The City of New York
Executive Budget
Fiscal Year 2001

Rudolph W. Giuliani, Mayor

Office of Management and Budget
Adam L. Barsky, Director

Message of the Mayor

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The City of New York

April 18, 2000

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

Ladies and Gentlemen:

New Yorkers are entitled to feel safe in their homes and on the street. They are entitled to live in a safe and healthy environment. They are entitled to opportunities to make a living and move ahead in life. They are entitled to have the government take as little as possible from their paychecks, and they are entitled to a helping hand that offers them a way out of their difficulties instead of encouraging dependency.

To a great extent we have succeeded in providing this for New Yorkers.

Providing Security

Total crime has decreased 50 percent from 1993 to 1999. Murder, in the same period, has declined by more than 66 percent from 1,946 to 671. In fact, the total crime reduction in New York City, during the period for which there is complete data, 1993 through 1998, amounts to almost 17 percent of the national reduction. The New York City Police Department's record for restraint is even better than its record for crime reduction. It is clearly one of the most restrained police departments in the country in its use of force. Total arrests are up by 37 percent since 1993, but the number of rounds intentionally fired by police has declined 51 percent, and the number of intentional shooting incidents by police has dropped 67 percent, despite a 38 percent increase in the number of police. The Executive Budget builds upon our successes in increasing public safety with several important initiatives including funding for heightened enforcement and prosecution of hate crimes, an increase in the number of school safety agents, funding to provide a state-of-the-art DNA testing facility and an increase in the number of uniformed police officers.

Providing a Safe and Healthy Environment

Over the past six years the City has preserved and protected our environment. The centerpiece of our efforts is protecting the most valuable of the City's natural resources--our drinking water. Commencing with the ambitious watershed land acquisition program in January 1997 and continuing with the implementation of drinking water conservation and enforcement measures, New Yorkers are ensured that the City's system of providing and delivering quality water will continue for many years. Here within the City limits our efforts are also notable, with 1,824 additional acres of greenspace added to our parkland since 1993. With this Executive Budget we are furthering our efforts to provide for a safe and healthy environment by providing for the closure of the Fresh Kills Landfill which proceeds on target. This four year plan also provides funding to convert almost 50 percent of the bus fleet run by the City subsidized franchise bus companies to vehicles that run on compressed natural gas (CNG) by 2004; virtually all new bus purchases over the last two years have been CNG fueled vehicles.

Protecting Children and Families

In 1996 I created a new agency--the Administration of Children's Services--signaling my commitment to protecting our children. Our support for the agency continues unabated. Tax levy funding for the agency has grown every year since the agency's creation, even as the number of children in foster care continues to decline. Adoptions are up 64 percent since 1994. We have implemented best practices in every aspect of child welfare to ensure that children in our care are well protected and served. This Executive Budget continues this work by adding $26 million to maintain caseload ratios, increase preventive services, reward caseworkers and managers through a merit program and enhance computer applications to assist our caseworkers in their work.

Providing Opportunity

Private sector employment is up 380,000 since the end of 1993. Today there are more visitors to this City than ever, up almost 15 percent since 1996 and as a result there are 8,000 more jobs in hotels--an industry which provides employment opportunity at all wage levels. The cut in the hotel tax certainly assisted in bringing back to the City additional convention business by sending a powerful signal. There are also 73,000 more jobs in retail trade in part due to the favorable business conditions brought about by our $2.3 billion annual reduction in the tax burden. These opportunities should expand further with the elimination of the sales tax on clothing costing less than $110, a program I championed and which began just last month. Finally, there are over 100,000 more jobs in new media. This industry has grown dramatically, particularly in Lower Manhattan, an area revitalized with the aid of our Commercial Revitalization Program's targeted tax abatements. This Executive Budget builds upon these actions with steps to enhance private sector job creation through proposals to eliminate the commercial rent tax and further reduce the hotel tax.

Lowering Taxes

Government is taking less money from workers' paychecks. Coop and condominium owners have seen over $400 million of tax reductions in a program to provide equity in property tax bills. One personal income tax surcharge has already been eliminated, saving taxpayers $785 million this year. This progress will be extended with affordable plans to reduce the remaining 14 percent personal income tax surcharge by 50 percent with the start of the upcoming fiscal year, saving residents another $329 million.

Replacing Dependency with Self-Sufficiency

Finally, dependency is down. By the end of this fiscal year the number of individuals on public assistance will be 580,000, lower than at any time since 1967. The goal is to have the maximum number of people able to help themselves rather than the maximum number of people dependent on government.

When we began NYC WAY our goal was to provide jobs for all public assistance clients capable of work. This budget includes funding for new performance based contracts to perform skills assessment and job placement services as well as funding to convert 28 welfare offices to job centers where clients can get assistance in moving towards self-sufficiency. Furthermore, recognizing that lack of health insurance is a significant barrier to individuals moving towards self-sufficiency, this budget also includes funding for an outreach program that will increase enrollment in the Medicaid program and funding to expand the HealthPass program which provides affordable health insurance choices for employees of small businesses.

Reforming the "Educracy"

We need to ensure that the primary mission of the New York City public school system is the education of our children, not job protection. Over the past six years, we have worked tirelessly to impose accountability on the "educracy" that surrounds education in our City. We have achieved many long sought after reforms, such as the end of principal tenure and social promotion. We have instituted school-based budgeting and improved school safety. Additionally, we have improved the quality of education offered to our 1.1 million students through specific, targeted initiatives that have equipped every middle school classroom with computers, restored arts programs to every school in the City, and provided intensive instruction to improve reading skills in the early grades. But still, far too many of the taxpayer dollars allocated to our public schools never make it to the students in the classroom. Unfortunately, it appears that our public schools will never be fully accountable to the residents of the City for educating their children until the Mayor--whoever he or she may be in the future--is given control of the school system, and the opportunity to bring about real reform.

This Executive Budget builds upon past successes and at the same time provides a sound fiscal structure for the future. City funded spending for 2001 is actually lower than this year's forecast, by 2 percent, revenue assumptions are based on a cautious outlook for the future, the capital plan is up just 2 percent over the level set last year and the budget stabilization account is maintained at $1.2 billion for 2001 and $345 million for 2002, protecting the City against economic downturns.

Together we have accomplished a great deal. I look forward to working with the City Council and all New Yorkers as we work to build on our successes in the new millennium.

Sincerely,

Rudolph W. Giuliani
Mayor

The City of New York

April 18, 2000

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

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

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

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

First, the Council has proposed for itself a budget increase of eight percent, by far the largest increase of any Elected Official. As I pointed out last year, the Council has in recent years increased its own expenditures while the budget of the Mayor's Office has been substantially reduced, and the budgets of the Public Advocate and Borough Presidents have also experienced reductions. Since 1994, the Council has increased its budget by 47.5 percent, inclusive of last year's increase of 18.6 percent. In contrast, the Mayor's Office has reduced its budget by 31.7 percent and other City Elected Officials have reduced their budgets by greater than three percent over the same period of time. The Council should exercise the same budgetary discipline as other Elected Officials and City agencies, who have learned to carry out their responsibilities with fewer resources.

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

Finally, the supporting documentation to the Council's budget submission indicates that the Council proposes an increase of $93,375 in the budget of its Office of General Counsel, bringing its total to almost $900,000. In addition, the Council proposes an increase of $100,000 in its budget for outside counsel, bringing its total to $650,000. If the primary purpose of these substantial increases to already inflated legal budgets is to maintain an ongoing capacity for litigation, then the increases would be in violation of Section 394 (a) and (c) of the Charter, which confer upon the Corporation Counsel the function of litigating attorney for the City, including the City Council. Since the Mayor appoints the Corporation Counsel and is ultimately responsible for the law business of the City, the Council's proposal would also diminish the power of the Mayor pursuant to Section 3 of the Charter as the City's chief executive officer. Thus, the Council seeks to fundamentally change the role of the Corporation Counsel and the Mayor without Charter amendment. In addition, the Council has not expressed any rationale for an increase in its litigation capacity and, to date, has spent only one-quarter of the $550,000 budgeted for outside counsel in FY 2000. The Council has not justified increasing its outside counsel budget, and fails to account for nearly three-quarters of its current year appropriation for this function. Furthermore, the Council may commence or defend litigation only in rare instances where the Corporation Counsel is prevented from representing the Council. The Council appears to justify its action by anticipating conflict between the Mayor and the Council concerning their respective powers. However, by increasing its capacity to litigate, the Council virtually assures that disputes between the legislative and executive branches will not be settled amicably but will end up in court. For the above reasons, the addition of stand-by litigators and an additional budget for outside legal services of $650,000 is unnecessary and inappropriate.

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

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

The City of New York

April 18, 2000

Statement Pursuant to Section 1052(c) of the City Charter regarding the Operating Budget of the Campaign Finance Board

Section 1052(c) of the City Charter, as proposed by the 1998 Charter Revision Commission and approved by the voters at the 1998 general election, provides that the Campaign Finance Board:

> shall, not later than March tenth of each year, approve and submit to the mayor detailed itemized estimates of the financial needs of the campaign finance board for the ensuing fiscal year. Such estimates shall be comprised of at least one personal service unit of appropriation and at least one other than personal service unit of appropriation. The mayor shall include such estimates in the executive budget without revision, but with such recommendations as the mayor may deem proper. Upon inclusion in the executive budget, the budget submitted by the campaign finance board shall be adopted pursuant to such provisions of chapter ten of this charter as are applicable to the operating budget of the council.

The Campaign Finance Board submitted its operating budget, and pursuant to the City Charter, it has been included in the executive budget. Set forth herein are my recommendations regarding the Campaign Finance Board's operating budget.

The Campaign Finance Board has proposed increases of 30 percent for personal services (representing a headcount increase of 10 positions) and 23 percent for OTPS (not including moneys allocated to the Campaign Finance Fund), as well as an increase of $1.4 million in the moneys allocated to the Campaign Finance Fund, despite currently having sufficient resources to prepare for the upcoming Citywide elections in FY 2002. The Board unfortunately appears to have utilized the autonomy afforded by the new Charter provisions to seek to obtain these increases, rather than to exercise the same budgetary discipline as other independent officials, such as the Public Advocate, Comptroller and Borough Presidents, whose budgets have remained stable. The supporting materials supplied by the Board simply do not justify or necessitate these increases for a fiscal year that will not include Citywide elections.

The OTPS budget continues to include $500,000 for professional legal services, which would presumably be in addition to the new in-house personnel resources that the Board seeks. The Board initially increased its allotment for professional legal services from $28,000 in FY 1999 to the current funding level of $500,000 in FY 2000. In light of the limited jurisdiction of the Board and the absence of Citywide elections in FY 2001, the purpose of such a budget is unclear. In addition, the Board has yet to contract for any legal services in FY 2000, further proving that such a large allocation serves no purpose. Moreover, if the Board intends to initiate new litigation beyond its current delegation from the Corporation Counsel, such litigation could impinge upon the Charter-conferred role of the Corporation Counsel as the litigating attorney for the City, including the Campaign Finance Board.

Finally, a review of the account balance of the Campaign Finance Fund reveals an existing balance of over $3 million. By no estimate would the cost of upcoming Council elections in FY 2001 exceed this amount, even if the Board were to match contributions at the four-to-one rate that it claims to be applicable. Therefore, the Board's request for an additional $2,000,000 in matching funds, as well as the substantial increases described above, is not necessary at this time.

Accordingly, pursuant to Section 1052(c) of the City Charter I recommend to the Council that the Campaign Finance Fund receive no additional funding for FY 2001 and that the Board's other recommended expenditure changes be substantially reduced to levels comparable to those of other independent City officers.

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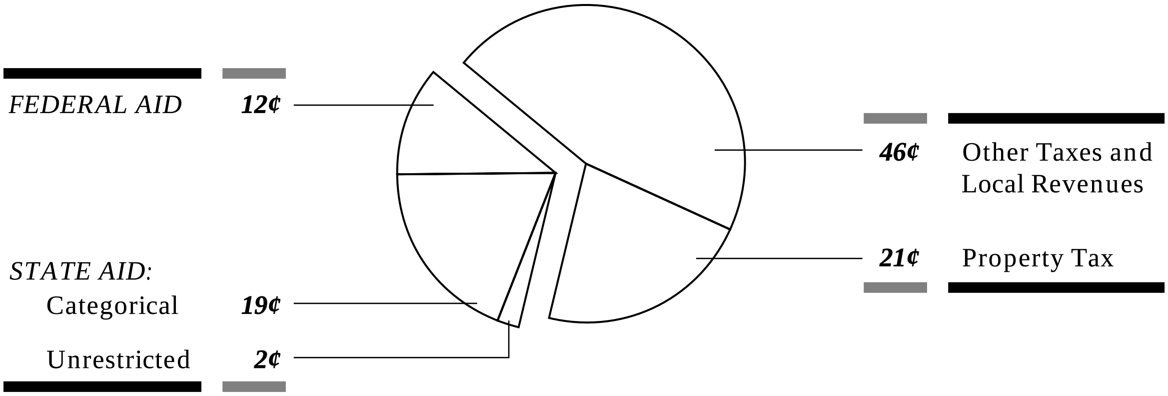
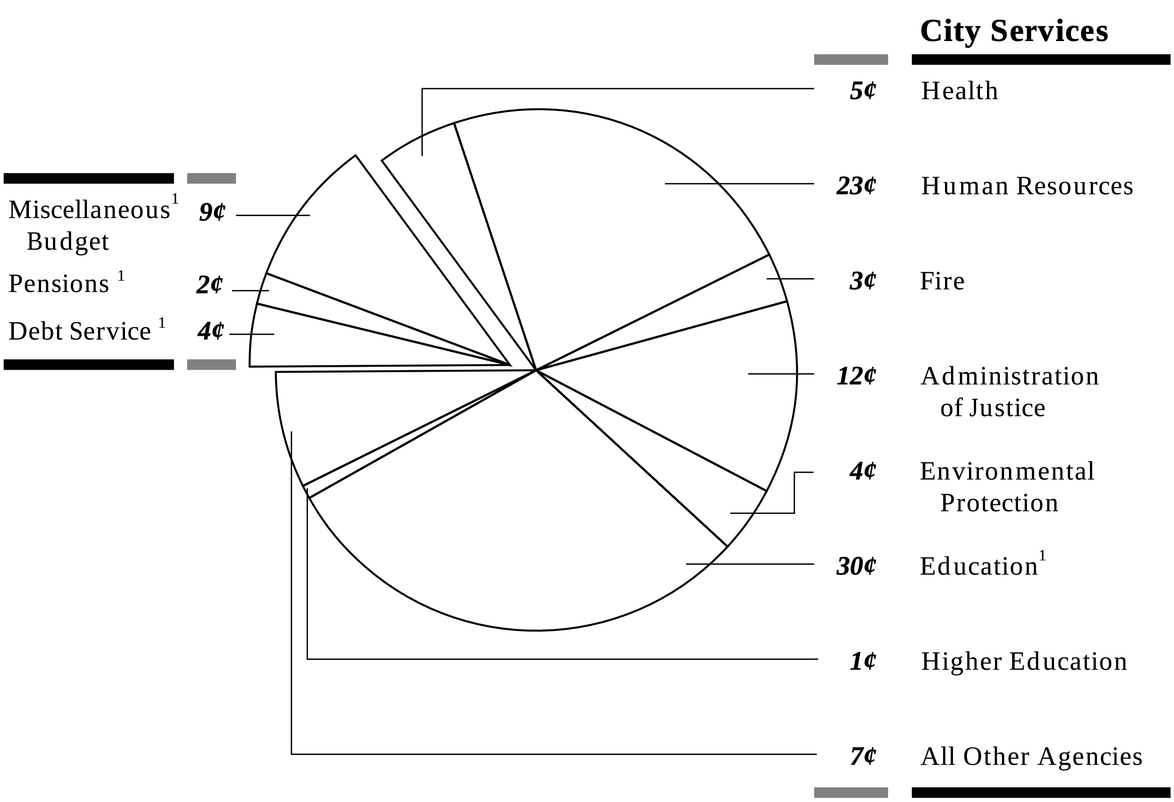


Where the 2001 Dollar Goes To



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

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REVIEW OF REVENUE AND EXPENSE BUDGETS

The 2001 Executive Budget is $37.3 billion, a decrease of $1.1 billion from the forecasted results for 2000. This is the twenty-first consecutive budget which is balanced under generally accepted accounting principles.

Financial Summary—1995-2001

($ in Millions)

	Fiscal Years Ending June 30						
	1995*	1996*	1997*	1998*	1999*	2000**	2001***
Revenues							
Taxes:							
General Property Tax	$7,327	$6,954	$7,291	$7,239	$7,631	$7,771	$7,956
Other Taxes	9,470	10,198	11,266	12,528	13,123	13,819	13,492
Tax Audit Revenues	602	657	651	458	536	378	412
Criminal Justice Fund	314	331	90	185	-	-	-
Tax Reduction Program	-	-	-	-	-	-	(364)
Miscellaneous Revenues	3,386	3,379	3,732	3,541	3,473	4,202	4,257
Unrestricted Intergovernmental Aid	603	621	654	621	652	616	589
Other Categorical Grants	143	343	379	412	367	443	347
Less: Intra-City Revenue	(669)	(644)	(683)	(705)	(780)	(1,190)	(1,169)
Disallowances	(21)	(40)	(36)	(15)	(39)	(15)	(15)
Sub-Total City Funds	$21,155	$21,799	$23,344	$24,264	$24,963	$26,024	$25,505
Inter-Fund Revenues	233	244	245	252	249	281	290
Total City & Inter-Fund Revenues	$21,388	$22,043	$23,589	$24,516	$25,212	$26,305	$25,795
Federal Categorical Grants	4,006	4,194	4,133	4,292	4,262	4,794	4,284
State Categorical Grants	6,430	6,078	6,264	6,372	6,639	7,291	7,256
Total Revenues	$31,824	$32,315	$33,986	$35,180	$36,113	$38,390	$37,335
Expenditures							
Personal Service	$15,837	$16,176	$16,495	$17,642	$18,535	$19,347	$19,783
Other Than Personal Service	14,302	14,016	13,701	14,393	14,469	16,557	16,559
Debt Service	2,254	2,406	2,842	1,510	1,371	743	742
MAC Debt Service Funding	29	132	264	304	—	—	—
Budget Stabilization and Prepayments:							
Budget Stabilization	—	—	—	1,357	1,951	2,275	1,220
Debt Service	66	106	1,342	69	38	—	—
MAC Debt Service	—	—	—	468	386	476	—
Other	—	118	20	137	138	137	—
	66	224	1,362	2,031	2,513	2,888	1,220
General Reserve	—	—	—	—	—	45	200
	$32,488	$32,954	$34,664	$35,880	$36,888	$39,580	$38,504
Less: Intra-City Expenditures	(669)	(644)	(683)	(705)	(780)	(1,190)	(1,169)
Total Expenditures	$31,819	$32,310	$33,981	$35,175	$36,108	$38,390	$37,335
Surplus/(Deficit) GAAP Basis	$5	$5	$5	$5	$5	—	—

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

For fiscal year 2000 an operating surplus of $2.9 billion is projected. The budget stabilization account has been increased in 2000 to $2.3 billion and prepayments of $613 million of MAC Debt Service and certain Covered Organization subsidies have been provided. The 2000 forecast also provides for a general reserve of $45 million to offset any adverse changes, which may surface during the remainder of the fiscal year or during the audit of the operating results.

The following table details changes to the 2000 budget since adoption, indicating sources and uses of funds and the allocation of the operating surplus.

FY 2000 Changes Since Adoption
($ in millions)

Sources	
• Revenues	$1,579
• Pension Funding Changes	524
• Agency Programs	370
• Prior Payables	325
• General Reserve	155
Total Sources	**$2,953**
Uses	
• State and Federal Budget Actions	($178)
• Education	(108)
• Judgments and Claims	(50)
• All Other Spending	(158)
Total Uses	**($494)**
Adopted Budget Stabilization Account	$429
Operating Surplus	**$2,888**
Allocation of Operating Surplus	
• FY 2000 Budget Stabilization Account	$2,275
• Prepayments of MAC Debt Service & Covered Organization Subsidies	613
Total Operating Surplus	**$2,888**

The 2001 budget provides for a budget stabilization account of $1.2 billion and a general reserve of $200 million, which is double the $100 million that is mandated by the Financial Emergency Act at the beginning of a fiscal year. An additional tax reduction program in 2001 valued at $364 million, growing to $1 billion by 2004, has been designed to further stimulate private sector job development. The following table details changes to the 2001 budget since the 2000 budget was adopted.

FY 2001 Changes Since Adoption
($ in millions)

Additional Sources of Funds		
• FY 2000 Budget Stabilization Account		$2,888
• Revenue Forecast		688
• Agency Programs		466
• Pension Funding Changes		284
• State and Federal Actions		100
Total Additional Sources of Funds		**$4,426**
		======
Uses of Additional Funds		
• FY 2001 Gap Reduction		($ 1,928)
• Fund FY 2001 Budget Stabilization Account		(1,220)
• Targeted Spending		(914)
• Social Service and Health	(374)	
• Education	(246)	
• Fresh Kills Closure	(181)	
• Public Safety	(106)	
• All Other	(7)	
• Additional Tax Reduction Program		(364)
Total Uses of Additional Funds		**($4,426)**
		======

Summary of Financial Plan

The City's financial plan sets forth projected operations on a GAAP basis for the 2001 through 2004 fiscal years. In accordance with the City Charter a four-year financial plan is to be included in the Executive Budget submission. The financial plan will also be submitted to the Financial Control Board in accordance with the Financial Emergency Act. The assumptions, upon which the four-year plan revenue and expenditure estimates are based, are summarized in the Appendix section of this Mayor's Message.

