administrative expenses related to the portion of the tax that is collected for the Transit Authority - $1 million in FY 2003.	-	(1,000)	-	-	-	-
Convert Current Per Diem ALJs to Full-Time City Judges The Department will seek State Legislation to convert the Administrative Law Judges (ALJs) from their status as per diems to City employees.	87	-	(1,000)	(1,000)	(1,000)	(1,000)
State Funding for STAR Administration Costs The Department receives State funding for the administrative costs associated with the STAR (School Tax Relief) Program. Actual reimbursement received from the State in FY'03 is $468,452 in excess of the DOF plan.	-	(469)	-	-	-	-

* As of 6/30/04

Department of Finance

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
<u>Increase Uniform Commercial Code Filing Fees</u> Fees for recording instruments of title and other filings will be increased.	-	-	(2,200)	(2,200)	(2,200)	(2,200)
Total Agency Program	87	(1,469)	(3,384)	(5,425)	(5,425)	(5,425)

* As of 6/30/04

Department of Transportation

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
Queens Family Court Garage Maintenance Savings DOT is funded $500,000 annually for a maintenance contract for a new garage at Queens Family Court. Due to delays, this facility is not expected to open until May 1, 2003, which will result in 10 months of savings for FY03.	-	(417)	-	-	-	-
Additional Revenue from Revocable Consents and Record Search Fees DOT will realize additional revenue from a revocable consent agreement with the Battery Park City Authority and various other agreements.	-	(424)	(426)	(426)	(426)	(426)
Increase in Midtown Commercial Parking Meter Rates The Department of Transportation will increase Midtown commercial parking rates from $1 to $2 for 1 hour; $3 to $5 for 2 hours; and $6 to $9 for 3 hours. Passenger vehicle parking rates will also be increased from $1 to $2 per hour.	29	-	(3,420)	(4,485)	(6,463)	(6,970)
Preventive Maintenance CHIPs Funding State CHIPs funding will be used to cover	(8)	-	(425)	-	-	-

* As of 6/30/04

Department of Transportation

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
capitally eligible Bridge Preventive Maintenance PS expenses.						
CHIPS Bridge Painting State CHIPs funding will be used to cover capitally eligible Bridge Painting PS expenses.	(6)	-	(476)	-	-	-
Guiderail Rehabilitation and Arterial Fencing CHIPs Funding State CHIPs funding will be used to cover capitally eligible arterial highway guiderail/fencing installation PS expenses.	(4)	-	(199)	-	-	-
Traffic Management Center - ISTEA Funding Federal ISTEA/TEA-21 funding will be utilized to cover additional PS expenses at the Traffic Management Center resulting from a transfer of 10 positions from the Communications Center.	(10)	(250)	(250)	(250)	(250)	(250)
CHIPs Boro Engineering State CHIPs funding will be utilized to cover capitally eligible Borough (Sign) Engineering PS expenses.	(7)	-	(500)	-	-	-
Bridge Preventive Maintenance Rent Savings DOT has $688,000 for the rental of a facility	-	-	(688)	-	-	-

* As of 6/30/04

Department of Transportation

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
for the Bridge Preventive Maintenance program, which is currently located in City-owned space. This group was expected to move into leased space, but this relocation will not occur in FY04.						
Bronx Boro Engineering Rent Savings DOT will incur rent savings of $72,000 for FY03 and $244,000 for FY04-06 from vacating space at 205-09 East 138th Street in March 2003.	-	(72)	(244)	(244)	(244)	(244)
Franchise Bus Off-Peak Fare Discount Elimination Effective April 1, 2003, the franchise bus companies will eliminate their off-peak local fare discounts, allowing for a reduction in the City's subsidy.	-	(992)	(3,967)	(3,967)	(3,967)	(3,967)
Express Bus Fare Increase in April 2003 The November Financial Plan assumed that the franchise express bus fare would increase from $3 to $4 effective July 2003. Subsequently it has been decided to increase the rate effective April 2003, resulting in 3 months of City subsidy savings in FY03.	-	(1,989)	-	-	-	-

* As of 6/30/04

Department of Transportation

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
<u>Express Bus Fare Increase -Weekends</u> Since weekend express bus service will not be eliminated on franchise bus routes, additional revenue will be gained when the fare is increased from $3 to $4 per ride.	-	(158)	(632)	(632)	(632)	(632)
Total Agency Program	(6)	(4,302)	(11,227)	(10,004)	(11,982)	(12,489)

* As of 6/30/04

Dept of Parks and Recreation

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
Shea Stadium Audit As the result of a City audit, the Department of Parks and Recreation will collect the remaining payment owed from prior year's rent under existing lease agreements.	-	-	(2,380)	-	-	-
Concessions Revenue from County Fairs The Department of Parks and Recreation will generate additional revenue by hosting three annual county fairs in New York City parks.	-	-	(750)	(750)	(750)	(750)
Contract Renegotiation The Parks Department will renegotiate its contract with the Central Park Conservancy and save $2 million each year.	-	-	(2,000)	(2,000)	(2,000)	(2,000)
Seasonal Attrition The Parks Department will achieve savings through attrition of both seasonal and non-seasonal positions.	(13)	-	(1,100)	(1,100)	(1,100)	(1,100)
Total Agency Program	(13)	-	(6,230)	(3,850)	(3,850)	(3,850)

* As of 6/30/04

Dept of Citywide Admin Srvces

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
Citywide Lease Portfolio Efficiencies - Zerega Avenue DCAS/DMSS Surplus Activities will not be moving to Zerega Avenue.	-	-	(317)	(317)	(317)	(317)
Citywide Lease Portfolio Efficiencies In order to achieve the lease savings, DCAS will review all Citywide leases to identify savings from renegotiation or termination of leases.	-	-	(2,000)	(1,300)	(1,300)	(1,300)
Queens Lease Consolidation Due to funding constraints, the Board of Elections Warehouse Consolidation at 47-34 34th Street will be eliminated.	-	-	(1,207)	(1,207)	(1,207)	(1,207)
Reinstate Filing Fee for Police Department Exams DCAS will resume charging candidates for the Police Officer exam. The percentage of filers showing at the exam site has decreased by at least 40% since the agency stopped collecting filing fees.	-	-	(600)	(600)	(600)	(600)
Proceeds from Property Auction DCAS will receive additional revenue from property auction proceeds in FY 2004.	-	-	(3,052)	-	-	-

* As of 6/30/04

Dept of Citywide Admin Srvces

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
Mortgage Incentive Program DCAS will collect additional revenue by offering discounts to participants through an Early Mortgage Satisfaction Program in FY 2004.	-	-	(1,500)	-	-	-
Additional Commercial Rent Baseline Revenue DCAS will collect additional baseline revenue from commercial rentals in FY 2003.	-	(1,000)	-	-	-	-
Hiring Freeze / PS Accrual Savings due to delayed hiring and the implementation of the hiring freeze.	-	(1,000)	-	-	-	-
Energy Surplus - City Funds The surplus is based on actuals through November, 2002. The anticipated NYPA increases are delayed through February, 2003.	-	(2,041)	-	-	-	-
Total Agency Program	-	(4,041)	(8,676)	(3,424)	(3,424)	(3,424)

* As of 6/30/04

NY Public Library - Research

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
NYRL Reduction This is an additional 3% reduction to NYRL. When combined with earlier reductions, this results in a total reduction of 12%.	-	-	(498)	(498)	(498)	(498)
Total Agency Program	-	-	(498)	(498)	(498)	(498)

* As of 6/30/04

New York Public Library

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
NYPL Reduction This is an additional 3% reduction to NYPL. When combined with earlier reductions, this results in a total reduction of 12%. All library branches will maintain at least five days of service per week.	-	-	(2,609)	(2,609)	(2,609)	(2,609)
Total Agency Program	-	-	(2,609)	(2,609)	(2,609)	(2,609)