As indicated, a budget stabilization account of $1.2 billion and $345 million is included in 2001 and 2002, respectively, and a general reserve of $200 million is included for every year of the plan. The tax reduction program is valued at $364 million in 2001, $678 million in 2002, $816 million in 2003 and $1.1 billion in 2004.

Four-Year Financial Plan
($ in Millions)

	2001	2002	2003	2004
Revenues				
Taxes:				
General Property Tax	$7,956	$8,467	$8,916	$9,365
Other Taxes	13,492	13,675	14,438	15,163
Tax Audit Revenues	412	425	425	425
Tax Reduction Program	(364)	(678)	(816)	(1,073)
Miscellaneous Revenues	4,257	4,169	3,930	3,791
Unrestricted Intergovernmental Aid	589	589	589	589
Other Categorical Grants	347	364	357	347
Less: Intra-City Revenues	(1,169)	(1,197)	(1,152)	(1,108)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)
Sub-Total City Funds	$25,505	$25,799	$26,672	$27,484
Inter-Fund Revenues	290	285	285	285
Total City & Inter-Fund Revenues	$25,795	$26,084	$26,957	$27,769
Federal Categorical Grants	4,284	3,943	3,888	3,875
State Categorical Grants	7,256	7,338	7,389	7,410
Total Revenues	$37,335	$37,365	$38,234	$39,054
Expenditures				
Personal Service	$19,783	$20,273	$20,400	$20,451
Other Than Personal Service	16,559	16,892	17,227	17,243
Debt Service	742	2,043	3,019	3,623
Budget Stabilization Account	1,220	345	—	—
MAC Debt Service	—	488	490	489
General Reserve	200	200	200	200
	$38,504	$40,241	$41,336	$42,006
Less: Intra-City Expenses	(1,169)	(1,197)	(1,152)	(1,108)
Total Expenditures	$37,335	$39,044	$40,184	$40,898
Gap To Be Closed	**$ —**	**($1,679)**	**($1,950)**	**($1,844)**

A comparison of the gaps in this financial plan to the gaps that existed when the 2000 budget was adopted and a revised out-year gap closing program for 2002 through 2004 follow.

FINANCIAL PLAN UPDATE
($ in MILLIONS)

	2000	2001	2002	2003	2004
FY 2000 Adopted Budget (Gap)/Surplus	**$429**	**$(1,928)**	**$(2,033)**	**$(1,613)**	**$(1,391)**
Revenue Changes					
Tax Revenue Forecast	$1,618	$1,179	$1,097	$1,348	$1,611
Delay Airport Arbitration	—	(350)	180	65	70
State and Federal Aid	22	(57)	(57)	(57)	(57)
Other Revenues	(39)	(84)	(153)	(36)	(135)
Total Revenue Changes	$1,601	$688	$1,067	$1,320	$1,489
Merit Pay Plan	$(30)	$(325)	$(750)	$(800)	$(800)
Expenditure Changes					
State and Federal Budget Actions	$(200)	$(209)	$(211)	$(211)	$(211)
Education Initiatives	(107)	(246)	(144)	(148)	(201)
Other Agency Spending	(112)	(437)	(563)	(674)	(418)
Judgment and Claims	(50)	—	—	—	—
Pension Funding Changes	524	284	49	(69)	(7)
Debt Service	(17)	53	71	63	95
Prior Payables	325	—	—	—	—
General Reserve	155	—	—	—	—
Total Expenditure Changes	$518	$(555)	$(798)	$(1,039)	$(742)
Budget Stabilization Account					
FY 2000	**$(2,888)**	**$2,888**	**$ —**	**$ —**	**$ —**
FY 2001	**—**	**(1,220)**	**1,220**	**—**	**—**
FY 2002	**—**	**—**	**(345)**	**345**	**—**
Total Budget Stabilization	**$(2,888)**	**$1,668**	**$875**	**$345**	**$ —**
Gap to Be Closed - Executive Budget	**$(370)**	**$(452)**	**$(1,639)**	**$(1,787)**	**$(1,444)**
Gap Closing Program					
Agency Programs	$370	$466	$273	$273	$273
Labor Productivity Plan	—	250	265	280	300
Federal and State Actions	—	100	100	100	100
Total Gap Closing Program	$370	$ 816	$638	$653	$673
Surplus/(Gap) Prior to New Tax Reduction Plan	**$ —**	$364	$(1,001)	$(1,134)	$(771)
New Tax Reduction Program	—	(364)	(678)	(816)	(1,073)
Remaining (Gap)	**$ —**	**$ —**	**$(1,679)**	**$(1,950)**	**$(1,844)**
Out-Year Gap Closing Actions					
Agency Programs	$—	$ —	$879	$950	$844
State Actions	—	—	400	500	500
Federal Actions	—	—	300	400	400
Roll General Reserve	—	—	100	100	100
Total Out-Year Gap Closing Plan	$ —	$ —	$1,679	$1,950	$1,844
Remaining Surplus Out-Year (Gap)\Surplus	$ —	$ —	$ —	$ —	$ —

Employment Levels

Between 1993 and 2000 City funded staffing levels have been significantly reduced, while during the same time City resources were redirected to significantly increase staffing in vital areas. Through February 2000 over 10,000 new City funded employees were added to Education and Police, while City funded staff levels were reduced by over 20,000 in other areas, for a net Citywide reduction of over 10,000 employees.

The 2001 Executive Budget provides for increased staffing in Education and Police, as well as additional uniformed Sanitation workers required for operational needs related to the Waste Export Plan. These areas will add another 3,355 employees over the current February actual levels (Sanitation-uniformed 1,449, Education-pedagogical 981, Police-uniformed 925). Collectively, staffing levels in the other City agencies are projected to remain relatively constant. Exhibits 5 and 5A in the Appendix provide additional agency-by-agency detail.

The following table reflects accomplishments to date (February 2000) and projected staffing levels at June 2001.

Changes in City Funded Staffing Levels

	Education (ped). Sanitation (unif.) & Police (unif.)	All Other Employees	Total
December 31, 1993 Actual (Restated*)	113,098	109,738	222,836
February 28, 2000 Actual	123,246	89,174	212,420
Change December 1993 to February 2000	10,148	(20,564)	(10,416)
Projected Staffing June 30, 2001	126,601	89,159	215,760
Projected Change December 1993 to June 2001	13,503	(20,579)	(7,076)
% Change	11.9%	(18.8)%	(3.2)%

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

FEDERAL AND STATE AGENDA

OVERVIEW

The Federal and State agenda for 2001-04 is designed to control the growth of costly mandated programs and produce savings for the City and State Government. In total, this program saves the City $100 million annually for 2001-04. These savings can be achieved through a menu of approximately $75 million in State actions and $150 million in Federal actions per year.

FEDERAL OVERVIEW

The Federal budget surplus is expected to grow to almost $500 billion by Federal Fiscal Year 2010. New York City and the nation's other major cities should be recognized by Washington as leaders in critical areas such as crime reduction and welfare reform. But despite these achievements, the major urban areas continue to send more tax dollars to Washington than they receive in Federal spending. According to "The Federal Budget and the States", a report released annually by the John F. Kennedy School of Government at Harvard University, in 1998 New York State's Balance of Payment deficit with Washington was estimated to be approximately $15 billion, with New York City the source of half of that deficit.

The City's request for Federal assistance focuses on five main proposals: Public Health Initiatives, the Social Services Block Grant (Title XX), DNA Backlog Elimination Assistance, the Low Income Home Energy Assistance Program (LIHEAP) and the Federal Medical Assistance Percentage (FMAP).

Public Health Funding Initiatives

Immunization: The City has received continual reductions to Federal immunization funding since 1997. A portion of the funding loss is attributable to a decline in carryover funds. Two years ago however, the Centers for Disease Control (CDC) imposed an across-the-board cut to immunization grants and reprogrammed certain funds. As a result, the Federal funding of immunization programs in New York City has declined from $10 million in 1997 to little more than $5 million in 2000. New York City seeks the restoration of immunization funding to the 1997 level.

Increased Federal support is needed for the New York City Department of Health to continue its aggressive work in immunization service delivery, education, and outreach, which has greatly increased the number of children who are up-to-date in their immunizations.

Tuberculosis: In 2001, New York City seeks a restoration of the level of funding for tuberculosis programs commensurate with the level awarded to the City in 1999, $26 million. Since last year, the City has lost $8 million in CDC funding for tuberculosis programs. The grant awarded to the New York City Department of Health in 2000 was $18 million, $8 million less than the 1999 award. While the funding of tuberculosis programs in New York City has declined, the national appropriation has risen by more than $9 million. According to the CDC, the available funds are being reprogrammed to other areas, even though the need for maintaining the current level of service has not diminished in the City.

Since the TB epidemic's height in 1992, when the case rate was five times the national average, the City has reduced TB deaths by 59.1 percent. The current case rate of 23.6 per 100,000 people, however, is still more than three times the national average. Completion of treatment is the key to both the successful control of TB, and to the prevention of drug-resistant TB. The City's program of Directly Observed Therapy (DOT), which provides medication under the direct observation and supervision of a trained health care worker, has been largely responsible for a 91 percent reduction in drug-resistant cases since 1992. The restoration of the 1999 level of TB funding to New York City remains critical in order to provide adequate support for the City's TB programs.

Asthma Funding: Currently, the New York City Department of Health is receiving little Federal aid to support asthma-control activities. Current CDC funding consists of only one small grant, less than $90,000, that supports surveillance studies which enable the Department of Health to evaluate the prevalence of asthma in school-aged children. While no other Federal aid is made available to the City directly, the CDC has reported that the death rates from asthma among 25 to 45 year old adults are much higher in New York City than in other major urban areas of the nation, and the nation as a whole.

National statistics on childhood asthma parallel the experience in New York City:

- 4.8 million children – or 1 in 15 – under 18 years of age have asthma.
- Asthma rates have increased 160 percent in the past 15 years in children under 5 years of age.
- Asthma is the leading chronic illness in children in the United States and the leading cause of school absenteeism.
- Asthma-related hospitalizations are on the rise for inner-city children, particularly from low-income populations.

In New York City, the most dramatic increases in asthma hospitalization rates are seen in children from low-income populations. The rate of asthma hospitalizations for children under age 5 from low-income areas rose by 63 percent during the ten-year period from 1988 to 1997.

New York City is requesting that Congress appropriate adequate funds for asthma detection and prevention and that the CDC allocate the resources to areas, such as New York City, where the need is greatest.

Mosquito-Borne Disease Control Program: Last August, the City mounted a rapid emergency response to the sudden outbreak of the West Nile virus, a mosquito-borne disease that had never previously been recognized in the Western Hemisphere. In order to prevent future infectious disease outbreaks, the New York City Department of Health has developed a comprehensive surveillance and control plan that will detect and combat mosquito-borne diseases before they spread to humans. The President's proposed budget for FFY 2001 includes a substantial increase in funding to combat the spread of emerging infectious diseases. The City is requesting $5 million of this Federal allocation to fund the Department of Health's program.

Social Services Block Grant (Title XX)

Title XX (Social Services Block Grant) provides critical Federal funding to serve low-income children in New York City for the purpose of preventing, reducing and eliminating welfare dependency. The City primarily uses Title XX funds for daycare slots and preventive care services through the Administration for Children's Services. In FFY 1999, the President drastically reduced requested funding from $2.3 billion to $1.9 billion, which resulted in a loss of approximately $17.9 million to the City. For FFY 2000, Congress further decreased the funding level to $1.8 billion with a loss to the City of $5.9 million. The City requests a reinstatement of 1998 funding levels for Title XX in order to recoup the $24 million loss due to reductions in Title XX over the past two years.

Low Income Home Energy Assistance Program (LIHEAP)

The Low Income Home Energy Assistance Program provides assistance to low-income households for home energy costs. LIHEAP grants are targeted to areas and households with the greatest need, including large urban areas like New York City. In FFY 1999, Congress provided $1.1 billion for LIHEAP and an additional $300 million for emergency funding.

Prior to FFY 1995, New York State automatically granted funding to all eligible renters and homeowners. In 1995, Federal funding was cut and New York was unable to provide grants automatically to the entire eligible population. The State of New York created a disincentive to accessing HEAP grants by requiring that certain less vulnerable individuals, eligible for LIHEAP, complete applications in order to receive the grants. The City would like to restore automatic HEAP grants to all eligible recipients, and this can only happen if Federal funding levels are increased to at least $1.3 billion.

In the past several years, LIHEAP contingency funds have arrived to states too late to respond in a timely fashion to an energy crisis. By the time the contingency funding is released and the states develop and implement an expenditure plan, the critical need in individual households may have diminished. The City believes that a policy that allocates a portion of the $300 million LIHEAP contingency fund at the beginning of the program year would be more efficient.

Federal Medical Assistance Percentage (FMAP)

The current Federal Medical Assistance Percentage (FMAP) funding level for New York State is 50 percent, which is the lowest share that states are eligible to receive. The formula used to determine the share is inequitable to certain states, such as New York, because it fails to consider the total taxable resources (TTR) available to a state proportionate to the state's per capita income. Recent studies by the General Accounting Office (GAO) conclude that the TTR factor yields a more equitable distribution formula by capturing a more accurate measure of statewide poverty than is captured in state per capita income. Utilization of the TTR would increase the FMAP percentage for New York City and, as a result the City would receive an additional $80 million.

DNA Backlog Elimination

Currently, Congress is considering legislation concerning DNA funding. One proposal specifically addresses the potential for DNA backlog elimination and proposes to spend $60 million over the next two years. This legislation would require that the Federal Bureau of Investigation work in conjunction with the Justice Department to develop state plans to eliminate forensic evidence backlogs. This Federal aid is critical to remedy the high backlog in DNA processing. The New York City Police Department has over 16,000 DNA cases awaiting analysis. The City requests that DNA backlog elimination legislation be enacted and that the City receive an appropriate level of funding for this program.

STATE OVERVIEW

In 1998, the State Legislature took an historic step by establishing a conference committee structure designed to openly debate the parameters of a budget agreement. The Legislature and Executive are currently in the process of negotiating a budget agreement.

The State agenda for 2001 is centered around a number of cost containment initiatives that save the City $75 million annually without requiring increases in State spending. Additionally, the City is requesting the full repeal of the Wicks Law which would result in significant capital savings for the City.

Extend Court of Claims Jurisdiction to Covered Organizations

The City proposes that the State extend Court of Claims jurisdiction to certain covered organizations. Tort liability costs have increased dramatically in recent years. In 1997 the City's costs for personal injury lawsuits was $288 million and in 1999 this amount was $375 million. Specifically, the City's liability from public benefit corporations, such as the Board of Education and the New York City Health and Hospitals Corporation, totaled more than $125 million in 1999, greater than one-third of the total City payout.

Due to the tremendous increase in tort liability in recent years, the City urges the passage of State legislation that will provide the Court of Claims exclusive jurisdiction over personal injury and wrongful death lawsuits against public benefit corporations. This treatment will be similar to what the State of New York receives. Permitting claims against the State and State-created entities, but entrusting them to a specialized bench, strikes a balance between the rights of the injured persons and the need to protect the public treasury.

The City strongly supports the passage of a tort reform proposal that includes the transfer of these specified cases to the Court of Claims. This proposal would yield $35 million in savings in 2001 for the City.

Medicaid Fraud Prevention Initiatives

Pharmacy Services: The State's Medicaid costs related to pharmacy services have grown rapidly over the past five years, roughly 20 percent a year since 1995. While a portion of the spiraling costs is attributable to the introduction of more efficacious drugs to combat AIDS, a portion of the growth is due to pharmaceutical fraud.

The City proposes to work with the State to implement several measures to reduce pharmaceutical fraud. These initiatives include redesigned prescription forms printed on non-reproducible paper, as well as the imposition of more stringent criminal penalties for Medicaid recipients who allow others to use their cards. In addition, the City supports tougher criminal penalties for pharmacists who commit prescription fraud, where such fraud typically results in multiple billings for a single prescription. The City could recognize well over $30 million in Medicaid savings from these reforms.

The City also proposes the elimination of the dispensing fee for brand name drugs that is paid currently to pharmacists in addition to the Medicaid reimbursement for the prescription. Dispensing fees were given to pharmacists as an incentive to accept Medicaid. Medicaid reimbursement rates for pharmaceuticals, however, remain competitive with other insurance reimbursement plans, particularly with respect to the new class of drugs available to treat AIDS. The City could save nearly $15 million if the dispensing fee for brand name drugs were repealed.

Transportation: Currently the lack of adequate oversight of the utilization of transportation services in the Medicaid program results in overutilization and billing fraud. More rigorous use of the prior approval program and closer auditing of transportation bills submitted by ambulette services are likely to generate approximately $22 million in City tax levy savings.

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Restricted Recipient Program for Drug Users: This proposal increases utilization of the restricted recipient program for drug users. Currently, there are approximately 2,500 drug users receiving Medicaid who are required to participate in the restricted recipient program. Recent statistics reveal spiraling pharmaceutical costs in the State's Medicaid program, in part attributable to recipient overutilization. More stringent oversight is necessary to target Medicaid participants who are current high utilizers of Medicaid. An aggressive increase in restricted recipient program participation could yield savings to the City of approximately $7 million.

Early Intervention Initiatives

The Early Intervention program provides physical therapy and speech therapy, as well as other related services, free of charge to infants and children up to two years of age who qualify based on a developmental disability. Such services are instrumental in helping the very young and most vulnerable children achieve significant developmental milestones, and in so doing, prevent the expenditure of expensive health care at a future time.
Last year the City spent more than $68 million to fund its share of Early Intervention costs. This year the City contribution is anticipated to rise to nearly $90 million, while spending over the next four years is projected to grow by at least 15 percent each year. In light of the spiraling costs, New York City recommends the

implementation of two reforms in the Early Intervention program in order to contain spending by the State and localities, yet keep programmatic features intact.

Currently, third party insurance billing of Early Intervention services is not permitted by law. The City supports the removal of such restriction in order to allow the billing of third party health insurance. Such billing would potentially defray costs, currently a government responsibility, which are reimbursable expenditures by health insurance companies.

The City also recommends imposing co-payments for Early Intervention Services based on income criteria. These proposals combine to provide annual savings to the City of approximately $10 million.

Wicks Law Reform

The Wicks law requires the City to hire four separate contractors for many public construction projects when only one is needed. Specifically, State law mandates that for construction projects over $50,000 the City must issue separate contracts for electric, plumbing, HVAC and other services. While Wicks was originally designed to increase competition, the outcome has been duplication and delay at tremendous cost to the City and State taxpayers. The outdated rule adds approximately 14 percent to the costs of projects subject to Wicks, and projects take 16 months longer to complete. In fact, Wicks will cost City taxpayers more than $209 million in 2000. Over ten years of the 2001 capital plan, the City will save $1.7 billion from the repeal of the Wicks law.

The City strongly supports the full repeal of the Wicks law and commits that 50 percent of the savings be spent on school construction.

CONTRACT BUDGET

The Contract Budget is presented as part of the 2001 Executive Budget submission. The Contract Budget includes all projected expenditures for contracts as defined in Section 104 of the City Charter, including those of small dollar value that do not require registration by the Comptroller's Office. These include purchase orders and open market orders as well as contracts.

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

The 2001 Executive Contract Budget contains approximately 20,000 contracts totaling over $5.6 billion. Approximately two-thirds of the total contract budget dollars will be entered into by the Department of Social Services, the Administration for Children's Services, the Department of Homeless Services and the Board of Education. The Administration for Children's Services has over $1.3 billion in contracts, 80 percent of which represents contracts allocated for Children's Charitable Institutions ($667 million) and Day Care ($406 million). Of the over $1.2 billion in Board of Education contracts, approximately 40 percent are allocated for pupil transportation contracts ($482 million).

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

	Est. # of Contracts	Dollars (Millions)	% Total Dollars
Social Service Related and Health Services . . . . • Home Care, Child Welfare, Employment Services, Public Assistance, Day Care, Family Services, Homeless Programs, AIDS, Senior Citizen Programs, Health, Mental Hygiene, & Prison Health, etc.	4,567	$3,157	55.9%
Youth and Student Related Services . . . . (including Transportation of Pupils and Payments to Contract Schools)	1,832	1,000	17.7
Other Services . . . . • Custodial, Security Services, Secretarial, Cultural Related, Employee Related, Economic Development, Transportation, etc.	3,853	856	15.1
Professional Services/Consultant . . . . • Accounting, Auditing, Actuarial, Education, Investment Analysis, Legal, Engineering & Architectural, System Development & Management Analysis, etc.	4,668	331	5.9
Maintenance & Operation of Infrastructure . . . . • Lighting, Streets, Buildings, Parks, Water Supply, Sewage and Waste Disposal, etc.	2,411	211	3.8
Maintenance of Equipment . . . . • Data Processing, Office Equipment, Telecommunications & Motorized Equipment, etc.	2,573	89	1.6
TOTAL	19,904	$5,644	100.0%

Borough Presidents' Proposed Reallocations

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

The Queens Borough President submitted a reallocation proposal of $58.845 million. Among the suggested restorations are $13 million to the Queens Public Library, $20.2 million to Cultural Affairs, $17 million for Youth programs, $3 million to deal with domestic violence, $1 million to Sanitation, $1.42 million to Parks and $1 million to increase Buildings Department inspections. The proposed funding sources come from a projected increase in the 2000 budget surplus and the Cultural Challenge Initiative. A specific response to each reallocation proposal is provided in a separate document, FY 2001 Executive Budget Responses to the Queens Borough President's Proposed Reallocations to the FY 2001 Preliminary Expense Budget.

In summary, the 2001 Executive Budget provides the following:

Cultural Affairs

The budget restores $11.5 million for Cultural Institutions Citywide. This amount fully restores funding to the Cultural Institutions.

The budget includes $5 million in City funds as a match for the Cultural Challenge Program. This program will provide New York City's cultural institutions and program groups with significant challenge funding in 2001 to encourage new programming and greater economic viability from increased private support. The $5 million City funds increase to the Challenge combined with the matching additional private "Challenge" funding will help offset the reduction to cultural programs by selectively adding City funds for the better proposals by giving grant recipients strong leveraging power.

Libraries

The 2001 budget restores $11.6 million to the City's libraries. This amount fully restores funding to the Queens Borough Public Library. In 1998 and 1999 baseline funding for materials increased by $4.95 million.

Parks

Council member items added in the 2000 Adopted Budget are not in the baseline budget for 2001. As part of the Adopted Budget process for 2001, Council members may continue to fund their programs. The Parks Department will try to minimize the impact of the reductions if the Council chooses not to fund their programs.

Sanitation

The Department of Sanitation's 2001 Executive Budget provides resources for refuse and recycling collection, street cleaning, snow removal, and various recycling and waste prevention programs. The budget funds approximately 175 sanitation workers for basket collection services.

Housing

With regards to Code Enforcement, in 2000 the Department of Housing, Preservation and Development had the highest number of code inspectors since 1991 when New York State eliminated funding for code inspectors.

Additional construction inspectors and associated clerical personnel were added to the budget of the Building's Department.

Commercial Revitalization

Community Development Block Grant funds for the commercial revitalization program are sustained in order to maintain revitalization services in the City's neediest areas.

Youth Programs

The Department of Youth and Community Development operates approximately 390 contracts for Youth Development Delinquency Prevention programs that provide recreational activities, educational assistance and drug prevention information to youth Citywide. Beacons are after school based centers located throughout the City which are open evenings and weekends on a year round basis. Programs provide a wide variety of recreational, educational and vocational activities for youth and families. The Beacon Program has grown from 42 to 81 programs Citywide.

The Street Outreach programs will continue to operate.

Domestic Violence

With regards to establishing a Queens-based Batterer's program, a City contractor that currently operates a Batterer's program in three other boroughs is considering expanding its operations to Queens.

The range of services available to victims of domestic violence continues to expand but no proposals exist to create a domestic violence crisis unit in Queens at this time. In 2001 Citywide emergency shelter capacity for victims of domestic violence will expand by 122 beds.

COMMUNITY BOARD PARTICIPATION IN THE BUDGET PROCESS

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

Each community board receives an annual budget to pay for a district manager, support staff and other operating expenses. In 2001 the uniform base budget for each community board is $163,358. This excludes the cost of office rent and heat, light and power which are in a separate unit of appropriation. To help defray the relocation costs for those community boards planning to move offices in 2001, funds for the cost of the move and the one-time cost of telephone installation are also included in the rent unit of appropriation. To help community boards insure the contents of their offices, community boards are insured by the Citywide Central Insurance Program.

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

Each year agencies that deliver local services, prior to preparing their departmental estimates, consult with community boards about budget issues and the needs of the districts. The boards then develop and prioritize up to 40 capital budget requests and 25 expense budget requests. For 2001 community boards submitted 2,026 capital requests to 28 agencies and 1,857 expense requests to 40 agencies. Almost two-thirds of the community board capital budget requests seek improvements to streets, sewers and parks. Community board expense budget requests concentrate on Citywide programs and personnel increases such as added police officers, park workers and other service employees.

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

District specific budget information is available in the following geographic budget reports, which accompany the release of the 2001 budget.

Register of Community Board Budget Requests for the Executive Budget, Fiscal Year 2001 - lists the funding status for all community board proposals in priority order within community district. Also available in Council district and agency sorts.

Geographic Report for the Executive Expense Budget for Fiscal Year 2001 - details the expense budgets of fourteen agencies that deliver local services by borough and service district. Includes 2001 Executive Budget information as well as 2000 current modified budget and headcount data (as of January 31, 2000).

Executive Capital Budget for Fiscal Year 2001 - details the Mayor's Capital Budget by project within agency including two geographic sorts of the Capital Budget. One presents budget data by community district and borough. The other presents the budget by borough within project type.

Geographic Fiscal Year 2001 Executive Budget Commitment Plan - presents information on capital appropriations and commitments by community board, including implementation schedules projected for each month of 2000, and the succeeding four years for all active project identifications by budget line.

Tax Reduction Program

The tax reductions enacted over the last six years have played an important part in the City's revival. Business tax reform has made the City more competitive and helped in the creation of 89,000 private sector jobs in 1999, while sales tax reductions and property tax relief have benefited consumers and property owners. This budget expands on these reductions with substantial relief, including a 50 percent cut in the 14 percent personal income tax surcharge and the complete elimination of the commercial rent tax. In addition, the current co-op/condo property tax abatement is extended and the hotel tax $2 flat fee per room is repealed. In 2001, the tax reductions in this budget total $364 million, increasing to $1,073 million in 2004.

Tax Reduction Program
($ Millions)

	2000	2001	2002	2003	2004
Already Enacted					
• Hotel Tax Cut	($25)	($26)	($27)	($28)	($29)
• Commercial Rent Tax Reductions	(400)	(405)	(410)	(415)	(420)
• Unincorporated Business Tax Reforms & Credits	(53)	(54)	(56)	(57)	(58)
• Commercial Revitalization Program	(25)	(29)	(31)	(32)	(32)
• SCRIE/SCHE Enhancements	(6)	(6)	(6)	(6)	(6)
• Co-op/Condo Property Tax Relief	(158)	(167)	—	—	—
• Business Tax Reform	(110)	(130)	(133)	(136)	(142)
• Sales Tax - Miscellaneous Exemptions	(44)	(45)	(47)	(47)	(47)
• Sales Tax - Clothing Exemptions					
- One week Exemptions	(20)	—	—	—	—
- Full year on clothing & footwear under $110 (effective 3/1/00)	(80)	(241)	(247)	(253)	(260)
• Resident UBT/PIT Credit	(37)	(43)	(49)	(55)	(55)
• Real Property Transfer Tax Exemption for Assumable Mortgages	(2)	(2)	(2)	(2)	(2)
• Elimination of the Vault Charge and the Tax on Coin Operated Amusement Devices	(8)	(8)	(8)	(8)	(8)
• Expiration of PIT 12.5% Surcharge	(785)	(765)	(787)	(833)	(877)
• Commuter Tax Repeal	(588)	(475)	(492)	(524)	(556)
Subtotal	**($2,341)**	**($2,396)**	**($2,295)**	**($2,396)**	**($2,492)**
Proposed					
• Elimination of the Commercial Rent Tax	—	($16)	($97)	($204)	($430)
• 50% Cut in the 14% PIT Surcharge	—	(329)	(361)	(382)	(403)
• Extension of Co-op/Condo Property Tax Relief	—	—	(181)	(191)	(200)
• Repeal of Hotel Tax $2 Flat Fee	—	(19)	(39)	(39)	(40)
Subtotal	**—**	**($364)**	**($678)**	**($816)**	**($1,073)**
Total Tax Reduction Program	**($2,341)**	**($2,760)**	**($2,973)**	**($3,212)**	**($3,565)**

The 2001 Executive Budget tax reduction proposals are as follows:

- **Elimination of the commercial rent tax**: Effective June 1, 2000, tenants paying up to $150,000 in rent annually will be completely exempt from taxation and tenants paying up to $190,000 will receive a partial credit that lowers their liability. This measure will drop 5,700 taxpayers from the commercial rent tax roll. Effective June 1, 2001, tenants will be allowed to exclude additional rent from taxation, reducing the effective tax rate from the current 3.9 percent to 3.0 percent. Effective June 1, 2002, tenants will be allowed an additional reduction in the base rent subject to tax, further reducing the effective tax rate to 2.0 percent. The commercial rent tax will be completely eliminated on June 1, 2003. These actions will save taxpayers $16 million in 2001, $97 million in 2002, $204 million in 2003, and $430 million in 2004 when fully effective.

- **50 percent cut in the 14 percent personal income tax surcharge:** The personal income tax paid by City residents is subject to a 14 percent surcharge that is imposed on the base rate. The 14 percent surcharge was enacted in 1991 and has required periodic renewal since 1993. It is currently scheduled to expire on December 31, 2001. This proposal calls for a 50 percent reduction in the 14 percent surcharge on July 1, 2000 and renewal at the reduced rate in 2001. The proposal will save City resident taxpayers $329 million in 2001, $361 million in 2002, $382 million in 2003, and $403 million in 2004.

- **Co-op and condo property tax relief:** An abatement program was implemented in 1997 to reduce the disparity in property tax burden between owners of cooperatives and condominiums (Class 2) and single family homes (Class 1). This program allowed a partial abatement of Class 2 real property taxes over a three-year period starting in 1997. In 1999, the abatement was equal to 17.5 percent of the tax for residential units with an average assessed value over $15,000 and 25 percent of the tax for residential units with an average assessed value of less than $15,000. It was extended in 1999 through fiscal year 2001. This abatement program will be extended at the 2001 level, with total benefits to taxpayers of $181 million in 2002, $191 million in 2003, and $200 million in 2004.

- **Repeal of hotel tax $2 flat fee:** The hotel room occupancy tax consists of both a flat fee ranging from $0.50 to $2 on rooms priced under $40 and $2 on rooms over $40, plus a five percent tax levied on the room charge. The repeal of this flat fee will reduce taxes by $19 million in 2001, $39 million in both 2002 and 2003, and $40 million in 2004.

ECONOMIC OUTLOOK

Overview

In February the U.S. economy surpassed the 106-month record expansion set back in the 1960s. Even more remarkably, the expansion is still showing few of the usual signs of aging. While 1999 ended with a strong 7.3 percent growth, core inflation was up only 2.3 percent in the same quarter, shielded by productivity growth of six percent. Although recently oil prices and the technology driven NASDAQ are causing some jitters, the fundamentals of this economy are still sufficiently stable. Therefore the Federal Reserve should be able to cool off some of the excess heat in the economy with relative ease and the U.S. economy should move along at trend speed, now estimated at 3 1/2 - 4 percent a year, for the entire forecast period.

Some unique traits of the current expansion explain its sustainability and its ability to grow further. First, the current expansion maintained marathon speed of only three percent on average for the first five years of its life, with unemployment barely reaching five percent in 1997. In comparison, the expansion of the 1960s (the second longest in history) produced a steaming six percent growth during the first five years of its life, with the unemployment rate plummeting to below four percent by 1967.

Second, although the current expansion has picked up some momentum during the preceding three years (still averaging only barely one percentage point over the long-term trend), it has been primarily fueled by a steadily rising productivity growth (three percent on average). In comparison, in 1969, the last year of the 1960s expansion, productivity growth staggered to a complete halt. Most significantly, there is growing consensus that the steady growth in productivity embodied in the current expansion will not dissipate in the near future. One popular view is that this new-technology revolution, related in particular to the rapid advances in the telecommunications and computer industry, especially the internet, is still evolving and permeating throughout the economy.

There is increasing apprehension, however, that the heavy spending on new technology along with consumer spending propelled by the unprecedented wealth appreciation of this expansion may eventually cause the economy to overheat, raising the specter of inflation. Although the Federal Reserve has expressed its intent to slow the economy through five interest rate increases in the past nine months, there is a risk that restrictive monetary policy may not be effective in arresting asset price appreciation. The Fed may need to raise rates even higher than currently expected, possibly bringing about a downturn rather than the anticipated moderation in growth.

The City's economy has also undergone some fundamental changes that have contributed to the general atmosphere of euphoria that has characterized the nation's economic performance. While in some ways similar to the expansion of the mid-1980s, the latest six years of expansion in the City have had a broader base with new and smaller businesses, like the "new media" industries, sharing the spotlight with the usual securities and legal sectors. These new firms helped boost private sector employment by 83,800 jobs last year, over 2.8 percent, the best performance on record and outpacing the U.S growth rate of 2.3 percent. Private sector employment in the City is expected to continue to grow at a sustained, albeit slightly lower pace, adding 70,000 jobs in 2000, a growth rate of 2 1/2 percent. In the outyears 2001- 2004, the forecast slowdown in the nation and an anticipated moderation in financial markets will affect local employment. Gains will consequently slow to average 40,000 new jobs per year, still a respectable result. Boosted by these employment gains, commercial real estate continues to prosper with available space in the both secondary and primary continuing to shrink and asking rents escalating.

The anticipated correction in the financial markets will naturally impact the securities industry more severely. Bonus payouts are expected to drop by 15 percent in 2000 and 2001. However, this comes on the heels of 1999, an unprecedented year when overall bonus payouts on Wall Street climbed an estimated 50

Note: All economic data, unless otherwise specified, are on a calendar year basis.

percent in the wake of a 65 percent rise in New York Stock Exchange member-firm profits. Outside of FIRE, average wage rates are forecast to increase by 4 1/2 percent per year in 2000-2004, sustained by healthy productivity gains which keep local price increases contained at 2 1/2 - 3 percent. Given the outlook for employment and wages, personal income is forecast to grow by over 4 1/2 percent per year on average bringing real GCP (Gross City Product) to almost $440 billion by 2004. This bullish outlook for the City is subject to the same risks that underlie the U.S. forecast, but for now the City has good reason to revel in its achievements of the past six years.

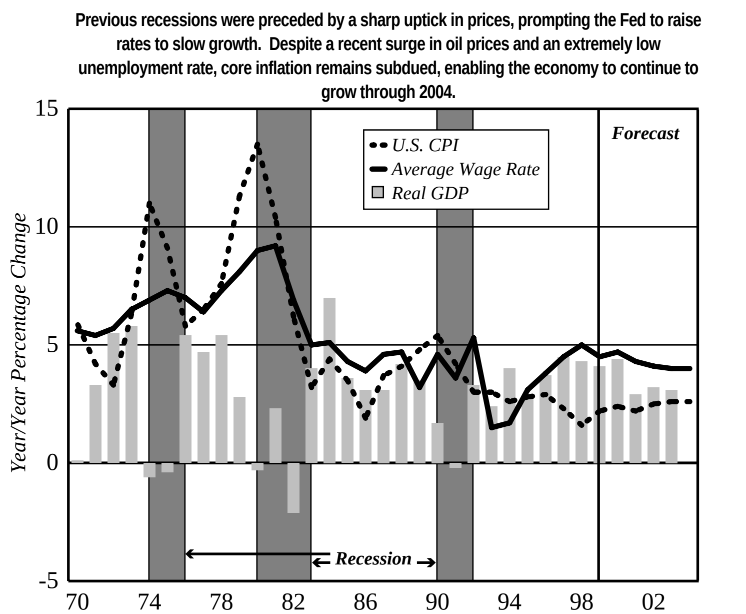
The U.S. Economy

The U.S. economy finds itself in many ways in better condition than at any time in the recent past, with few signs of strain despite a record nine consecutive years of expansion. The fruits of this expansion have included some profound structural changes that have made the economy more resilient to external shocks and prolonged the growth cycle. At the forefront of these changes are productivity gains, which have accelerated recently after years of languishing as firms continue to invest heavily in promising technology. In addition, the Federal government is running a surplus for the first time since the 1960s and higher wages and continued demand for labor have attracted more people into the labor force than at any time in recent history.

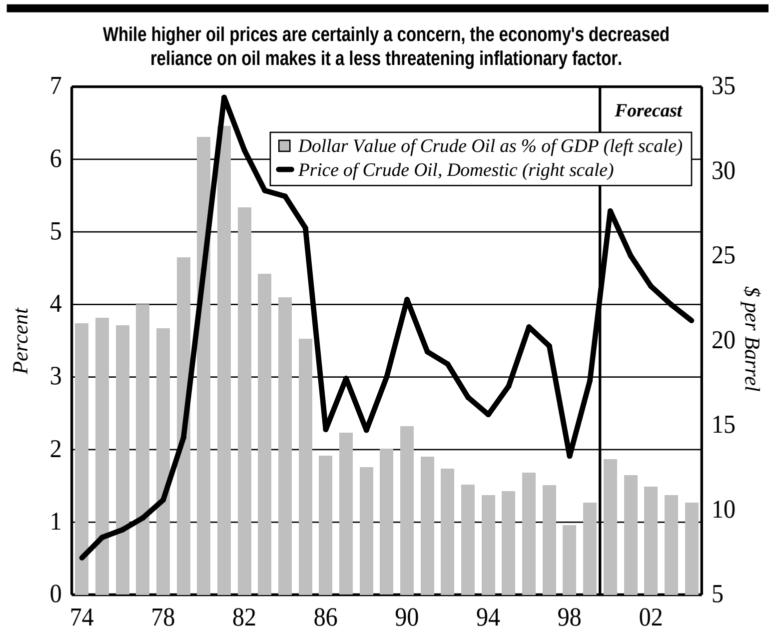
The benefits resulting from these structural shifts, combined with the usual factors that have propelled the economy over the past years, (in particular strong consumer spending) continue to keep the economy buoyant and impart a sense of optimism on the outlook. This optimism is not devoid of concerns that the recent uptick in oil prices and an unemployment rate at an all time low will cause inflation to accelerate. However, there are several reasons to believe that growth will continue without the sharp uptick in inflation that preceded previous recessions and which prompted the Federal Reserve in the past to aggressively raise rates to curtail growth.

First, the U.S. economy has become less reliant on oil both because of a shift in the outputs produced, with services and know-how in general replacing manufacturing, and because technological advances have made for more efficient fuel usage at the producer and consumer level. In fact, the total value of crude oil (domestically produced and imported) as a share of nominal GDP has fallen from seven percent in the early 1980s to one percent in 1998, making the economy better able to absorb inflationary pressures from higher oil prices[1].

REAL GDP, INFLATION, AND AVERAGE WAGE RATE

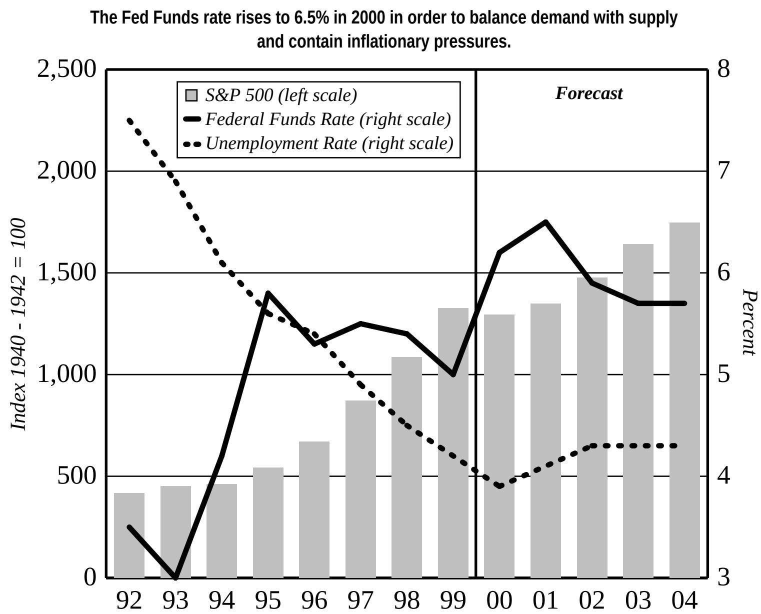


CRUDE OIL AS A PERCENTAGE OF GDP AND DOMESTIC PRICE OF CRUDE OIL

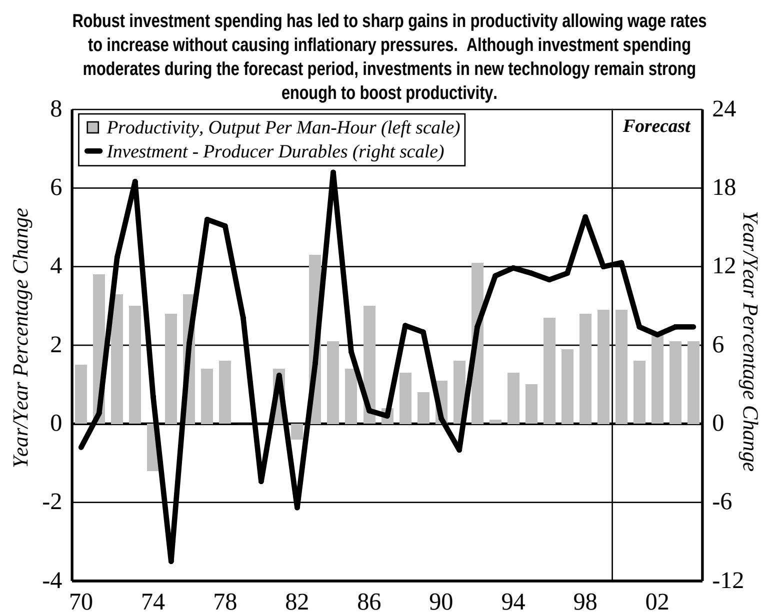


1. *Furthermore, the uptick in crude oil prices is likely to reverse as OPEC has recently announced increases in production.*

S&P 500, FEDERAL FUNDS RATE, AND UNEMPLOYMENT RATE



PRODUCTIVITY - OUTPUT PER MAN-HOUR, AND INVESTMENT - PRODUCER DURABLES



Second, increased foreign competition has made it more difficult for domestic producers to unilaterally raise prices. Today non-oil imports account for 11 percent of the economy compared to six percent twenty years ago. More recently increases in productivity have helped offset the wage pressures normally associated with low unemployment rates.