* As of 6/30/04

Brooklyn Public Library

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
BPL Reduction This is an additional 3% reduction to BPL. When combined with earlier reductions, this results in a total reduction of 12%. All library branches will maintain at least five days of service per week.	-	-	(1,907)	(1,907)	(1,907)	(1,907)
Total Agency Program	-	-	(1,907)	(1,907)	(1,907)	(1,907)

* As of 6/30/04

Queens Borough Public Library

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
QPL Reduction This is an additional 3% reduction to QPL. When combined with earlier reductions, this results in a total reduction of 12%. All library branches will maintain at least five days of service per week.	-	-	(1,822)	(1,822)	(1,822)	(1,822)
Total Agency Program	-	-	(1,822)	(1,822)	(1,822)	(1,822)

* As of 6/30/04

Department of Cultural Affairs

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
Reduction to Programs This is an additional 6.2% reduction to program groups off the November base. When combined with earlier reductions, this results in a total reduction of 15.6%.	-	-	(808)	(808)	(808)	(808)
Institutions Reduction This is an additional 6.2% reduction to Cultural Institutions off the November base. When combined with earlier reductions, this results in a total reduction of 15.6%.	-	-	(5,711)	(5,711)	(5,711)	(5,711)
Total Agency Program	-	-	(6,519)	(6,519)	(6,519)	(6,519)

* As of 6/30/04

Dept. Small Business Services

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
Administrative OTPS SBS is reducing its Administrative OTPS in FY04.	-	-	(20)	-	-	-
Staff Consolidation SBS will transfer 3 positions and $162,000 in the Business Assistance Unit on to vacant CD-funded lines.	(3)	-	(162)	(162)	(162)	(162)
Administrative Fees To Business Improvement Districts The City will not charge the Business Improvement Districts for administrative costs incurred by the City.	-	-	1,100	1,100	1,100	1,100
Empowerment Zone Contract Reforecast Funding for the Empowerment Zone contract is being reduced in FY04-FY07. The reduced funds will be reforecast in FY08-FY09.	-	-	(1,631)	(1,677)	(1,677)	(757)
NYC & Co. Contract Reduction. 6% reduction to the NYC & Co. contract.	-	-	(349)	(349)	(349)	-

* As of 6/30/04

Dept. Small Business Services

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
PS Accruals Agency will achieve further savings in FY03 through delays in hiring.	-	(25)	-	-	-	-
Total Agency Program	(3)	(25)	(1,062)	(1,088)	(1,088)	181

* As of 6/30/04

Department of Education

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
Additional Reduction to Central Offices The DOE will implement an additional five percent reduction to most central administrative offices. The distribution of this cut will be determined by the DOE.	-	-	(13,600)	(13,600)	(13,600)	(13,600)
Vendor Commodity Transportation Savings The DOE will achieve additional vendor commodity savings by upgrading its transportation routing and changing contract requirements.	-	-	(2,500)	(2,500)	(2,500)	(2,500)
District Administrative Reduction Annualization This reduction represents the annalized value of the $16M FY03 reduction taken as part of the FY04 November Plan. Out year savings were not recognized in the November Plan.	-	-	(22,000)	(22,000)	(22,000)	(22,000)
Central Administration Reductions This initiative recognizes increased out year savings from annualization of Central Adminstration reductions made in the FY04 November Plan. Most central offices were reduced 20 percent through layoffs, which took place in January 2003, and attrition.	-	-	(11,200)	(11,200)	(11,200)	(11,200)

* As of 6/30/04

Department of Education

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
School Food Service Vendor Commodity Savings The DOE will reduce operating costs of the food service program through strategic sourcing and other efficiency initiatives.	-	-	(17,000)	(17,000)	(17,000)	(17,000)
Miscellaneous Revenue The DOE is being given credit for the level of Miscellaneous Revenue that it has realized over the past few years.	-	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
Middle School Re-estimates The DOE will maximize its use of Federal Title II and Magnet School funding for middle schools.	-	-	(1,500)	(1,500)	(1,500)	(1,500)
Maximized Use of the Reimbursable Budget for Fringe Benefits The DOE will maximize the fringe benefit reimbursement allowed in State and Federal categorical programs.	-	-	(36,875)	(38,519)	(40,341)	(42,204)
Maximized Use of the Reimbursable Budget for Fringe Benefits The DOE will maximize the fringe benefit reimbursement allowed in State and Federal categorical programs.	-	(17,692)	-	-	-	-