Finally, of course, the Federal Reserve has played a key role by trying to prevent the economy from overheating. The Fed has already raised rates five times since June of 1999 and has clearly signaled to the financial markets its intent to continue to cool off the "excessive demand" induced by a soaring stock market (the familiar "wealth effect"). The outlook assumes that the Federal Reserve will raise rates to 6 1/2 percent by the middle of this year. GDP is expected to average a still respectable 4.4 percent growth in 2000 given the current momentum in the economy, but as the Fed's actions begin to take effect, growth in the U.S. economy gradually moderates averaging three percent in the outyears.

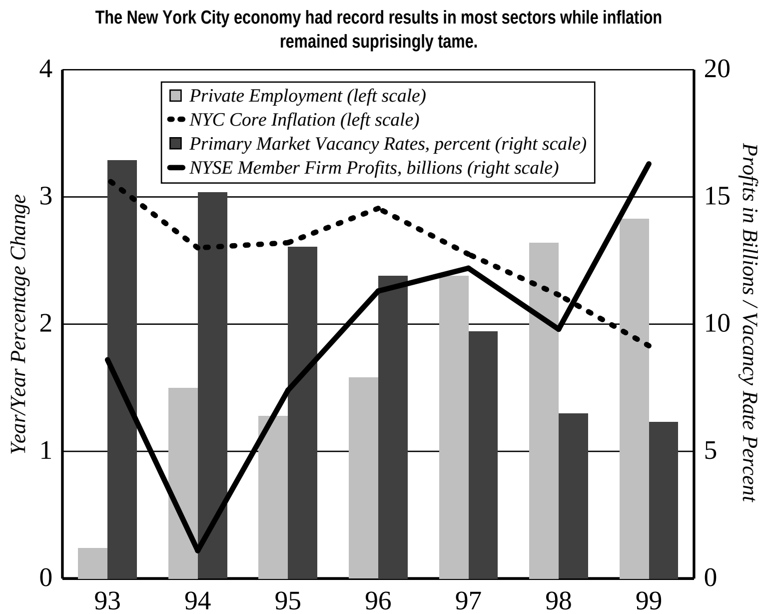
More specifically, in a breakdown of the GDP components, consumption spending is expected to ease from an increase of five percent in 2000 to three percent on average in 2001-2004. Residential investment spending also begins to feel the effects of higher interest rates with growth stabilizing in 2000-04 after increasing at seven percent on average in 1995-1999. Despite slowing in the consumer and residential sectors, investment spending in producer durables is expected to increase 12 percent in 2000 and then at a still substantial rate of 7.3 percent on average from 2001-2004. Any slowdown in investment spending, which would normally occur with higher interest rates, is offset by the higher anticipated returns to capital stemming from new technologies. As a result of continued strong investment, productivity continues to increase by over two percent per year from 2000-2004 helping counteract the inflationary pressures of wage rate increases of four percent. Inflation, therefore, is expected to be in the 2 1/2 percent range during the forecast period, up from the 1 1/2- 2 percent range of 1998-1999. The combined effects of higher interest rates and lower growth in corporate profits will cause a modest correction in the stock market in 2000-2001 before the S&P 500 resumes average growth of eight percent per year thereafter.

The remaining GDP components--the foreign and government sectors-- will continue to grow in opposite directions. The Federal budget surplus is forecast to reach over $250 billion dollars by 2004, while the trade deficit continues to widen by four percent per year, to nearly $500 billion by the end of the forecast.

In summary, the outlook retains the optimistic imprint warranted by recent structural changes and the economy's current underlying strength. At the same time this forecast remains highly predicated and sensitive to several key assumptions: that inflation remains tame, that the Fed successfully engineers a slowdown in growth and that the stock market undergoes only a modest correction.

The New York City Economy

PRIVATE EMPLOYMENT, NYC CORE INFLATION, NYSE MEMBER FIRM PROFITS, AND PRIMARY MARKET VACANCY RATES



The New York City economy has particularly benefited from the current technologically driven expansion. Along with the nation, the City is also riding a wave of optimism, following a euphoric year in 1999.

After an already remarkable six consecutive years of growth, private employment in 1999 expanded at the strongest rate on record, 2.8 percent, surpassing the nation and bringing the unemployment rate to a ten-year low. Profits on Wall Street surpassed expectations, as New York Stock Exchange member firms amassed $16.3 billion in profits, trampling the previous record by nearly 35 percent. Demand in both the residential and commercial real estate markets soared, causing vacancy rates to plummet and asking rents to skyrocket. Most surprisingly, all this occurred as the core rate of inflation decelerated in 1999.

The City created 83,800 new private sector jobs in 1999, surpassing 1998's record of 76,200. With the government sector adding 5,000 jobs, total employment in the City expanded by 89,000 jobs. The private sector's upsurge reflects the City's ability to attract firms in high skilled areas and the "new media" industry in particular. These firms contributed a large portion of the 54,000 new jobs that were added to the service sector. Within services, business services, which is made up of computer programming, advertising, and personnel supply firms, accounted for 19,500 jobs, or over 35 percent of the new jobs, while legal services grew by 3,000, medical by 7,300, and engineering/management by 5,400 jobs.

New York City Employment by Sector
(Jobs in Thousands)

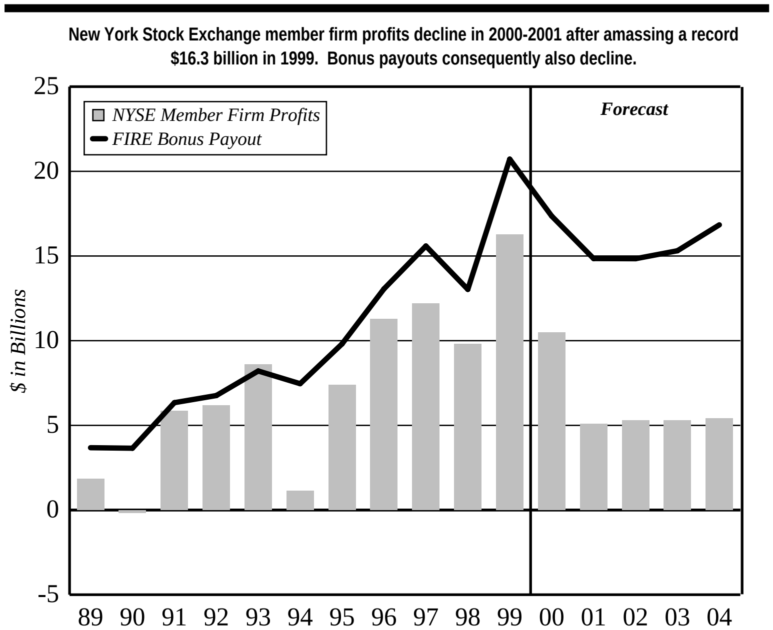
				Forecast		
	1999			2000-2004	2004	
	Level	% of Total	Change	Avg. Chg. Y/Y	Level	% of Total
Total Employment	3,617	100.0%	89	42	3,829	100.0%
Private Employment	3,050	84.3%	84	42	3,260	85.1%
FIRE	488	13.5%	5	1	491	12.8%
Securities	170	4.7%	4	1	174	4.5%
Banking	110	3.0%	-3	-2	98	2.6%
Services	1,379	38.1%	54	33	1,544	40.3%
Business Services	304	8.4%	20	12	366	9.6%
Health Services	322	8.9%	7	5	349	9.1%
Trade	610	16.9%	20	7	646	16.9%
Manufacturing	252	7.0%	-7	-6	221	5.8%
TCPU	207	5.7%	1	1	210	5.5%
Construction	114	3.2%	11	7	146	3.8%
Government	567	15.7%	5	1	569	14.9%

The other major engine of growth in the City was retail trade. Fueled by robust consumer demand, retail jobs grew by an impressive five percent, adding 19,000 new employees. The wholesale industry fared less well, but still added 1,300 jobs. Record demand for housing and office space in the City also resulted in a boom in the construction industry, fostering 11,300 new jobs.

Rounding out the major sectors, TCPU (transportation, communication and public utilities) added 500 jobs, while manufacturing employment continued its familiar downward trend, with losses of nearly 7,000 jobs. The pivotal FIRE (finance, insurance, and real estate) sector added 4,600 jobs. Within FIRE, the securities industry recorded its largest profits in history and added nearly 4,300 jobs. Employment in the banking industry contracted by 3,200 jobs, continuing a ten-year structural trend of job losses.

Buoyed by 1999's strong results and continued strength in the outlook for the U.S., the 2000 forecast for New York City remains bullish. Private employment in the City is forecast to slow only slightly in 2000, adding approximately 70,000 new jobs, before moderating in the outyears 2001-2004, as the Fed succeeds in its current supply-demand balancing act. The employment gains slow to nearly 40,000 jobs a year, about half the growth rate of 1998-2000.

NYSE MEMBER FIRM PROFITS AND FIRE BONUS PAYOUTS



The service sector will continue to be the main engine of growth in the City. By the year 2004, the service sector will account for over 40 percent of total employment in the City, with business services accounting for nearly a third of the service sector gains. The securities subsector of FIRE loses some steam, however, as the stock market and industry profits drop in both 2000 and 2001, a result of the Fed's tightening and the consequent effect on earnings and asset valuations. The FIRE sector is forecast to shed nearly 6,000 jobs in 2000-2002 before a modest rebound in 2003 and 2004. Employment in trade slows from 16,000 new jobs in 2000 to 5,000 new jobs a year from 2001-2004. Due to the number of new office and residential projects in the pipeline, gains in the construction sector remain strong despite softening in the other sectors. The sector increases by over 5,000 jobs per year or close to five percent per year. In the remaining sectors of the economy, manufacturing jobs continue to leave the City at a brisk pace of almost 6,000 a year, while both TCPU and the government sectors remain essentially flat.

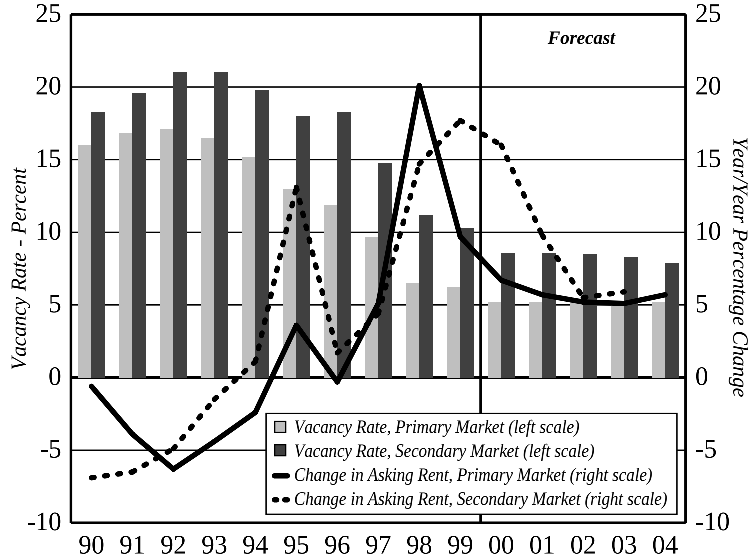
The securities industry experienced another exceptional year in 1999. Profits rose to $16.3 billion up over 33 percent from the previous high in 1997. The record profits stemmed particularly from strong activity in the trading, underwriting and M&A divisions. With interest rates increasing and lower growth in the economy in general, a repeat of these record profits levels is not expected to occur. Specifically, the forecast calls for a decline in New York Stock Exchange Member firm profits to $10.5 billion in 2000 and then again in 2001 to around $5 billion. The lower profits estimate will have a pronounced impact on overall bonus payouts. Total bonus compensation, estimated to have increased by over 50 percent in 1999, is expected to decline by fifteen percent on average in 2000-2001.

Outside of FIRE, wages are forecast to grow by 4.5 percent in 1999-2000, followed by increases of around four percent per year in 2001-2004. Given these estimates for wage rates and employment, total wage earnings rise by close to nine percent on average in 1999-2000 and 4.6 percent in 2001-2004. Personal income in the City increases from $278 billion in 1999 to $348 billion in 2004 and Real Gross City Product rises by 3.1 percent per year to almost $440 billion by 2004, matching the nation's real GDP growth.

With the emergence of the "new media" industry, the surge in the securities market, and the overall improvement in quality of life, demand for office space in the City has reached peak levels reminiscent of the mid-1980s. Given the City's limited capacity to expand, at least in the short term, the City's real estate market has been under intense pressure. Vacancy rates in the primary Midtown North market fell below six percent at the end of 1999, leaving only nine million square feet available in the approximately 300 buildings which make up that market. With so little space available and rents in the primary market averaging $46 per square foot, (and in some luxury buildings commanding as much as $100 per square foot), landlords and developers are once again finding it profitable to build.

VACANCY RATES AND ASKING RENTS
IN THE PRIMARY AND SECONDARY MARKETS

Continued demand for office space keeps conditions in the real estate market exceptionally tight.



Unlike prior real estate booms in the City, much of the new construction is based on pre-leased demand, as major companies look to assemble their work force in one New York City skyscraper. In total, an additional 14 million square feet of primary space is projected to be added by 2004, which should help alleviate some of the pressure in the market. Vacancy rates, however, continue to fall, to a projected low of five percent, as additional employment gains cause demand for space to still outpace the forthcoming supply. Rents in the primary market are forecast to rise by seven percent in 2000 before increases slow to five percent on average in 2001-04.

The secondary market has also flourished in the last two years. Vacancy rates in the secondary market, like the primary market, have plummeted recently. In 1996, vacancy rates were close to 18 percent in the secondary market. By 1999, vacancy rates had fallen to ten percent and are forecast to decline even further to approximately eight percent by 2004. With the arrival of small startup companies flush with venture capital and cash from the equity market, buildings in the "hot" Midtown South region are filling up. The speed with which these companies have spawned and multiplied and rapidly outgrown their space has continued to intensify. Recently demand has been so strong that rents in midtown south have increased at a much faster rate than in any other sub-market in the City. Increases in asking rents, throughout the secondary market, have accelerated, up from 15 percent in 1998 to 18 percent in 1999, leaving rents at $31.50. With fewer spaces left for conversion and little change in inventory, rents climb by an additional 16 percent in 2000 to $36.60 and ten percent in 2001, before increases slow thereafter with moderating employment growth.

Given that conditions in both Manhattan's primary and secondary market are expected to remain tight, companies will be increasingly faced with the question of whether to stay and pay more, or leave Manhattan. Although some of these companies might choose neighboring New Jersey, this migration could benefit the City as Brooklyn and Queens markets take some of the spillover.

Executive Budget 2001
Forecasts of Selected United States and New York City Economic Indicators
Calendar Years 1998-2004

	1998	1999	2000	2001	2002	2003	2004	Average Change 1969–1998*	
NATIONAL ECONOMY									
Real GDP									
Billions of 1992 Dollars	7,809.6	8,131.3	8,488.4	8,732.9	9,009.1	9,284.7	9,559.4		
Percent Change	4.3	4.1	4.4	2.9	3.2	3.1	3.0	3.0	
Non-Agricultural Employment									
Millions of Jobs	125.8	128.6	131.5	133.3	134.9	136.6	138.2		
Change from Previous Year	3.1	2.8	2.9	1.8	1.6	1.7	1.6		
Percent Change	2.6	2.2	2.2	1.4	1.2	1.2	1.2	2.0	
Consumer Price Index									
All Urban (1982-84=100)	163.1	166.7	170.8	174.4	178.8	183.4	188.1		
Percent Change	1.6	2.2	2.4	2.2	2.5	2.6	2.6	5.2	
Wage Rate									
Dollars Per Year	33,275	34,775	36,409	37,976	39,522	41,123	42,762		
Percent Change	5.0	4.5	4.7	4.3	4.1	4.0	4.0	5.3	
Personal Income									
Billions of Dollars	7,358.9	7,791	8,281.2	8,712.8	9,148.3	9,622.2	10,123.2		
Percent Change	5.9	5.9	6.3	5.2	5.0	5.2	5.2	8.0	
Before-tax Corporate Profits									
Billions of Dollars	781.9	854.7	910.1	940.5	992.9	1,047.6	1,098.4		
Percent Change	-1.8	9.3	6.5	3.3	5.6	5.5	4.8	7.8	
Unemployment Rate									
Percent	4.5	4.2	3.9	4.1	4.3	4.3	4.3	6.3	(avg)
10-Year Treasury Bond Rate									
Percent	5.3	5.6	6.5	6.4	6.2	6.0	6/0	8.2	(avg)
Federal Funds Rate									
Percent	5.4	5.0	6.2	6.5	5.9	5.7	5.7	7.4	(avg)
NEW YORK CITY ECONOMY									
Real Gross City Product**									
Billions of 1992 Dollars	351.8	373.3	390.5	393.6	403.7	417.7	434.9		
Percent Change	4.4	6.1	4.6	0.8	2.6	3.5	4.1	2.6	
Non-Agricultural Employment									
Thousands of Jobs	3,528.0	3,616.7	3,688.0	3,711.4	3,743.8	3,784.7	3,829.1		
Change from Previous Year	86.2	88.7	71.3	23.4	32.4	40.9	44.4		
Percent Change	2.5	2.5	2.0	0.6	0.9	1.1	1.2	-0.2	
Consumer Price Index									
All Urban NY-NJ Area (1982-84=100)	173.6	177.0	181.6	185.6	190.1	195.0	200.0		
Percent Change	1.6	2.0	2.6	2.2	2.4	2.6	2.6	5.2	
Wage Rate									
Dollars Per Year	52,131	54,650	57,646	59,546	61,628	64,449	67,533		
Percent Change	6.5	4.8	5.5	3.3	3.5	4.6	4.8	6.5	
Personal Income									
Billions of Dollars	261.4	277.7	296.5	307.4	318.3	331.8	348.0		
Percent Change	6.8	6.2	6.8	3.7	3.5	4.3	4.9	6.8	
NEW YORK CITY REAL ESTATE MARKET									
Manhattan Primary Office Market									
Asking Rental Rate***									
Dollars Per Sq Ft	41.86	45.92	49.00	51.78	54.47	57.26	60.54		
Percent Change	20.1	9.7	6.7	5.7	5.2	5.1	5.7	NA	
Vacancy Rate***									
Percent	6.5	6.2	5.2	5.2	5.2	5.0	5.2	NA	

* *Compound annual growth rates for 1969-1998. Compound growth rate for Real Gross City Product covers the period 1978-1997; for NYC wage rate, 1975-1997.*

** *GCP estimated by OMB.*

*** *Office market data are based on statistics published by Cushman & Wakefield. Data for 1995 and beyond are not directly comparable to prior years due to a reclassification of many buildings by Cushman & Wakefield.*

TAX REVENUE

Overview

The tax revenue is forecast to increase 3.2 percent in 2000 and decline 2.1 percent in 2001.

The positive economic environment that has buoyed tax collections in recent years has gained momentum in the past year. The national economy posted a third straight year of real GDP growth above four percent. The City has seen its third consecutive year of record private employment gains. Finally, Wall Street posted profits of $16.3 billion in calendar year 1999, up more than a third from the earlier record of $12.2 billion set in calendar year 1997. Non-property tax growth is forecast at a modest 4.0 percent in 2000, however, suppressed by a number of tax cuts including the full-year impact of the expiration of the 12.5 percent personal income tax surcharge, the repeal of the commuter tax, the sales tax exemption for clothing and footwear costing below $110 and the impact of the School Tax Relief (STAR) program. On a common rate and base, non-property taxes are forecast to grow 15.1 percent in 2000. The personal income tax is forecast to grow 23.5 percent on a common rate and base, as a soaring bonus payout on 1999 Wall Street profits as well as employment gains further boost wage income and as capital gains realizations from the aging bull market increase nonwage income. Business tax collections are forecast to average growth of 13.4 percent in 2000, buoyed by payments from the FIRE sector and the strong national economy. The sales tax is forecast to grow at 6.7 percent, also above trend.

2000 and 2001 Tax Revenue Forecast
($ Millions)

Tax	2000 Forecast	2001 Executive Budget	Increase/(Decrease) From 2000 to 2001 Amount	Growth
Real Property	$7,771	$7,956	$185	2.4%
Commercial Rent	333	351	18	5.4
Mortgage Recording	412	364	(48)	(11.7)
Real Property Transfer	473	461	(12)	(2.5)
Personal Income†	5,144	4,840	(304)	(5.9)
General Corporation	1,690	1,498	(192)	(11.4)
Banking Corporation	351	399	48	13.7
Unincorporated Business	759	745	(14)	(1.8)
Sales and Use	3,407	3,395	(12)	(0.4)
Utility	243	231	(12)	(4.9)
All Other	747	714	(33)	(4.4)
Subtotal	$21,330	$20,954	($376)	(1.8%)
STAR Aid	$260	$494	$234	90.0%
Tax Audit Revenue	378	412	34	9.0
Tax Reduction Program	0	(364)	(364)	n.a.
Total	**$21,968**	**$21,496**	**($472)**	**(2.1%)**

† *Excludes revenue for TFA debt service of $266.7 million in 2000 and $470.2 million in 2001.*

* *The April 3, 2000 report, "Tax Revenue Forecasting Documentation" discusses the tax forecasting techniques used in this Executive Budget.*

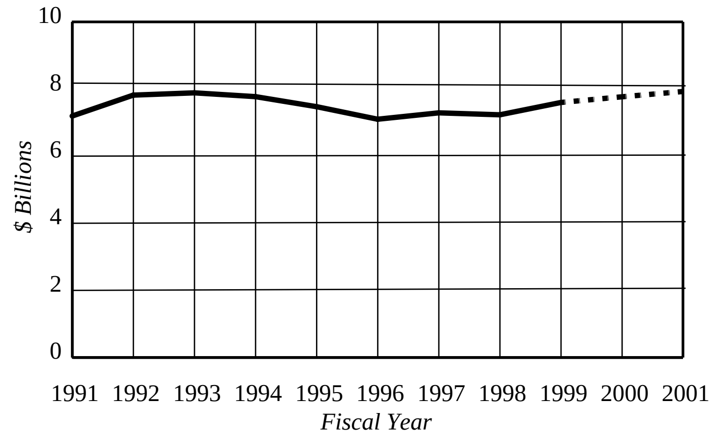
Property tax collections are forecast to grow by 2.2 percent in 2000 after an increase of 5.0 percent in 1999. The levy in 2000 is up 3.4 percent compared to 2.7 percent growth last year, accounting for most of the increase in property tax collections seen this year. Part of this increase was offset by increases in tax expenditures, particularly the STAR program, a decline in lien sale proceeds and a reduction in collections from prior year delinquencies. The real property transfer tax continues to benefit from the City's surging real estate markets, growing at 11.5 percent, but the mortgage recording tax posts flat growth over 1999's record growth of 75.9 percent. The commercial rent tax is forecast to remain flat, a result of the full-year impact of the reduction in the effective tax rate from 4.5 percent to 3.9 percent.

The non-property taxes are forecast to decline 4.1 percent in 2001, a result of a forecast drop in Wall Street profitability from $16.3 billion in calendar year 1999 to $10.5 billion in calendar year 2000, along with a moderating growth forecast for both employment and wage rates. Contributing to the forecast decline in 2001 are the full-year impact of the clothing and footwear sales tax exemption, an increase in the value of the STAR program and a $203 million increase in TFA retention. The sales tax exemption on clothing and footwear purchases costing below $110 reduces revenue by $241 million and the STAR program reduces personal income tax revenue by $401 million. On a common rate and base non-property taxes are forecast to decline 1.4 percent in 2001.

The property tax is forecast to grow 2.4 percent in 2001. The levy is expected to grow by 3.8 percent in 2001, reflecting accelerated growth in market values for Class 1, 2 and 4. However an expansion of the STAR program , a reduction in lien sale proceeds, and higher refunds reduces growth in revenue. The real property transfer and mortgage recording taxes are forecast to decline 2.5 percent and 11.7 percent, respectively, with the pace of real estate transfers in the City declining as interest rates continue to increase and growth in the local economy moderates. The commercial rent tax is forecast to grow by 5.4 percent in 2001 before proposed tax reductions are taken into account as the demand for space continues to put pressure on the asking rents.

REAL PROPERTY TAX

REAL PROPERTY TAX 1991-2001



The real property tax is projected to account for 37.1 percent of tax revenue in 2001, or $7,956 million.

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

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

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

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

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

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

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

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

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

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

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

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

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

Discretionary Adjustments [1] and Class Shares

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

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

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

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

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

Since 1992, class shares have been adjusted annually for relative changes in market value (subject to a "cap" of five percent over the prior year's share) in addition to physical change. The resulting shares are called adjusted base proportions. In 1993, and 1995-2000, State legislation lowered the five percent cap.

Components of the Tax Levy: The 2000 real property tax is the primary source of revenue for the General Debt Service Fund. Under the State Constitution, the City's ability to levy a real property tax for the payment of principal and interest on the City's long-term debt is unlimited. There is a limit, however, on the amount of real property tax that can be raised for operating purposes. This operating limit is equal to 2.5 percent of the average full value of taxable real estate for the current and prior four years, less payments for City short-term debt and business improvement district levies. In addition, total debt outstanding including business improvement district debt may not exceed 10 percent of the five-year average full value. SBRPS estimates the full value as of January 1 for each of the five years of the average. The 1997 market value survey, which reflected an increase in real estate market values for the first time since 1989, was incorporated into the calculation of 2000's operating limit.

Real Property Tax Operating Limit

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

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

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

Class Tax Rates*

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

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

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

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

Each year the City forgoes revenue that it could collect under the basic tax structure in order to protect certain taxpayers or to create an economic incentive for taxpayers to take certain actions that would be

Real Property Tax Collections and Delinquency
($ Millions)

Fiscal Year	Tax Levy [1]	Tax Collection on Current Year Levy [2]	Tax Collection as a Percentage of Tax Levy	Prior Year (Delinquent Tax) Collections	Refunds [3]	Cancellations, Net Credits, Abatements, Exempt Property Restored and Shelter Rent	Delinquent as of end of Fiscal Year [4]	Delinquency as a Percentage of Receivable/ Tax Levy	Lien Sale [5]
1989	$6,233.0	$5,913.4	94.9%	$108.4	($78.9)	($166.7)	($152.7)	2.45%	—
1990	6,872.4	6,507.1	94.7	109.6	(74.1)	(135.0)	(230.2)	3.35	—
1991[6]	7,681.3	7,199.2	93.7	149.7	(62.7)	(166.4)	(315.7)	4.11	—
1992	8,318.8	7,748.4	93.1	193.7	(124.3)	(200.2)	(370.2)	4.45	—
1993	8,392.5	7,766.1	92.5	227.7	(107.2)	(215.2)	(411.2)	4.90	—
1994	8,113.2	7,520.3	92.7	223.1	(199.1)	(189.5)	(403.4)	4.97	$200.6
1995	7,889.8	7,377.4	93.5	210.8	(164.2)	(130.8)	(381.6)	4.84	223.1
1996	7,871.4	7,306.9	92.8	240.6	(399.7)	(275.5)	(289.1)	3.67	169.1
1997	7,835.1	7,371.3	94.1	146.8	(279.0)	(179.4)	(284.4)	3.63	51.5
1998	7,890.4	7,414.2	94.0	148.2	(345.6)	(199.1)	(277.1)	3.51	22.5
1999	8,099.3	7,519.0	92.8	127.7	(175.1)	(304.1)	(276.2)	3.41	127.3
2000[7]	8,374.3	7,745.0	92.5	117.0	(184.0)	(352.7)	(276.6)	3.30	89.9

(1) As approved by the City Council.

(2) Quarterly collections on current year levy. Amounts for fiscal year 1994, 1995 and 1996 are adjusted to eliminate the effects of the 1994 and 1995 sales of delinquent tax receivables.

(3) Includes repurchase of defective tax liens in 1997, 1998, 1999, and 2000 amounting to $7.6 million, $0.5 million, $7.9 million and $4.0 million, respectively.

(4) These figures include taxes due on certain publicly-owned property and exclude delinquency on shelter rent and exempt property restored in 1995 and 1996.

(5) Net of reserve for defective liens.

(6) Does not include supplemental levy of $61.7 million raised in mid-year for the "Safe Streets, Safe City" program.

(7) Forecast.

beneficial to the City as a whole. The foregone revenue is commonly referred to as a tax expenditure. Generally, tax expenditures are considered to be a targeted preference to a specific group or activity, a clear exemption to the tax law, and specific to New York City.

Real property tax exemptions and abatements, which totaled $1,481 million in 1999, can be grouped into three general categories: economic development, residential, and other, which includes utility exemptions. Economic development exemptions are granted under the City's Industrial and Commercial Incentive Program (ICIP), the recently created Commercial Revitalization Program and by City and State development corporations. The New York City Housing Authority is the single largest source of residential exemptions. The remainder of residential tax relief is provided by a variety of legislatively mandated exemption and abatement programs. The other exemptions are for certain utility properties, public authority properties and special incentives. The Commercial Revitalization Program provides substantial tax relief and is aimed at spurring economic activity by encouraging the conversion and/or renovation of obsolete commercial buildings. The Department of Finance, which administers many of the City's taxes and maintains records on these expenditures, has aided in the estimation of their value (see the table following titled: "Estimated Value of Exemptions and Abatements").

The reserve for refunds covers reimbursement to taxpayers who have overpaid their tax liabilities, or whose liabilities were reduced after payment was made. The level of refunds which had risen dramatically in the mid-90's, reaching a peak of $400 million in 1996, has decreased to $184 million in 2000, as a result of reductions in *certiorari* settlements.

Property Tax Revenue
($ Millions)

	1995	1996	1997	1998	1999	2000*f*	2001*f*
Levy	$7,889.8	$7,871.4	$7,835.1	$7,890.4	$8,099.3	$8,374.3	$8,696.0
Current Year Reserve*	(601.8)	(640.7)	(463.8)	(476.0)	(588.1)	(628.9)	(684.0)
Prior Year Collections	126.7	100.3	146.8	148.2	127.7	117.0	115.0
Refunds**	(164.2)	(399.7)	(278.9)	(345.6)	(175.1)	(184.0)	(232.0)
Sub-Total	$7,250.5	$6,931.3	$7,239.2	$7,216.9	$7,471.7	$7,678.4	$7,895.0
Receivables/ Lien Sale Proceeds	223.1	169.1	51.5	22.5	127.3	92.3	61.0
Total	**$7,473.6**	**$7,100.4**	**$7,290.7**	**$7,239.4**	**$7,599.0**	**$7,770.7**	**$7,956.0**

* *Includes cancellations, delinquency, net credits, abatements, exempt property restored, shelter rent and STAR.*
** *Includes repurchase of defective tax liens in 1997, 1998, 1999 and 2000.*
f=forecast

Forecast: The real property tax revenue forecast for 2000 is $7,771 million, a $3 million decrease from the Financial Plan level. Revised estimates of individual reserve components resulted in an increase of $23 million to the reserve (a reduction in revenue). However, this increase was offset by a reduction in the refund forecast based on year-to-date collection information. The STAR program is expected to reduce property tax revenue by $60 million.

The 2001 property tax revenue forecast is based on the tentative roll which was published on January 14, 2000. Total billable assessed value on the tentative roll increased by $4.2 billion from the 2000 final roll level to $84.3 billion, growth of 5.2 percent. The strength in total billable assessed value reflects market value growth of 9 percent, the strongest growth seen since the 1991 final roll. Market value growth on the tentative roll was strong across all classes except utility, as the recovery in the City real estate market gathers momentum. The market value growth of 11.1 percent for Class 1 properties is attributable to rising sale prices. It is the largest increase for any class since 1992. Rental apartments in Manhattan were the primary force behind the appreciation in market value in Class 2 properties for the second year in a row. This Manhattan subclass registered a growth of 14.7 percent over last year. Class 4's market value growth of 8.2 percent reflects the continued strength in the office market due to strong leasing activity and gains in office employment. Primary office buildings posted a 7.7 percent increase in market value, with secondary office buildings surging 9.7 percent. The final roll, to be released in May, is estimated to be about $1.1 billion lower than the tentative roll level as a result of Tax Commission actions, Department of Finance changes by notice and the completion of exemption processing. The tax levy is expected to increase by $321 million to $8.7 billion in 2001, a 3.8 percent increase. Tax rates for the individual classes will be calculated using finalized class equalization rates from SBRPS, and from the final roll information on physical changes due to new construction, demolition, and reclassification. The estimate for the 2001 levy maintains the 2000 average tax rate of $10.366.

In 2001, revenue from the property tax is forecast at $7,956 million, an increase of $31 million over the Financial Plan level and 2.0 percent growth over the prior year. The increase in the 2001 forecast reflects an increase in the levy of $35 million due to a revision in the outlook for special franchise assessments. The collection rate for 2001, after adjusting for abatements remains strong at 95 percent. The value of the STAR exemption is forecast to increase from $60 million to $93 million in 2001.

Estimated Value of Real Property Tax Exemptions and Abatements 1992-1999
($ Millions)

	1992	1993	1994	1995	1996	1997	1998	1999
Economic Development Exemptions								
I.C.I.B/I.C.I.P.	$165.0	$147.1	$119.7	$107.1	$105.7	$99.3	$111.9	$132.5
Battery Park City Authority*	117.7	127.8	124.5	113.7	94.2	87.2	81.6	79.5
Industrial Development Agency*	31.5	37.7	37.3	52.6	48.5	47.2	47.8	61.5
Urban Development Corp.	76.9	79.8	77.9	78.3	77.0	76.9	80.0	84.5
Economic Development Corp.*	5.2	18.5	2.8	4.3	3.7	3.4	4.1	7.4
World Trade Center*	101.1	100.2	95.8	80.7	79.8	64.0	54.7	61.5
Teleport, Port Authority	9.6	1.6	1.2	0.9	2.2	1.1	1.3	1.5
Madison Square Garden	8.6	8.8	9.1	9.0	8.8	8.7	8.6	8.7
Commercial Revitalization Program	n.a	n.a	n.a	n.a	n.a	1.3	3.6	7.0
Subtotal	$515.6	$521.4	$468.3	$446.6	$419.9	$389.1	$393.6	$444.1
Residential Exemptions								
Public Housing, Housing Authority*	$282.1	$294.9	$312.2	$295.2	$281.7	$264.0	$255.3	$241.2
Private Housing, Publicly Assisted								
J-51 (exemption)	110.0	109.3	88.4	70.8	67.9	59.5	54.6	54.9
J-51 (abatement)	105.4	110.9	112.7	113.8	108.7	105.4	104.6	105.7
421-a New Multiple Dwelling	189.7	171.0	142.2	117.2	103.4	96.5	87.9	78.9
421-b New Private Housing	15.6	13.3	12.0	10.9	10.3	9.9	9.5	9.8
Other**	236.6	247.9	242.0	287.4	270.3	257.7	252.1	234.2
Senior Citizen Homeowner Exemption	9.5	12.0	13.8	15.1	17.2	18.2	19.8	21.1
Senior Citizen Rent Increase Exemption (abatement)	58.0	60.2	60.7	59.8	91.9	54.1	61.0	62.5
Division of Alternative Management Programs	1.5	2.2	3.1	3.9	3.7	4.0	4.3	4.6
Veteran Exemption	13.0	12.6	9.8	10.1	9.1	10.0	11.0	16.1
Co-op/Condo Abatement	n.a.	n.a.	n.a.	n.a.	n.a.	9.0	91.8	152.7
Subtotal	$1,021.5	$1,034.3	$996.9	$984.2	$964.2	$888.3	$951.9	$981.7
Other Exemptions								
NY Power Authority	51.9	50.9	30.8	31.8	34.5	35.5	38.5	41.3
Jamaica Water Supply	6.6	6.2	6.6	6.8	7.2	7.4	7.8	8.2
Trust for Cultural Resources	n.a.	3.6	5.0	5.1	4.8	4.8	5.7	5.7
Subtotal	$58.5	$60.7	$42.4	$43.7	$46.5	$47.7	$52.0	$55.2
TOTAL	**$1,595.6**	**$1,616.5**	**$1,507.6**	**$1,474.5**	**$1,430.6**	**$1,325.1**	**$1,397.5**	**$1,481.0**

Source: Department of Finance

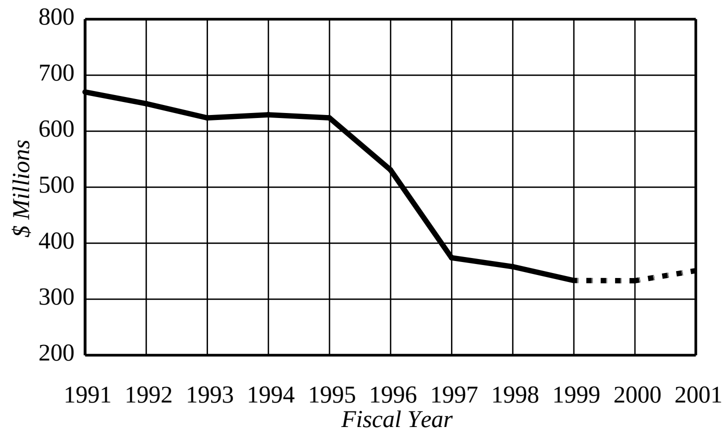
* *Net of Payments in Lieu of Taxes (PILOTs) and other miscellaneous payments.*
** *"Other" includes miscellaneous State-assisted housing, housing development fund companies, limited dividend housing companies, redevelopment companies, limited profit housing companies and the Urban Development Action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

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

COMMERCIAL RENT TAX

The commercial rent tax is projected to account for 1.6 percent of tax revenue in 2001, or $351 million.

COMMERCIAL RENT TAX 1991-2001



Tax Base and Rate: The commercial rent or occupancy tax is imposed under Chapter 7 of Title 11 of the New York City Administrative Code, on the rental of space in New York City for commercial or professional purposes. The tax is levied only on tenants who rent space in Manhattan south of 96th Street at an effective rate of 3.9 percent. Tenants whose base rents are less than $100,000 per year do not pay tax; those whose base rents are in excess of $100,000 but less than $140,000 receive a sliding-scale credit.

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

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

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

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

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

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

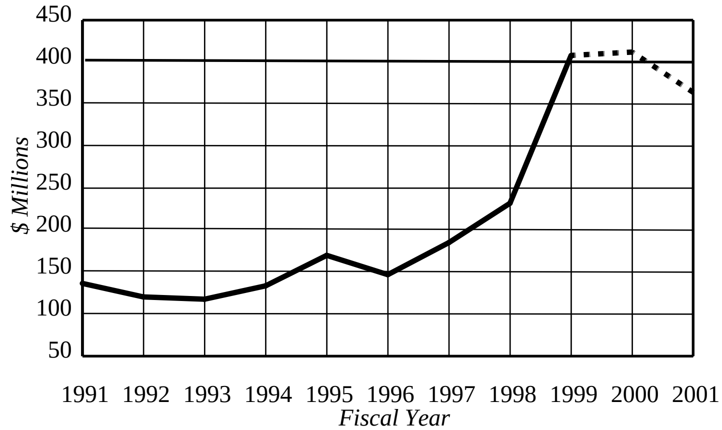
Under the Commercial Revitalization Program, which expires on March 31, 2001, qualifying tenants in the lower Manhattan abatement zone are eligible for a three- or five-year special reduction to their commercial rent tax liability. The tax reduction period is determined by the number of employees the tenant employs, the length of the initial lease term and the lease execution date.

Forecast: The 2000 revenue forecast for the commercial rent tax is $333 million, a decline of 0.1 percent from 1999. Fiscal year 2000 reflects the first full year impact of the 1998 tax reduction which reduced rent subject to tax by 10 percent as of September 1998, bringing the effective tax rate to 3.9 percent. Revenue before proposed tax reductions is expected to increase by 5.4 percent in 2001 to $351 million due to the continued strength in asking rents and occupancy rates.

MORTGAGE RECORDING TAX

The mortgage recording tax is projected to account for 1.7 percent of tax revenue in 2001, or $364 million.

MORTGAGE RECORDING TAX 1991-2001



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

Mortgage Recording Tax Rates

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

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

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

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

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

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

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

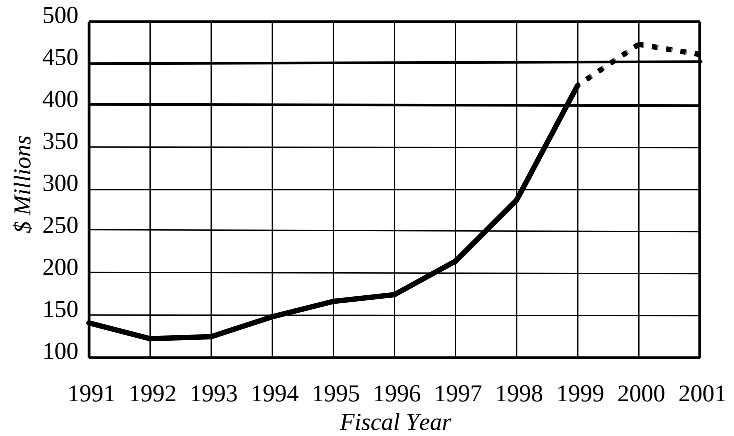
Beginning in 1996, credit line mortgages (i.e. mortgages which allow a series of advances, repayments, and readvances) under $3 million are not subject to additional mortgage recording taxes. Previously, this advantage was available only to credit line mortgages on owner-occupied one- to six-family homes.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

Forecast: The mortgage recording tax revenue forecast has been raised $34 million to $412 million in 2000, growth of 1.0 percent over 1999. This near flat growth follows three years of exceptional growth in the mortgage recording tax. Total collections grew 26 percent, 25 percent and 76 percent in 1997 through 1999, respectively, demonstrating the strength of the resurging City real estate market. While strength was seen over the period in residential collections (average growth of 24.1 percent), the collections growth from commercial transactions (average growth of 82 percent) has been unprecedented, and is unlikely to be sustained. Commercial collections have already begun to slow in 2000, with year-to-date collections through February down 21 percent from the 1999 level for the same period. Mortgage recording tax collections from commercial transactions are forecast to decline 11.1 percent in fiscal year 2000. Collections from residential transactions, however, continue to demonstrate robust growth in 2000, with year-to-date collections through February up 19 percent from the 1999 level. Collections from residential transactions are forecast at 12.5 percent growth in 2000. Activity in both the residential and commercial real estate markets is forecast to moderate in 2001 due to a slowdown in the local economy and an increase in interest rates. Residential and commercial collections are expected to drop 6.0 percent and 18.8 percent, respectively. Total revenue in 2001 is forecast at $364, a decline of 11.7 percent.

REAL PROPERTY TRANSFER TAX

The real property transfer tax is projected to account for 2.2 percent of tax revenue in 2001, or $461 million.