* As of 6/30/04

Department of Education

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
Service Changes for Encouraged Student Summer Program The DOE will change services provided to students who are encouraged but not required to attend summer school, saving $21M.	-	-	(21,000)	(21,000)	(21,000)	(21,000)
Surplus Carryover Percentage Cap The DOE will recover 25 percent of the anticipated FY03 district and high school roll. DOE anticipates that the roll will be $56.8M in PS and $29.5M in OTPS.	-	-	(21,500)	-	-	-
IT Outsourcing Savings The information technology savings proposed as part of the FY04 November Plan are no longer expected to be realized.	-	-	20,000	20,000	20,000	20,000
Total Agency Program	-	(20,692)	(130,175)	(110,319)	(112,141)	(114,004)

* As of 6/30/04

City University

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
Community College Restoration of PS in General Administration Restoration of this FY 2004 November Plan reduction is being made in order to satisfy the Maintenance of Effort required by State law.	4P 13NP	-	1,002	1,002	1,002	1,002
Community College Restoration of PS in Maintenance and Operations Restoration of this FY 2004 November Plan reduction is being made in order to satisfy the Maintenance of Effort required by State law.	14NP	-	650	650	650	650
Community College Restoration of PS in General Institutional Services Restoration of this FY 2004 November Plan reduction is being made in order to satisfy the Maintenance of Effort required by State law.	2P 20NP	-	989	989	989	989
Community College Restoration of PS in Library and Organized Activities Restoration of this FY 2004 November Plan reduction is being made in order to satisfy the Maintenance of Effort required by State law.	3P 2NP	-	469	469	469	469

P = Pedagogical
NP = Non-Pedagogical

* As of 6/30/04

City University

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
Restoration of Hunter Campus School Library and Organized Activities Restoration of Hunter Campus School Library and Organized Activities in FY 2004 and on.	1NP	-	45	45	45	45
Community College Partial Restoration of PS in Student Services Restoration of this FY 2004 November Plan reduction is being made in order to satisfy the Maintenance of Effort required by State law.	7P 5NP	-	558	558	558	558
Community College Restoration in Instruction & Departmental Research, Extension and Public Service Restoration of this FY 2004 November Plan reduction is being made in order to satisfy the Maintenance of Effort required by State law.	8P 7NP	-	2,786	2,786	2,786	2,786
Restoration of Hunter Campus School Instruction	10P	-	937	937	937	937

P = Pedagogical
NP = Non-Pedagogical

* As of 6/30/04

City University

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
Restoration of Hunter Campus School Instruction in FY 2004 and on.						
Total Agency Program	34P 62NP	-	7,436	7,436	7,436	7,436

P = Pedagogical
NP = Non-Pedagogical

* As of 6/30/04

Health and Hospitals Corp.

Description	City Personnel*	City Funds ($ In Thousands) 2003	2004	2005	2006	2007
PEG PROGRAM						
HHC Debt Service The City will reduce its reimbursement for HHC debt service costs.	-	-	(6,774)	(6,774)	(6,774)	(6,774)
Total Agency Program	-	-	(6,774)	(6,774)	(6,774)	(6,774)