REAL PROPERTY TRANSFER TAX 1991-2001



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

Real Property Transfer Tax Rates

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

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

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

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

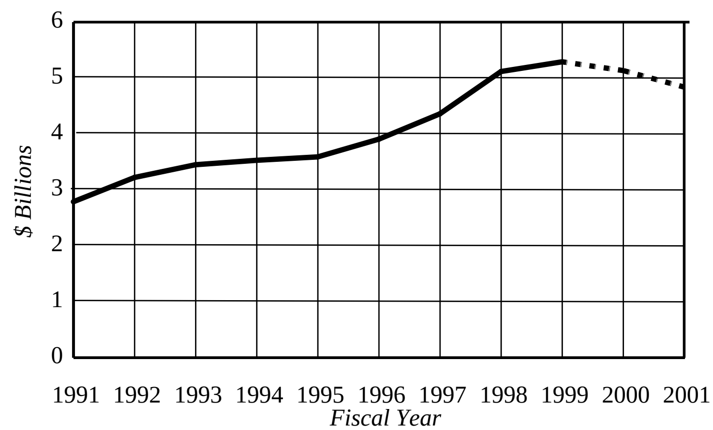
In August 1989, general fund revenue was increased by raising the transfer tax rate from 1.0 percent to 1.425 percent for commercial transactions of $500,000 or less and residential transactions of more than $500,000. For commercial sales with consideration greater than $500,000, the tax rate rose from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

In June of 1994, a State law was passed which provided a temporary 50 percent reduction in the rate of the real property transfer tax for certain transfers to newly organized Real Estate Investment Trusts (REITs). This provision has now been made permanent. In addition, a 50 percent temporary reduction has been applied to transfers to pre-existing REITs occurring between July 13, 1996 and August 31, 1999, provided the transferor receives and retains for at least two years an ownership interest in the REIT. Starting July 1, 1997, a deduction on the real property transfer tax payable on the transfer of a one- to three-family home, or an individual residential co-op or condo unit, is allowed for the amount of any mortgage assumed by the transferee.

Forecast: The real property transfer tax revenue forecast has been raised $29 million to $473 million in 2000, growth of 11.5 percent over 1999. This growth represents a slowdown from the exceptional strength in collections seen in years 1997 through 1999 which posted growth of 23 percent, 34 percent and 48 percent, respectively, due to the resurging City real estate markets. While residential collections were strong over the period (averaging 20.8 percent), collections from commercial transactions (average growth of 34.7 percent) have been even stronger and are unlikely to be sustained. Collections from commercial transactions through February 2000 are down 6.7 percent from the same period in the prior year. For the year, collections from commercial transactions are expected to be at the same level as in 1999. Collections from residential transactions continue to be strong in 2000, with year-to-date collections through February up 25 percent over the same period in 1999. For the year, collections from residential transactions are forecast up 22 percent over 1999. As interest rates continue their steady upward pace in 2001, activity in the real estate market is forecast to level off. Total real property transfer collections are forecast to decline 2.5 percent to $461 million, with residential collections growth moderating but commercial collections declining substantially.

PERSONAL INCOME TAX

PERSONAL INCOME TAX 1991-2001



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

The personal income tax is projected to account for 22.6 percent of tax revenue in 2001 or $4,840 million.

Tax Base and Rates: The personal income tax is imposed on the taxable income of resident individuals, estates and trusts. The starting point for determining taxable income is Federal adjusted gross income (AGI). This amount is adjusted for statutory modifications to yield New York AGI. Taxable income is derived by subtracting the New York deduction and New York exemptions from New York AGI. Taxpayers may claim the New York standard deduction or the New York itemized deduction (Federal amount subject to New York modifications). High income taxpayers are subject to percentage reductions in their New York itemized deductions. Finally, taxpayers are allowed a flat exemption amount for each dependent. There are different tax rate schedules for single, head of household, married taxpayers filing jointly and married taxpayers filing separately. These separate schedules were introduced in 1987. The current top marginal rate is 3.78 percent. In addition to the base tax, taxpayers who make extensive use of tax preferences are liable for a tax of 2.85 percent on their New York minimum taxable income.

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

2000 Rate Schedule

	Over	But Not Over	Pay	Plus	Of the Amount Over
Rate Schedule for Single Filers	$ 0	$12,000	$ 0	3.02%	$ 0
If net income is:	12,000	25,000	363	3.67	12,000
	25,000	50,000	839	3.72	25,000
	50,000		1,770	3.78	50,000
Rate Schedule for Joint Filers	$ 0	$21,600	$ 0	3.02%	$ 0
If net income is:	21,600	45,000	653	3.67	21,600
	45,000	90,000	1,511	3.72	45,000
	90,000		3,186	3.78	90,000
Rate Schedule for	$ 0	$ 14,400	$ 0	3.02%	$ 0
Head of Household Filers	14,400	30,000	435	3.67	14,400
If net income is:	30,000	60,000	1,007	3.72	30,000
	60,000		2,124	3.78	60,000

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

New York Dependent or Personal Exemptions and Standard Deductions, 1966-2000

Tax Year	Exemption	Standard Deduction
1997-2000	None for taxpayers, $1,000 for each dependent	$7,500 for individuals, $10,500 for heads of households, $13,000 for joint filers, and $3,000 for dependent taxpayers
1996	Same as above	$7,400 for individuals, $10,000 for heads of households, $12,350 for joint filers, and $2,900 for dependent taxpayers
1995	Same as above	$6,600 for individuals, $8,150 for heads of households, $10,800 for joint filers, and $2,800 for dependent taxpayers
1989 - 94	Same as above	$6,000 for individuals, $7,000 for heads of households, $9,500 for joint filers, and $2,800 for dependent taxpayers
1988	Same as above	$5,000 for individuals, $6,000 for heads of households, $8,500 for joint filers, and $2,800 for dependent taxpayers
1987	$900 *(Available for taxpayers and each dependent)*	$3,600 for individuals, $4,600 for heads of households, $5,300 for joint filers, and $2,800 for dependent taxpayers
1986	$850	$2,600 for individuals, $3,000 for married couples and heads of households
1985	Same as above	$2,500 for individuals, $2,750 for married couples and heads of households
1982 - 84	$800	17% of AGI subject to a minimum of $1,500 ($2,000 for married couples) and a maximum of $2,500
1981	$750	Same as above
1980	Same as above	16% of AGI subject to a minimum of $1,400 ($1,900 for married couples) and a maximum of $2,400
1979	$700	Same as above
1978	$650	Same as above
1976 - 77	Same as above	15% of AGI subject to a minimum of $1,000 ($1,500 for married couples) and a maximum of $2,000
1966 - 75	$600	For all taxpayers 10% of AGI or $1,000, whichever is less

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

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

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

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

The most significant changes to the law were large increases in the standard deduction and the introduction of a household credit to replace the low-income exclusion. For a joint filer with two dependents, these changes raised the threshold below which no tax is due from $11,000 in calendar year 1986 to $14,025 in 1987, $15,550 in 1988, and $16,046 in 1989 and 1990. Imposition of the 14 percent increase in 1991 lowered the threshold to $15,484 from 1991 to 1994. The taxable threshold increased again in 1995 to $16,691 and in 1996 to $17,499, as a result of increases in the standard deduction. The taxable threshold grew to $18,114 in 1999 and to $19,799 in 2000 as a result of the STAR program credit.

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

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

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

Personal Income Tax Increases
($ Millions)

	1996	1997	1998	1999	2000	2001
Components of the 12.5 Percent Surcharge:						
Criminal Justice Account	$185	$ 90	$185	—	—	—
General Fund	182	320	297	$368	—	—
12.5 Percent Surcharge Total	$367	$410	$482	$368	—	—
14 Percent Increase	$433	$486	$566	$609	$668	$696

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

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

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

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

As part of New York State's budget for fiscal year 1997-98, the State enacted the School Tax Relief program (STAR) to provide education aid and tax relief to localities. In addition to reductions in the property tax, the STAR program reduces City personal income tax liability through both a rate cut and a refundable credit for resident filers. The top marginal rate for residents declines in steps from 4.46 percent in 1998 to 3.65 percent in tax year 2001. The State will reimburse the City for the foregone personal income tax revenue. As part of New York State's budget for fiscal year 1998-99, the State accelerated the STAR program credit against the City resident personal income tax for senior citizens. Beginning with tax year 1998, seniors receive a credit of $125 if they file jointly and $62.50 if they use other filing statuses. Non-seniors received a credit of $12 in tax year 1998, and the credit increases to $125 for joint filers and $62.50 for other filers by tax year 2001.

State Sponsored Personal Income Tax Reductions
($ Millions)

	1999	2000	2001	2002	2003	2004
STAR Program:						
Credit	($85)	($73)	($181)	($237)	($237)	($237)
Rate Cut	—	(127)	(220)	(337)	(357)	(378)
STAR Program Total	($85)	($200)	($401)	($574)	($594)	($615)

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

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

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

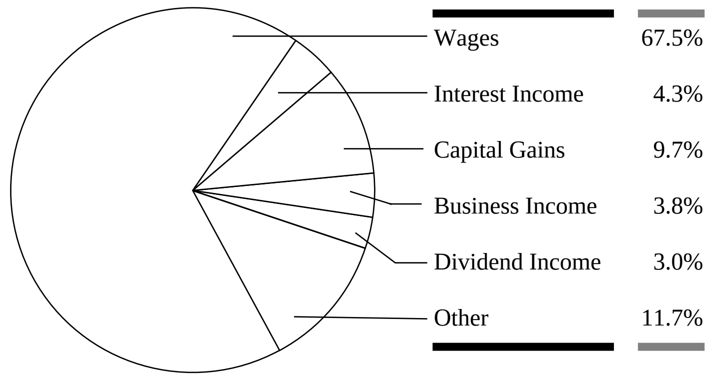
Distribution of Liability: A sample of 1997 tax returns reveals that the majority of resident returns were filed by taxpayers with adjusted gross income less than $50,000 (see charts on this page). However, the 21 percent of taxpayers with income greater than $50,000 paid 80 percent of the tax. Wage income was 68 percent of total reported income on resident returns. Capital gains realizations and interest income were the second and third largest sources of income, accounting for approximately 10 percent and four percent, respectively, of total reported income. Generally, higher income taxpayers earned most of the nonwage income in the City.

Administration: The New York City personal income tax has been administered by New York State since 1976. All collection information received is from the New York State Department of Taxation and Finance. Daily collection and refund reports are produced by the Accounting Bureau and sent to the City. At the end of the month the City receives a letter from the State Comptroller verifying the final amount of personal income tax revenue by component due to the City for that month. Each month the State charges the City for the administration of the tax. The charge is based on State expenditures for data entry, processing of tax returns and taxpayer services (primarily the telephone line for answering taxpayer questions) which can be attributed to the City. For 1999 the administrative charge paid by the City was $21 million.

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

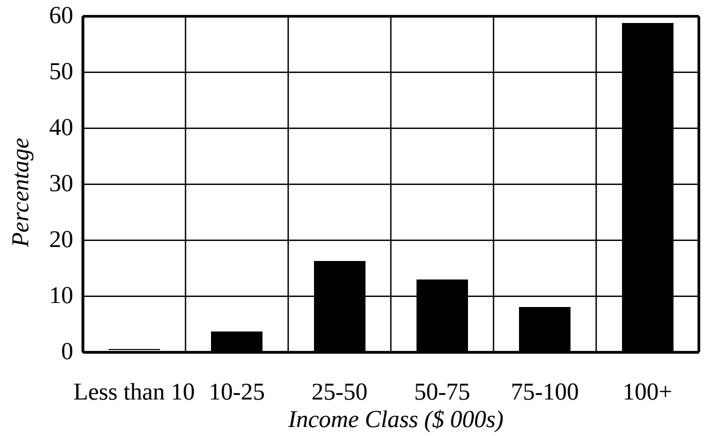
COMPONENTS OF INCOME

New York City Resident Returns—Tax Year 1997



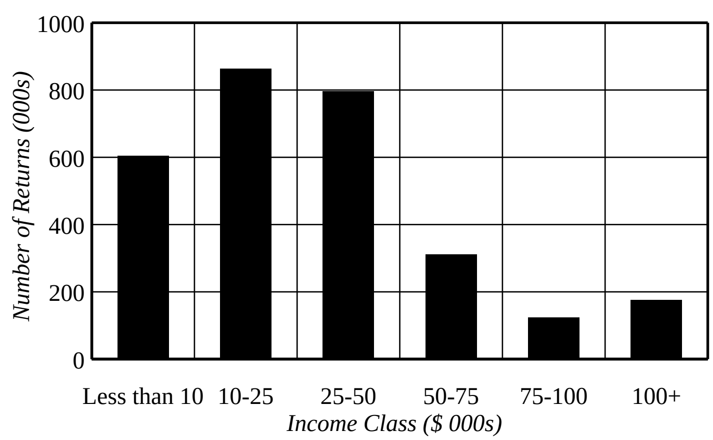
SHARE OF LIABILITY

Tax Year 1997
New York City Resident Returns



NUMBER OF FILERS

Tax Year 1997
New York City Resident Returns



October 1989. To implement the temporary surcharge, withholding tables were changed in October 1990 and again in October 1991 to reflect the implementation of the 14 percent increase. Withholding tables were changed in January 1999 to reflect the expiration of the 12.5 percent surcharge and again in July 1999 to reflect a reduction in rates due to implementation of the STAR program. Effective January 1, 2000, the City nonresident withholding tables were changed to reflect a reduction in nonresident rates from 0.45 to 0.25 percent on wages, and from 0.65 to 0.375 percent on net earnings from self-employment. The lower rates applied to out-of-state nonresidents only, as in-state nonresidents were exempt from the nonresident earnings tax from July 1, 1999 on. The nonresident earnings tax repeal did not apply to out-of-state nonresidents until April 4, 2000, and therefore the new withholding tables were in effect for this group of commuters, effective January 1, 2000.

Forecast: The personal income tax revenue forecast has been increased $399 million to $5,144 million in 2000. In 2001, the forecast has been revised upward by $300 million to $4,840 million. The forecast reflects the expiration of the 12.5 percent surcharge, the implementation of the STAR program, and the nonresident earnings tax repeal. Additionally, the forecast reflects reductions in personal income tax collections deposited in the general fund due to the Transitional Finance Authority (TFA) retention of $267 million in 2000 and $470 million in 2001. After these reductions, the personal income tax is forecast to decline 2.8 percent in 2000 and 5.9 percent in 2001, after growth of 3.4 percent in 1999.

The confluence of positive economic trends that in recent years has raised City personal income tax revenue growth to rates not seen since the mid-1980s has continued into 2000. The continued national expansion and strong local economy have fueled three back-to-back years of record City private employment gains in calendar years 1997 through 1999. A succession of profitable years on Wall Street has boosted securities industry bonus payouts to unprecedented levels. Capital gains realizations by City residents have continued to accelerate following the equity markets' run-up and the national trend of increasing household participation in the ownership of equities. As a result, personal income tax collections on a common rate and base have grown 13.5 percent on average from 1997 through 1999 and are forecast to grow 23.5 percent in 2000.

Withholding is forecast to rise 20.8 percent on a common rate and base in 2000, after the large bonus payout rise in the securities industry and continued strength in the rest of the local economy. New York Stock Exchange member-firm profits reached $16.3 billion in calendar year 1999, much higher than the levels of $12.2 billion and $9.8 billion seen in calendar years 1997 and 1998. As a result, in the December through March bonus period, withholding collections grew 26.5 percent on a common rate and base. Last year, when the securities sector posted strong, but lower earnings, bonus period withholding collections grew 9.3 percent on a common rate and base.

Installment payments on liability year 1999 grew 27 percent on a common rate and base, surprising strength after the growth of 27 percent on liability year 1998 and 18 percent on liability year 1997, although explained by another steep rise in capital gains realizations. The unprecedented bull market continues to fuel capital gains realizations, resulting in an estimated 25 percent gains realization increase in calendar year 1999, the fifth consecutive year of growth greater than or equal to 25 percent. The recent shift from direct stock ownership to ownership through managed funds has also contributed to the realized gains increases.

Settlement payments (final returns, extensions, State/City offsets, and refunds) on liability year 1999 are forecast to be $117 million lower than liability year 1998 after adjusting for the STAR program and the expiration of the 12.5 percent surcharge. In addition, the settlement is lowered by the liability for refunds due New York State nonresidents who had commuter taxes withheld from July 1, 1999 through April 2000.

For 2001, the personal income tax revenue forecast has been increased $300 million to $4,840 million, a decline of 5.9 percent. The forecast reflects the expansion of the STAR program and the nonresident earnings tax repeal. Additionally, the forecast reflects reductions in personal income tax collections deposited in the general fund due to the Transitional Finance Authority retention. Adjusted for these reductions, personal income tax revenue is forecast to decline 2.0 percent in 2001. The forecast incorporates a New York Stock Exchange member-firm profits decline from $16.3 billion in calendar year 1999 to an estimated $10.5 billion in calendar year 2000, resulting in slowdowns in both wage and nonwage income growth.

Withholding growth in 2001 slows to 3.7 percent on a common rate and base, following the decline in FIRE wage rate growth from 8.3 percent in 2000 to 2.3 percent in 2001. The forecast of slower growth in the non-FIRE wage rate and employment in 2001 will further dampen withholding collections. Installment payments rise 1.7 percent on a common rate and base. This slower growth is due to the flat forecast in capital gains realizations for tax year 2000, based on the modest market correction assumed for 2001 in the economic forecast. The forecast slowdown of growth in total liability is expected to decrease settlement payments by $142 million on a common rate and base in liability year 2000 over 1999.

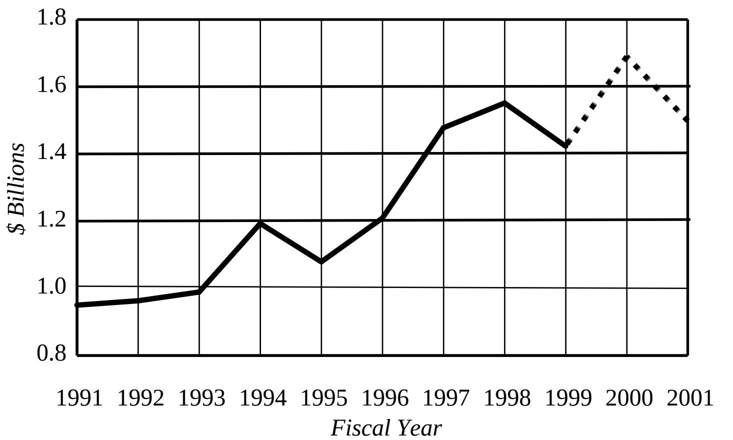
Personal Income Tax Collections By Component
($ Millions)

	1998	1999	2000*f*	2001*f*
Withholding	$3,765	$3,936	$4,048	$3,878
Estimated Payments[1]	1,029	1,195	1,291	1,209
Final Returns	423	438	449	361
Other[2]	371	402	324[3]	512
Gross Collections	$5,588	$5,971	$6,112	$5,960
Refunds	(455)	(534)	(701)	(650)
Net Collections	$5,133	$5,437	$5,411	$5,310
Less TFA Retention	(16)	(144)	(267)	(470)
Total	$5,117	$5,293	$5,144	$4,840

(1) Includes extension payments.
(2) Offsets, charges, assessments less City audits.
(3) In 2000, gross collections are reduced by a liability accrual of $147 million for the commuter taxes withheld from New York State nonresidents for the period July 1, 1999 through April 2000.
f= Forecast. Totals may not add due to rounding.

GENERAL CORPORATION TAX

GENERAL CORPORATION TAX 1991-2001



The general corporation tax is projected to account for 7.0 percent of tax revenue in 2001 or $1,498 million.

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

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

The starting point for determining the net income base, 72 percent of corporate liability in tax year 1996, is Federal taxable income, which must be modified to account for differences between New York City and Federal treatment of various items, including depreciation, tax-exempt interest and net operating loss deductions. This modified income must be divided between business income and investment income, and then allocated between income derived from New York City activities and income derived from activities outside of the City. Business income is defined as the firm's entire net income less its investment income (dividends and interest from nonsubsidiary operations). Investment income is allocated according to the amount of capital employed in New York City by the issuing corporation. The allocation formula used by most firms for business income is the average of the following ratios: (1) New York City tangible property to total property; (2) New York City receipts to total receipts; and (3) New York City payroll to total payroll. Manufacturing firms are allowed to "double weight" the receipts factor for tax years beginning on or after July 1, 1996. Slightly over half of the general corporation tax paid on the net income basis is from firms which allocate business income because they have operations both inside and outside of New York City.

The income–plus–compensation base accounted for approximately 17 percent of corporate tax liability in tax year 1996. The purpose of this alternative base is to tax firms which may lower their taxable income by disguising dividends (which are not deductible) as salaries and other forms of compensation (which are deductible). The starting point for determining this base is New York City allocated net income, to which must be added back the compensation paid to shareholders owning more than five percent of the corporation's outstanding stock. After a statutory deduction of $40,000, the firm applies the 8.85 percent rate to 30 percent of this base (hence the 2.655 percent effective tax rate).

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

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

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

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

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

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

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

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

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

In 1994, New York State enacted legislation which allows the formation of a new type of business entity in New York State, a limited liability partnership or company (LLC). LLCs have some of the limited liability aspects of corporations and the tax treatment of partnerships for Federal, State and local tax purposes. LLCs pay a fee to the State, and those conducting business in the City are subject to the City unincorporated business tax. Over time, the number of corporations is expected to decline as new businesses increasingly opt for the LLC business form. The shift of filers from the general corporation tax base to the unincorporated business tax base is forecast to decrease the corporation tax collections by an estimated $118 million in 2001 and $145 million by 2004.