* As of 6/30/04

Revenue Program

Description	City Funds ($ In Thousands)				
	2003	2004	2005	2006	2007
Tax Revenue					
PIT Reform: Re-estimate of value. NYC personal income tax conforms to NYS tax treatment of nonresident income effective July 1, 2003. Proposal includes a twenty-five percent reduction in personal income tax rates growing to almost forty percent by 2007.	0	(51,000)	(26,000)	(80,000)	0
The Department of Finance will initiate an Amnesty Program for outstanding collectibles. Taxpayers with delinquencies older than three years will be given an incentive to pay all outstanding liability and no more than three years of outstanding interest.	0	20,000	0	0	0
Paralleling NYS in its amnesty program, effective 4/l/03 the Department of Finance is proposing to increase by two percentage points the City's interest rate on tax underpayments. The City underpayment rate is based on the fed. short-term rate (IRS 1274(d)) plus three points.	2,500	10,000	10,000	10,000	10,000
The Department of Finance will seek local law changes to close the real property transfer tax loophole on the transfer of the economic interest in an entity with assets other than real property. This will bring City law into confornity with State law.	0	2,000	2,600	2,600	2,600
The Department of Finance will seek State legislation to close the exemption for supplemental mortgages, a mortgage recording tax loophole.	0	4,000	5,000	5,000	5,000
The Department of Finance will seek State legislation to close the dividends received loophole on distributions from Real Estate Investment Trusts to share owners, a bank and other business tax loophole.	0	2,000	2,600	2,600	2,600

Description	City Funds ($ In Thousands)				
	2003	**2004**	**2005**	**2006**	**2007**
Tax Revenue					
The Department of Finance will submit a claim to the State Department of Taxation and Finance for prior year administrative expenses related to the portion of the tax that is collected for the Transit Authority.	1,000	0	0	0	0
The Department of Finance will pursue legislation to increase the reimbursement for adminstration of the Real Property Transfer Tax for the State and the Transit Authority.	0	2,000	2,600	2,600	2,600
Sub Total: Tax Revenue	**3,500**	**(11,000)**	**(3,200)**	**(57,200)**	**22,800**

Description	City Funds ($ In Thousands)				
	2003	2004	2005	2006	2007
Miscellaneous Revenue					
The Street Activity Permit Office of the Mayor's Community Assistance Unit will collect additional revenue as a result of increased street fair activity.	100	100	100	100	100
The Department of Investigation will charge the Health and Hospital Corporation for background investigations into the qualifications, criminal history, and prior employment of HHC personnel.	0	154	154	154	154
The Department of Investigation will seek State legislation to increase the City's Marshal Assessment Fee from 3.5% to 4.5%.	0	250	250	250	250
The Police Department will improve its enforcement of parking regulations by strategically deploying 300 additional traffic agents in congested areas throughout the City, resulting in enhanced traffic mobility and generating approximately 1.7 million additional parking summonses.	0	85,000	85,000	85,000	85,000
The Fire Department will seek legislation to increase the Tax on Fire Insurance Premiums from foreign and alien insurers from 2% to 4%. New York State collects and allocates to localities a portion of collections based on premiums written within those localities.	0	13,184	13,184	13,184	13,184

Description	City Funds ($ In Thousands)				
	2003	2004	2005	2006	2007
Miscellaneous Revenue					
The Department of Correction will collect additional revenue from commissary sales and telephone surcharges based on historical collections.	600	200	200	200	200
The City Clerk will increase fees for marriage licenses and other City Clerk fees. This revenue will be partially offset by an increase in staff to meet demand for these services.	0	1,767	1,900	1,900	1,900
The Conflicts of Interest Board will increase the financial disclosure late penalty fees from $100 to $200.	0	24	24	24	24
The City will not charge the Business Improvement Districts for administrative costs incurred by the City.	0	(1,100)	(1,100)	(1,100)	(1,100)
The Department of Housing Preservation and Development will sell the Cathedral Gardens site in Manhattan through a Request for Proposal.	0	5,250	0	0	0
The Department of Housing Preservation and Development will collect revenue from the repayment of the City's mortgage for the West Village Apartments.	0	0	1,500	0	0

Description	City Funds ($ In Thousands)				
	2003	2004	2005	2006	2007
Miscellaneous Revenue					
The Department of Housing Preservation and Development will realize additional revenue as a result of an increased number of applicants for the 421-a multi-family residential Tax-Exempt Program.	0	0	500	500	0
The Department of Health and Mental Hygiene will improve its enforcement strategy by recognizing a greater number of violations and establishing a higher minimum amount for fines, thereby increasing compliance in health standards in restaurants and generating additional revenue.	0	3,000	3,000	3,000	3,000
The Department of Health and Mental Hygiene will seek State legislation to increase the fees for Birth and Death certificates from $15 to $20 after the initial certificate.	0	2,700	3,600	3,600	3,600
The Department of Health and Mental Hygiene will receive one-time additional revenue from increased audit recoveries from contractors in possession of prior year unspent City contract funds.	0	1,000	0	0	0
The Department of Sanitation will increase the base fine from $50 to $100 for Sanitation code violations returnable to the Environmental Control Board.	0	8,000	8,000	8,000	8,000
The City will not charge Business Improvement Districts for costs incurred by the Department of Sanitation for waste basket collection in the districts.	0	(2,000)	(2,000)	(2,000)	(2,000)

Description	City Funds ($ In Thousands)				
	2003	2004	2005	2006	2007
Miscellaneous Revenue					
The Business Integrity Commission will draw down fees held in escrow for background investigations conducted in prior years on vendors servicing Shipboard Gambling boats.	0	100	0	0	0
The Business Integrity Commission will increase enforcement at both the Fulton Fish Market and Wholesale Markets.	0	150	150	0	0
The Business Integrity Commission will collect additional fee revenue by granting new private carter licenses.	0	54	0	54	0
The Department of Finance expects the fees for Uniform Commercial Code filings will be increased.	0	2,200	2,200	2,200	2,200
The Department of Transportation will realize additional revenue from a revocable consent agreement with the Battery Park City Authority and various other agreements.	424	426	426	426	426
The Department of Transportation will increase Midtown commercial parking rates from $1 to $2 for 1 hour; $3 to $5 for 2 hours; and $6 to $9 for 3 hours. Passenger vehicle parking rates will also be increased from $1 to $2 per hour.	0	4,102	7,766	10,205	10,627

Description	City Funds ($ In Thousands)				
	2003	2004	2005	2006	2007
Miscellaneous Revenue					
As the result of an audit, the Department of Parks and Recreation will collect the remaining payment owed from prior year's rent under existing lease agreements.	0	2,380	0	0	0
The Department of Parks and Recreation will generate additional revenue by hosting three annual county fairs in New York City parks. The potential sites are Flushing Meadows Corona Park, Orchard Beach, and a Brooklyn park.	0	750	750	750	750
The Department of Citywide Administrative Services will generate exam fee revenue by reinstituting the $35 registration fee for the Police Officer civil service exam. Attendance by filers has decreased by 40 percent since the fee was eliminated.	0	600	600	600	600
The Department of Citywide Administrative Services will receive additional revenue from property auction proceeds in FY 2004.	0	3,052	0	0	0
The Department of Citywide Administrative Services will collect additional revenue by offering discounts for the early satisfaction of City mortgages.	0	1,500	0	0	0
The Department of Citywide Administrative Services will collect additional revenue from commercial rentals based on year to date collections.	1,000	0	0	0	0

Description	City Funds ($ In Thousands)				
	2003	**2004**	**2005**	**2006**	**2007**
Miscellaneous Revenue					
The Department of Information Technology and Telecommunications will receive revenue from a special tariff agreement entered into with Verizon. This is a renewable one-year agreement available to customers with annual telecommunications billings in excess of $85 million.	0	4,500	0	0	0
The Department of Information Technology and Telecommunications will receive additional refunds from the audit of the City's telecommunications billings. This revenue is offset by an 18% commission on refunds received.	2,000	1,500	0	0	0
The Department of Records and Information Services will generate additional revenue from increased document search and copy fees.	0	80	80	80	80
The Department of Consumer Affairs will realize increased revenue as a result of the reengineering of Sidewalk Cafe permit processing.	2,695	4,096	4,555	4,126	4,467
Sub Total: Miscellaneous Revenue	**6,819**	**143,019**	**130,839**	**131,253**	**131,462**
Total Revenue Program	**10,319**	**132,019**	**127,639**	**74,053**	**154,262**