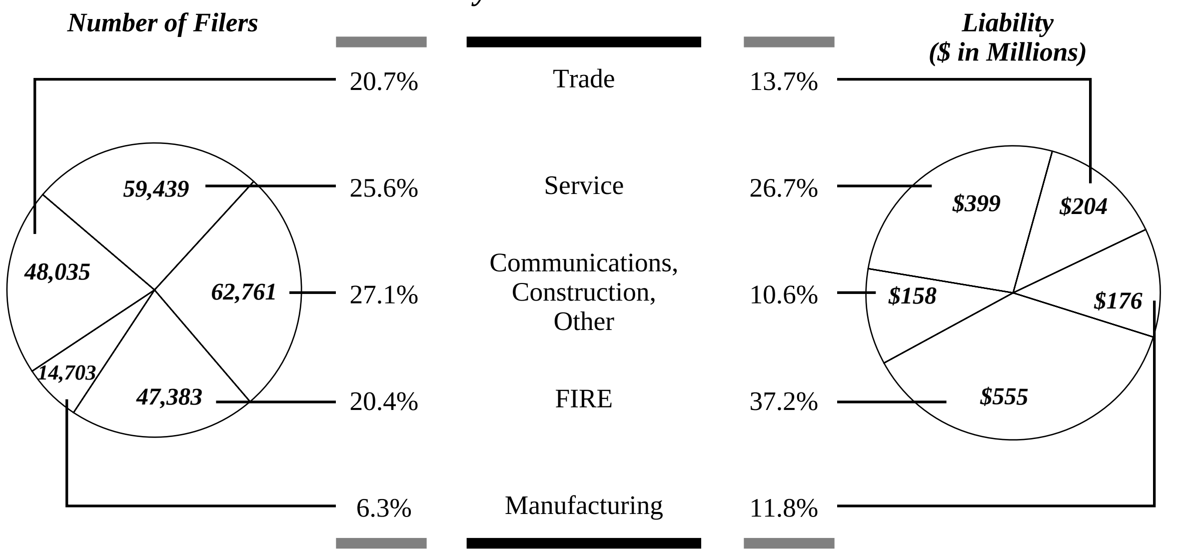
The income-plus-compensation alternative tax computation of the general corporation tax has been modified by phasing out the portion of the tax that applies to compensation paid to corporate officers and by increasing the per-firm statutory deduction. For tax years beginning on or after July 1, 1996,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

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

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

GENERAL CORPORATION TAX *(Tax Year 1997)*

By Industrial Sector



Source: NYC Department of Finance, Office of Tax Policy

Industrial Mix of General Corporation Tax Revenue: The importance of the finance, insurance and real estate sector (FIRE) and the service sector (business, medical, advertising and amusement industries) to the New York City economy is clear. Together these two sectors account for approximately 64 percent of corporate tax liability and 46 percent of all filers. The trade sector accounts for almost 14 percent of liability and 21 percent of filers while the manufacturing sector represents 12 percent of liability and six percent of filers. The remaining 10 percent of liability is generated by communications, construction and other firms who make up 27 percent of corporate filers.

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

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

Forecast: The 2000 general corporation tax forecast has been raised by $119 million to $1,690 million, growth of 18.7 percent from the prior year. The forecast for 2001 has been increased by $107 million to $1,498 million, a decline of 11.4 percent from the 2000 level.

The 2000 and 2001 forecasts include reductions of $80 million and $118 million, respectively, relating to the effects of the limited liability company (LLC) business form which is expected to reduce the number of corporate filers, as well as reductions of $107 million and $127 million in 2000 and 2001, respectively, relating to the business tax reform measures passed in 1996. On a common rate and base, general corporation tax revenue is forecast to increase 19.9 percent in 2000 and decrease 7.1 percent in 2001.

Through March, general corporation tax collections have increased 17.7 percent from the prior year period. Strength in collections year-to-date in part reflects the remarkable performance of the securities industry in calendar year 1999, particularly in the fourth quarter when pre-tax profits for New York Stock Exchange (NYSE) member firms reached $6.8 billion, shattering all previous records. For the year, profits were $16.3 billion, up more than one third from the earlier annual record of $12.2 billion set in 1997 and an increase of over 66 percent from calendar year 1998. Although the results were largely driven by gains in revenues from principal transactions throughout the year, other earnings sources also achieved record results including commissions, underwriting and asset management. Growth in FIRE sector tax liability is estimated at 28.7 percent for liability year 1999.

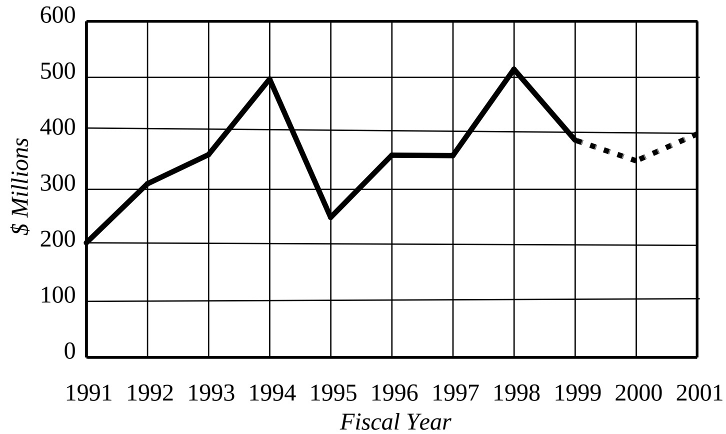
The rise in general corporation tax collections in 2000 is also being fueled by growth in the non-FIRE sectors of the City’s economy as evidenced by the addition of a total of 79,000 private jobs outside the FIRE sector in calendar year 1999. Real gross city product is estimated to have grown by 7.1 percent, buoyed by the continued national expansion as real gross domestic product increased by 4.6 percent and national corporate profits rose by 9.3 percent. Growth in non-FIRE tax liability is estimated at six percent in liability year 1999.

In 2001, general corporation tax revenue is forecast to decline 11.4 percent, reflecting a decrease in NYSE member-firm profits in calendar year 2000 to $10.5 billion, as well as lower growth in national corporate profits. From calendar year 2002 through 2004, NYSE member-firm profits are expected to return to a more sustainable level and modest growth is projected for national corporate profits, leading to minimal revenue growth in the outyears of the plan.

BANKING CORPORATION TAX

The banking corporation tax is projected to account for 1.9 percent of tax revenue in 2001, or $399 million.

BANKING CORPORATION TAX 1991-2001



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

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

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

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

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

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

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

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

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

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

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

Forecast: The 2000 banking corporation tax forecast has been lowered by $4 million to $351 million, a decline of 9.6 percent from the prior year. The 2001 forecast has been increased by $5 million to $399 million, growth of 13.7 percent over 2000.

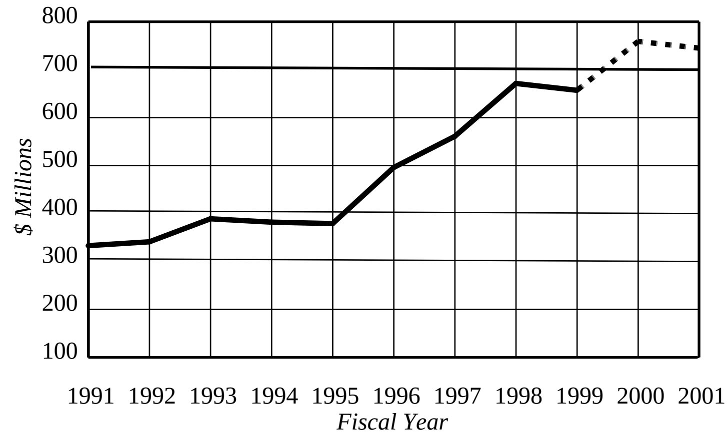
Through March, banking corporation tax collections have decreased by 10.7 percent from the prior year period. Growth in banking corporation tax payments made on liability year 1999 is being restrained by overpayments made by banks on prior liability years, principally liability years 1997 and 1998. The drop in collections is also attributable to low levels of declared liability for liability year 1999, despite record profits at large banks. These record profits were mainly driven by fee income and revenue from capital markets activities as well as growth in consumer banking. Although banking corporation tax collections have been volatile historically, recent trends in collections and liability suggest that consolidation and reorganization within the banking industry, and within individual organizations, may have resulted in lower bank tax liability in New York City.

In 2001, banking corporation tax revenue is forecast to rebound 13.7 percent, due to an increase in gross collections and lower refunds as credits from prior year overpayments are liquidated. Collections are forecast to increase 4.3 percent on average on a common rate and base in the outyears of the plan.

UNINCORPORATED BUSINESS TAX

The unincorporated business tax is projected to account for 3.5 percent of tax revenue in 2001, or $745 million.

UNINCORPORATED BUSINESS TAX 1991-2001



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

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

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

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

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

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

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

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

Also in July 1994, New York State passed legislation allowing the formation of limited liability companies (LLCs). These business entities have the limited liability of corporations, but the organizational flexibility and tax treatment of partnerships. At the Federal level, LLCs are not taxed as separate entities, but partners are taxed on their share of the income. For New York State tax purposes, LLCs pay a $50 per partner fee, with a minimum fee of $350 and a maximum of $10,000. In New York City, LLCs pay the unincorporated business tax. It is expected that businesses will increasingly opt to form LLCs rather than corporations. As a result, a shift of taxpayers is expected from the general corporation tax base to the unincorporated business tax base. Unincorporated business tax revenues are expected to increase by $38 million in 2000 as a result of this shift, rising to $63 million in 2002.

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

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

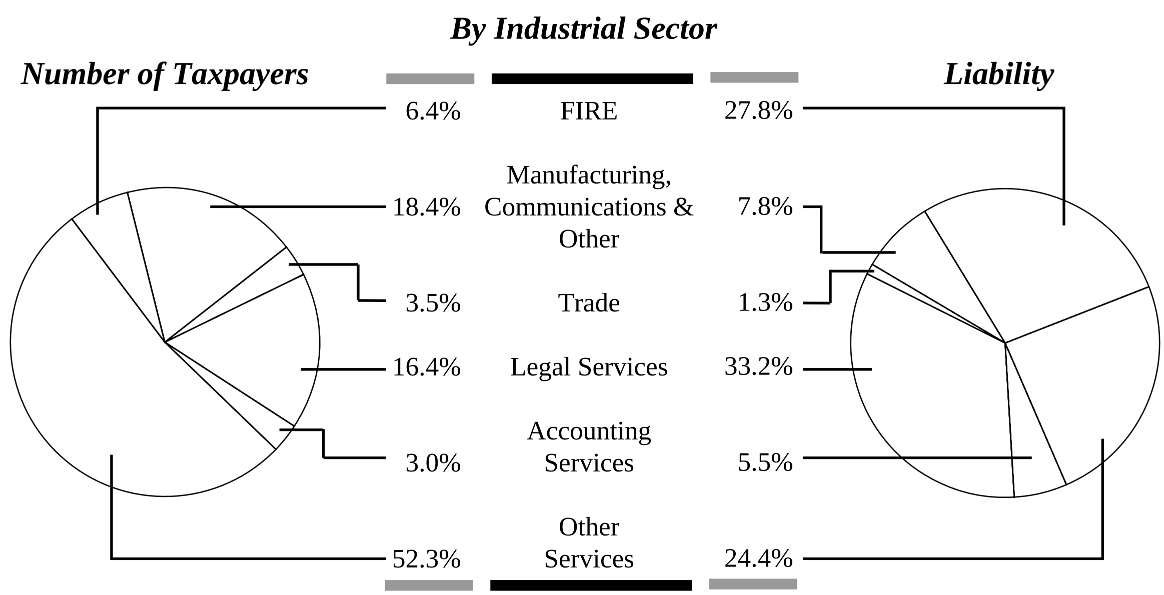
Beginning in 1996, certain unincorporated businesses (including LLCs) treated as corporations for Federal and State tax purposes are subject to City general corporation tax. This law lists several exceptions for businesses subject to unincorporated business tax in 1995, which may elect irrevocably to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

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

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

Distribution and Industrial Mix of Filers: In 1997, there were 196,002 partnership and sole proprietorship filers of which 24,009 paid tax. Sole proprietorships comprised 77.8 percent of all taxpayers but paid only 17.5 percent of total liability. Partnerships accounted for 22.2 percent of all taxpayers and paid 82.5 percent of total liability. Because of the tax credit and exemptions, 87.7 percent of filers in 1997 were exempt from the tax. Proprietorships with net income less than $25,000 (71.2 percent of all filers) paid no unincorporated business tax. The additional exemption for each partner creates higher thresholds for

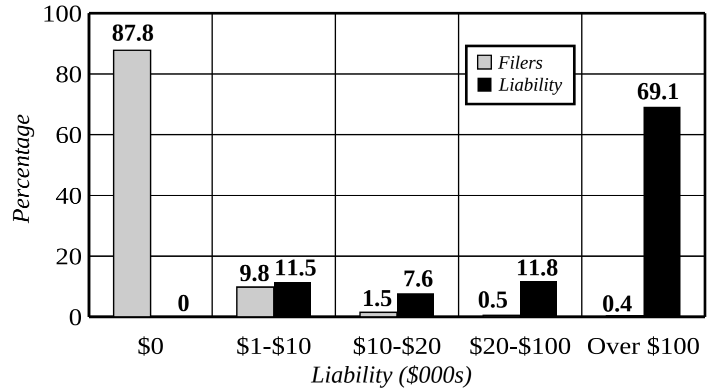
UNINCORPORATED BUSINESS TAX *(Tax Year 1997)*



Source: NYC Department of Finance, Office of Tax Policy partnerships (16.5 percent of all filers in 1997 were partnerships with no liability). The service sector, made up of the legal, accounting and other subsectors, accounted for 63.1 percent of total unincorporated business tax liability. Legal services and FIRE comprised only 22.8 percent of taxpayers but incurred 61.0 percent of total liability.

UNINCORPORATED BUSINESS TAX *(TAX YEAR 1997)*

Share of Filers and Share of Liability



Source: NYC Department of Finance, Office of Tax Policy

Forecast: The 2000 unincorporated business tax forecast has been increased by $66 million to $759 million. This yields a growth in collections of 15.6 percent in 2000. The forecast for 2001 has been increased by $35 million to $745 million, a decline of 1.8 percent over the prior year.

Notwithstanding 1995, when collections from FIRE sector firms were temporarily depressed by the large bond market correction of tax year 1994, unincorporated business tax revenues in recent years have been particularly robust, with average annual growth from 1996 through 1998 reaching 26 percent. This unusually high rate of collections growth came in spite of substantial business tax cuts, which returned $50 million to unincorporated business taxpayers in 1998 alone, and stems from the unprecedented strength seen in New York Stock Exchange member-firm profits in recent years. In 1999, unincorporated business tax revenues declined 2.1 percent reflecting credits taken against current liability for overpayments made in 1998. In addition, collections were hampered by an international financial crisis in the third quarter of 1998 which reduced FIRE sector collections in 1999.

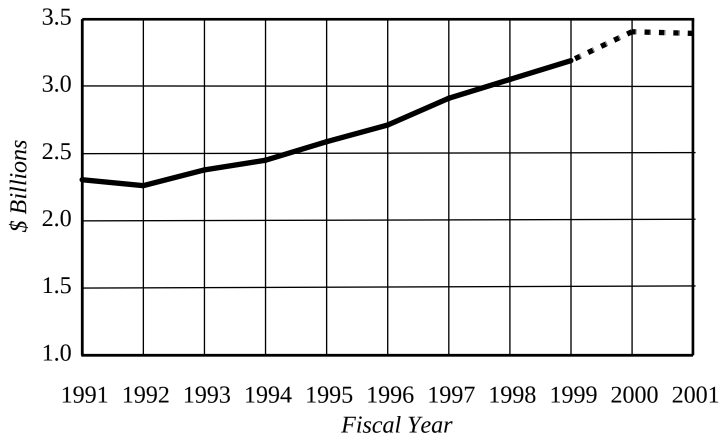
In 2000, unincorporated business tax revenues are forecast to increase to $759 million, growth of 15.6 percent over the prior year. Collections year-to-date through March are up 29.5 percent from the same period in 1999. The strong growth reflects the record New York Stock Exchange member-firm profits in tax year 1999 and a substantial expansion of private sector employment with a gain of 74,000 jobs over the prior year. Of these new jobs, over 23,000 were added to business services with strong gains within the new media industry, which includes computer programming, advertising and E-commerce, while an additional 3,000 were added in the legal sector.

Unincorporated business tax revenue is forecast to decline in 2001 from the robust growth in 2000, as the economy slows and New York Stock Exchange member-firm profits drop to $10.5 billion in tax year 2000 from $16.3 billion in 1999.

SALES AND USE TAX

The sales and use tax is projected to account for 15.9 percent of tax revenue in 2001, or $3,395 million.

SALES TAX 1991-2001

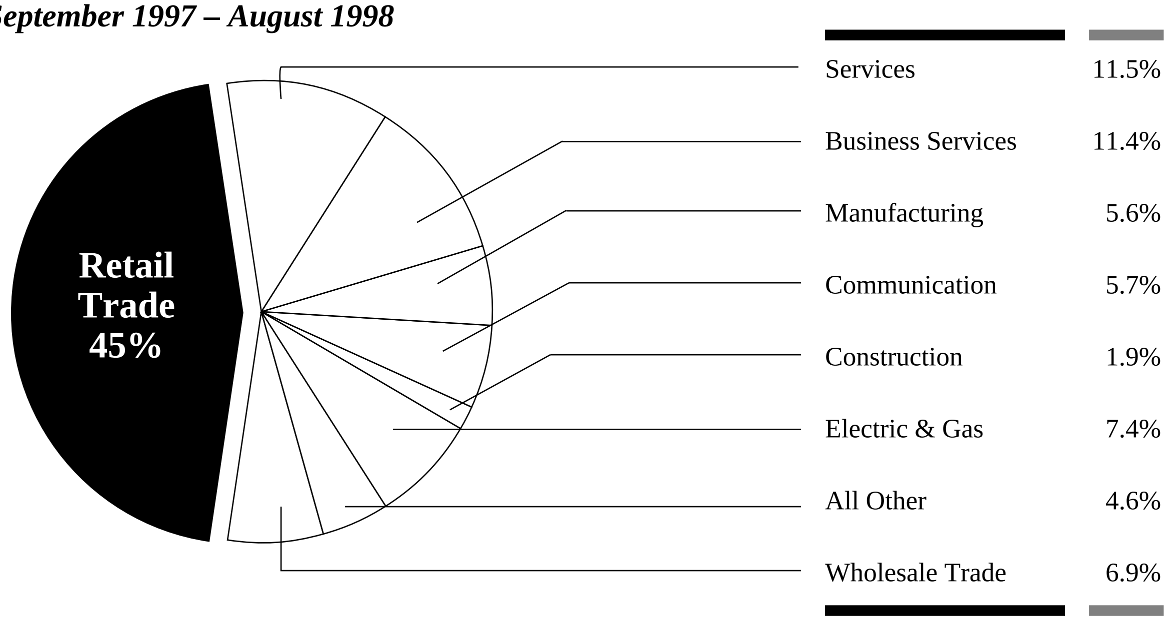


Tax Base and Rate: The tax rate is four percent and applies to: (1) sales and use of tangible personal property and services; (2) sales of gas, electricity, steam, refrigeration, and intrastate telephone and telegraph services; (3) food and beverages sold by restaurants and caterers; (4) hotel and motel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

Retail trade, comprising 45 percent of the sales tax base, is the largest expenditure category. Business services and other services combined account for 22.9 percent of the sales tax base. Since 1981 the proportion of business services in the taxable base has increased from 3.7 percent to 11.4 percent, making it the fastest growing component of the base. Various business and utility expenditures make up the remainder of the tax base.

COMPONENTS OF THE SALES TAX BASE

September 1997 – August 1998



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

1959 The tax rate is increased to three percent for most sales and to five percent for restaurant meals and drinks costing $1 or more.

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

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

1969 The State raises its tax rate to three percent.

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

1971 The State raises its tax rate to four percent.

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

1975 A four percent Municipal Assistance sales and use tax is levied in lieu of the City's sales tax. The revenue from this tax is pledged to the Municipal Assistance Corporation (MAC) to meet the interest payments on bonds issued by the corporation. However, revenue resulting from future expansions of the City's sales tax base does not belong to MAC but flows directly to the City (effective date: July 1, 1975).

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

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

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

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

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

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

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

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

1989 Interior decorating, contract cleaning and maintenance services are added to the City's non-MAC tax base (effective date: December 1, 1989). Service charges on floor covering installations are added to the State's tax base and the MAC tax base (effective date: June 1, 1989). The State enhances its revenue enforcement capability to improve revenue collections from interstate mail-order sales, prefabricated building materials purchased from out-of-state manufacturers and used in New York, and catalogues printed out-of-state and mailed by in-state firms (effective date: September 1, 1989). Excise taxes on cigarettes (effective date: June 1, 1989) and tobacco products (effective date: July 1, 1989) are included in the calculation of the sales tax, and are added to the State's tax base and the MAC tax base. The City's credit for sales tax paid on machinery and equipment used in the production of tangible personal property is changed to an exemption, reducing the City's MAC tax base (effective date: December 1, 1989).

1990 Entertainment services provided or delivered by telephone or telegraph through 500, 700, 800 and 900 telephone numbers, as well as such services delivered by private telephone line, cable or channel are added to the State's tax base and the MAC tax base (effective date: September 1, 1990). Protective and detective services, and interior decorating, contract cleaning and maintenance services, previously taxed exclusively by the City, are added to the State's tax base (effective date: June 1, 1990). The State and City sales taxes due on automobile and boat leases of duration greater than one year is due in total at the inception of the lease and is no longer spread over the life of the lease (effective date: June 1, 1990). The implementation of the CBECP is delayed indefinitely.

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

1992 The additional cost of a new alternative fuel vehicle (AFV) above the sales price of a comparable gasoline or diesel powered vehicle and parts and labor charges related to converting a gasoline or diesel powered vehicle to an AFV are exempted from the State's tax base and the MAC tax base. This exemption, set to expire five years after the effective date of September 1, 1992, was subsequently extended through 2002.

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

1996 Receipts from the retail sale of shopping papers to the publishers and receipts from the sale of related printing services performed when publishing shopping papers are exempted from the State's tax base and City's MAC sales tax base (effective date: September 1, 1996). The State and City repealed their taxes on clothing and footwear purchases under $500 during the week of January 18-24, 1997, reducing the State's tax base and the MAC tax base. Printed promotional material delivered through the mail and associated shipping services are exempted from State and City taxes, reducing the State's tax base and the MAC tax base (effective date: March 1, 1997). Vehicles leased by Manhattan residents are exempted from the eight percent parking and garaging surcharge, reducing the City's non-MAC tax base (effective date: December 1, 1996). Parking charges paid to municipally-owned and operated parking facilities are exempted from State and City sales taxes, other than the eight percent Manhattan parking surcharge (effective date: December 1, 1996). Certain parts, tools, supplies and services used or consumed in production processes, including film production, are exempted from the City tax, reducing the City's MAC tax base, and bringing City tax law into conformity with the State (effective date: September 1, 1996). This law was amended October 1, 1997 to include live theatrical performances. The services of installing, repairing, maintaining and servicing tangible personal property used to produce a product for sale by manufacturing, processing and assembling are exempt from the City tax, reducing the City's MAC tax base, and bringing City tax law into conformity with the State (effective date: September 1, 1996).

1997 The State and City repealed their taxes on clothing items under $100, excluding footwear, during the week of September 1-7, 1997, reducing the State's tax base and the MAC tax base. The State repealed their tax on clothing items under $500, including footwear, during the week of September 1-7, 1998 and permanently repealed its four percent sales tax on clothing items under $110, including footwear (effective date: December 1, 1999), and gave local governments the option to match both repeals. If a locality within the MCTD opts to repeal, clothing will also be exempt from the 0.25 percent MCTD sales tax. The locality will reimburse the MCTD for one half of the tax foregone and the State will reimburse the MCTD for the other half. Emissions inspection equipment purchased by an official inspection station is exempt from the State's tax base and the MAC tax base (effective date: September 1, 1997). Bus purchases and repairs, coin-operated car washes, coin-operated bulk vending machines and photocopying machines at fifty cents or less, temporary transportation devices sold through coin-operated equipment, food or drink (except hot drinks or sandwiches) sold through coin-operated vending machines, wine or wine product furnished by the official agent of a farm, winery, wholesaler, or importer at a wine tasting, and receipts from admissions to all circuses are exempted from the State's tax base and the MAC tax base (effective date: December 1, 1997). Internet access services, defined as the service of providing connection to the internet and including the provision of communication or navigation software, an E-mail address, E-mail software, news, headlines, space for a website and website services are exempt from the State's taxable base, and consequently, the City's MAC tax base (effective date: February 1, 1997). Additionally, exempt from the State tax base and the MAC tax base are receipts from the sale of the service of installing alternative fuel refueling property (property used for storing and/or dispensing fuel) and receipts from the retail sale of alternative fuel refueling property (effective date: March 1, 1998 through February 28, 2003).

1998 The State and City repealed their taxes on clothing items under $500, including footwear, during the week of January 17-23, 1998, reducing the State's tax base and the MAC tax base. The State and City repealed their taxes on clothing and footwear purchases under $500 during the week of January 17-24, 1999, reducing the State's tax base and the MAC tax base. Textbooks purchased by full or part time college students for their courses at accredited institutions are exempt from the State's tax base and the MAC tax base (effective date: June 1, 1998). Computer system hardware used or consumed directly and predominately in designing and developing computer software for sale is exempt from the State's tax base and the MAC tax base (effective date: June 1, 1998). Coin phone calls costing 25 cents or less are exempt from the State's tax base and the MAC tax base (effective date: September 1, 1998). The exemption for telephone central office equipment or station apparatus is expanded to include equipment used directly and predominately in receiving, amplifying, processing, transmitting telephone or telegraph signals, reducing the State's tax base and the MAC tax base (effective date: September 1, 1998). Parking charges paid to homeowners' associations (including co-op and condominium housing) by its members for parking space in a facility owned or operated by the association are exempted from the 6 percent City sales tax and the 8 percent Manhattan parking tax (effective date: September 14, 1998). Additionally, the 1997 law that exempted parking charges from the State sales tax when the parking facility is operated by a homeowners' association has been amended to include facilities owned by such an association even though operated by a third party.

1999 The State and City repealed their taxes on clothing and footwear purchases under $500 during the weeks of September 1-7, 1999 and January 15-21, 2000 reducing the State's tax base and the MAC tax base. The State and all participating localities delayed the permanent exemption of clothing and footwear purchases under $110 scheduled to become effective December 1, 1999 until March 1, 2000. The exemption for hot drinks and certain food items sold from vending machines is extended to include vending machines which accept credit or debit cards (effective date: December 1, 1999). The exemption for computer system hardware used in designing and developing computer system software is extended to include computer system hardware used in designing and developing internet websites (effective date: March 1, 2001). Machinery or equipment used or consumed directly and predominately to upgrade cable television systems to allow for the receiving, amplifying, processing, transmitting, re-transmitting, switching or monitoring of telecommunication services for sale and communications equipment used in the transmission of internet access services is exempt from the State's tax base and the MAC tax base (effective date: March 1, 2001). Tangible personal property sold to a contractor, subcontractor or repair person for use directly and predominately in the production of farming will be exempt from the State's tax base and the MAC tax base (effective date: March 1, 2001). The base for computing the use tax on self-produced items which a manufacturer used in its business operations is modified from a use tax on the manufacturer's normal selling price to a use tax based on the manufacturer's cost of materials (effective date: March 1, 2001). The sales tax special recordkeeping and on-site inspection requirements for Manhattan parking garages is extended until November 30, 2004. These special requirements were originally enacted in 1992 to improve sales tax compliance.

Administration: New York State and local sales tax laws provide that the New York State Department of Taxation and Finance administer the sales taxes imposed by both the State and the localities. A general sales tax is collected from approximately 620,000 vendors in New York State. The State charges an administrative fee for this service, which is allocated to each locality based on the locality's share of total statewide collections. For 1999, the administrative charge paid by the City was $18 million.

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

Forecast: The 2000 sales tax forecast is reduced by $15 million to $3,407 million, a 6.7 percent increase over the prior year. The 2001 revenue forecast is $3,395 million, a decline of 0.4 percent from the prior year.

Sales tax revenue growth rebounded from 1993 through 1995, averaging growth of 4.5 percent (common rate and base). National economic growth and strength on Wall Street contributed to strong consumer confidence, along with a recovering real estate market, fueling durable goods spending in the City. In addition, a revived tourism industry accounted for an unprecedented increase in the number of foreign visitors, which in turn has spurred the purchase of goods and services. Bad weather and increased consumer debt burdens slowed revenue growth in 1996 to 4.0 percent (common rate and base).

Sales tax revenue rebounded briskly in 1997 and 1998 growing 8.4 percent and 6.1 percent (common rate and base), respectively. This strength in consumer spending can be attributed in part to increased discretionary income in the City as record Wall Street profits produced a wealth effect through the steep appreciation of equities held by households. Buoyed by continuing historic gains in employment and strong growth in the hotel industry, sales tax revenue grew 4.6 percent (6.8 percent on a common rate and base) in 1999.

Though growth in 1999 was strong it would have been even higher, over eight percent on a common rate and base, had it not been for a State processing delay. For several months throughout the year revenues to the City were erroneously under-distributed. These incidents delayed the receipt of approximately $55 million in sales tax revenues from 1999 until 2000. The bulk of this revenue, approximately $46 million, was distributed throughout the first, second and third quarters of 2000 as additional late filed payments and prior period adjustments. The remaining revenue, approximately $9 million, is expected as additional late filed payments and prior period adjustments in the fourth quarter.

The sales tax is forecast to grow 6.7 percent in 2000 (9.3 percent on a common rate and base). Collections continue to benefit from strong Wall Street profits, high consumer confidence and low unemployment. Furthermore, effective April 1, 2000, the sales tax loophole that opened up with energy deregulation and which had enabled ESCOs (energy service companies) to sell gas and electricity for approximately five percent less than the large utilities which provided the energy commodity and transportation service, was finally closed when the New York State Department of Taxation and Finance effectively withdrew an earlier opinion of counsel that found no sales tax was due on the transportation and distribution of energy once that service was unbundled from the sale of the energy commodity.

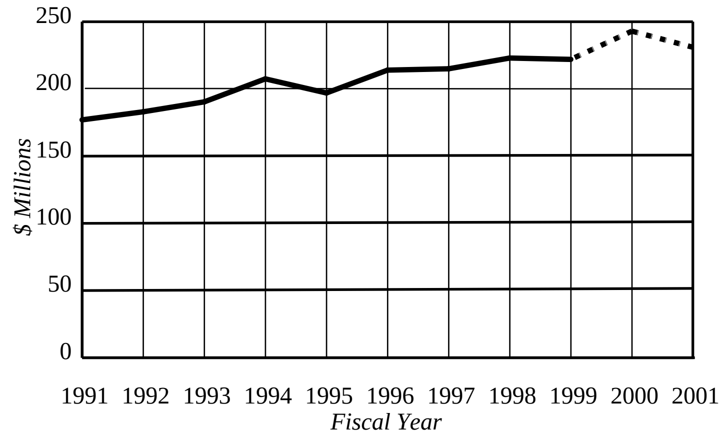
In 2001, sales tax revenue is forecast to decline 0.4 percent (growth of 3.2 percent on a common rate and base), reflecting a drop-off in security sector profits and in aggregate wages. Sales tax revenue growth is also hampered by the exemption of clothing and footwear purchases under $110, effective March 1, 2000, which is expected to reduce revenue by $241 million.

UTILITY TAX

The utility tax is projected to account for 1.1 percent of tax revenue in 2001, or $231 million.

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

UTILITY TAX 1991-2001



Legislative History: In 1933 enabling legislation allowed New York City to levy a gross income tax on utilities and vendors of utility services. The current rate of 2.35 percent was imposed on January 1, 1966. Since 1985, utility tax collections have been reduced by the Energy Cost Savings Program (ECSP) which grants a 30 percent rebate on electricity charges and a 20 percent rebate on natural gas charges to eligible nonresidential users operating in Brooklyn, the Bronx, Queens, Staten Island and Manhattan north of 96th Street. Non-retailers outside the City which relocate to the designated areas (after May 3, 1985) are also eligible. As of December 1991, more than 3,000 companies were approved for the rebate program. A similar program, the Lower Manhattan Energy Program, was incorporated into the Commercial Revitalization Program (effective 1995) and focused on stimulating economic development in lower Manhattan. The program offers a 12 year (13 years for buildings designated as landmarks) rebate on the electric bills of landlords who have improved their buildings by at least 20 percent of assessed value. The program reduced utility tax revenue by $2 million in 1999 and is expected to reduce revenue by $3 million in 2000 and $4 million in 2001.

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

In October 1996, Consolidated Edison filed for an increase to its electric rates, for the third year of their 1995 rate agreement with the Public Service Commission (PSC), to become effective April 1, 1997. However, on March 13, 1997, Consolidated Edison and the PSC entered into a settlement agreement with respect to the PSC's Competitive Opportunities proceeding, with PSC approval occurring on August 29, 1997. The settlement agreement features a five-year rate plan to facilitate the transition to competition, effective January 1, 1998. The five-year rate plan called for an immediate 25 percent electric rate reduction for Consolidated Edison's largest industrial customers with a 10 percent rate decrease for other large industrial and commercial customers (which include office buildings, hospitals and colleges and universities) and a 3.3 percent rate reduction for residential and small commercial customers. The five-year rate plan superseded the prior 1995 rate agreement as of March 31, 1997, and the revenue requirement increase for the third rate year (12 months ending March 31, 1998) of the 1995 agreement was reversed. The settlement agreement reduced utility tax revenue by $3 million in 1999, and is expected to reduce revenue by $4 million in 2000 and $8 million in 2001.

As a result of the 1996 PSC Competitive Opportunities proceeding, the PSC ordered a complete restructuring of the States' energy utilities to encourage competitive markets. The deregulation of the energy industry in the State is proceeding at the pace set by the PSC agreements for electricity and gas, with the expectation of full retail access by about 2006. The PSC agreements provide transition to a competitive energy market through the development of retail access plans, a reasonable recovery of strandable costs, and the divestiture to unaffiliated third parties of approximately 50 percent of electric generating capacity in the City. The phase-in of deregulation has reduced utility tax revenue by $5 million in 1999 and is expected to reduce revenue by $9 million in 2000 and $12 million in 2001.

Forecast: The 2000 utility tax forecast is increased by $10 million to $243 million, a 9.6 percent increase over the prior year. In 2001, utility tax revenue is projected to decline 4.9 percent over 2000 to $231 million. The strong growth forecast for 2000 is partially due to the sale of Con Edison assets that added $8 million to revenues. Also contributing to the strength of utility tax collections is the unprecedented economic expansion which has made calendar year 1999 the third year of record job gains and an increase in energy prices, principally caused by the diminished OPEC oil production quotas. The downturn in 2001 reflects the delay in additional sales of Con Edison assets and a projected reduction in energy prices. ECSP is estimated to reduce collections by $32 million per year in 2000 and 2001.

OTHER TAXES

All other taxes are projected to account for 3.3 percent of total City tax revenue in 2001, or $714.0 million.

2000-2001 Other Taxes Forecast
Excluding Tax Audit Revenue
($ Thousands)

Tax	2000 Forecast	2001 Executive Budget	Increase/(Decrease) From 2000 to 2001 Amount	Percent Growth
Hotel Room Occupancy	$226,000	$240,000	$14,000	6.2%
Auto Related Taxes				
Auto Use	31,200	31,200	0	0.0
Commercial Motor Vehicle	49,700	42,700	(7,000)	(14.1)
Taxi Medallions Transfer	3,600	3,600	0	0.0
Excise Taxes				
Beer and Liquor	21,500	21,500	0	0.0
Cigarette	33,000	30,000	(3,000)	(9.1)
Liquor License Surcharge	3,000	3,000	0	0.0
Horse Race Admissions	100	100	0	0.0
Off-Track Betting	10,600	13,200	2,600	24.5
Off Track Betting Surtax	20,500	21,200	700	3.4
Miscellaneous				
Other Refunds	(18,000)	(32,000)	(14,000)	(77.8)
Payments in Lieu of Taxes (PILOTs)	153,396	133,600	(19,796)	(12.9)
Stock Transfer	114,000	114,000	0	0.0
Waiver	60,700	57,300	(3,400)	(5.6)
Penalty & Interest Real Estate (Current Year)	11,000	11,000	0	0.0
Penalty & Interest Real Estate (Prior Year)	42,000	40,000	(2,000)	(4.8)
Penalty & Interest - Other	1,300	2,500	1,200	92.3
Penalty & Interest - Other Refunds	(16,600)	(18,900)	(2,300)	(13.9)
Total	$746,996	$714,000	($32,996)	(4.4%)

HOTEL TAX

The City has imposed a hotel room occupancy tax since 1970. This tax is levied in addition to the combined City and State sales tax. Until 1986, the tax was imposed as a flat fee based on the daily rental value of the hotel room occupied. The fee ranges from a minimum of $0.50 up to $2.00 per day for rooms priced at $40 or more. An additional five percent tax on the rent or charge was imposed in July 1986. Subsequently, tax collections increased from $26 million in 1986 to $79 million in 1987.

The rate was increased to six percent on September 1, 1990 with one-quarter of the additional revenue collected from the one percent tax rate increase earmarked for the development of tourism. Of this dedicated revenue, seven-eighths of the one-quarter percent funded the New York Convention and Visitors Bureau. The remaining one-eighth was not dedicated to a specific organization but had to be expended on tourism-related activities. In 1994, the tourism portion totaled $4 million.

The State introduced a special hotel occupancy tax of five percent (effective June 1, 1990) on rooms costing $100 or more per day. The total tax rate payable on rooms priced over $100 in the City was therefore 19.25 percent, in addition to the $2.00 flat fee.

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

Hotel tax revenue is increased $3 million to $226 million in 2000, growth of 13.6 percent. The strength in hotel tax collections in 2000 results from both the continuing strong national and local economies and unique millennium related behavior. The occupancy rate for the year is forecast at 82 percent, just above the 81 percent seen in 1999. In addition, the average room rate is forecast at $227 for the year, 5.7 percent growth over 1999. Also contributing to the revenue growth in 2000 is the addition of inventory for the first time in a decade. The opening of new hotels is expected to add an average of 1,600 rooms over the course of 2000. Finally, adding to the strong hotel tax revenue growth in 2000 was the millennium celebration. December hotel room prices averaged $280, almost 25 percent greater than the annual average and 15 percent greater than the prior year December, buoying collections. However, December occupancy declined four percent, bucking the annual trend as some visitors were priced out of the millennial hotel room market. In 2001, room rate growth is expected to slow to 4.2 percent with some price sensitivity slowing growth in occupancy which is expected to remain at current levels.

AUTO RELATED TAXES

Auto Use Tax: This tax is imposed by the City on privately-owned vehicles at the annual rate of $15 per vehicle. The tax was first imposed on October 1, 1974, and the amount has since remained unchanged. The tax is administered by the State Department of Motor Vehicles, with an administrative charge levied on the City for this service. In 1990 taxpayers were required to change from annual to biennial payments to conform to a change in State registration procedures. This new procedure resulted in roughly half of all registrants in 1990 paying for two years, while the other half continued to pay only the annual fee. Revenue from the tax is projected to be $31.2 million in 2000 and in 2001.

Commercial Motor Vehicle Tax: This tax was first levied in 1960 on vehicles used for the transportation of passengers (medallion taxicabs, omnibuses, and other for-hire passenger vehicles) and on all other commercial trucks and vehicles. The tax is charged at different rates, based on the purpose for which vehicles are used. Significant legislative changes in 1990 resulted in a revision of the rate schedules for many commercial motor vehicles. The rate for medallion taxicabs was raised to $1,000 per year, from $100 the previous year. Other for-hire passenger vehicles (livery cabs, omnibuses) pay $400 per year, a $300 increase over the 1989 rate. The rate schedule for other commercial vehicles weighing less than 10,000 pounds was left unchanged at $40 per year, while the rate for heavier vehicles was increased, with trucks weighing over 15,000 pounds paying the highest rate of $300 per year. Medallion taxicabs pay twice a year, in December and June, while owners of other types of commercial vehicles pay annually in June. Revenue from the tax is projected to be $49.7 million in 2000 and $42.7 million in 2001, following a Department of Finance initiative which will transfer the collection and administration of the commercial motor vehicle tax for livery taxicabs and light trucks to the State, thereby improving the rate of compliance.

Taxi Medallion Transfer Tax: This tax is imposed at a rate of five percent of the consideration paid for transfers of taxicab licenses (medallions). The tax is expected to generate $3.6 million in 2000 and 2001.

EXCISE TAXES

Beer and Liquor Excise Tax: Since 1980, the City has imposed a tax on licensed distributors and non-commercial importers on the sale of beer and liquor within New York City. The current tax rate is 12 cents per gallon of beer and 26.4 cents per liter of liquor with an alcohol content greater than 24 percent. The City does not impose a tax on wine. The tax is administered by New York State. The tax is expected to generate $21.5 million in 2000 and in 2001.

Cigarette Tax: The City has imposed a tax on the sale of cigarettes in the City since 1952. The current rate is eight cents for each pack of 20 cigarettes and two cents for each five cigarettes or fraction thereof past 20. This tax is imposed in addition to a State cigarette tax which is currently $1.11 per pack after the increase of 55 cents effective March 1, 2000. Other tobacco products are not subject to the tax. Revenue from the cigarette tax has been steadily declining due to a reduction in cigarette consumption and the increase to the New York State tax rate per pack. Receipts from the cigarette tax are expected to be $33 million in 2000 and $30 million in 2001.

Liquor License Surcharge: This tax is imposed on distributors and non-commercial importers of beer and liquor at a rate of 25 percent of the license fees payable under the New York State Alcoholic Beverage Control Law. This tax is expected to generate $3 million in 2000 and 2001.

Horse Race Admissions Tax: A three percent tax was imposed in 1952 on the price of all paid admissions to horse races held either partly or wholly within the City of New York. Revenue from this tax is expected to be $0.1 million in 2000 and 2001.

Off-Track Betting (Dividend), and Off-Track Betting Surtax: A surcharge is exacted on most bets placed at New York City Off-Track Betting offices, and on most bets placed statewide on races held within New York City. The dividend payment, reflecting OTB's current year profit, is estimated to be $10.6 million in 2000 and $13.2 million in 2001. Revenue is forecast at $20.5 million from the Off-Track Betting surtax in 2000, and $21.2 million in 2001.

MISCELLANEOUS

Other Refunds: These refunds are primarily paid out on the commercial rent tax and waiver and are projected to be $18 million in 2000 and $32 million in 2001. The large increase in 2001 reflects refunds expected to be made to certain nonresident City employees who paid the City income tax under Section 1127, but who were found, as a result of recent litigation, not to be subject to Section 1127.

PILOTs: Payments in lieu of taxes (PILOTs) are contractual agreements between public agencies and private property holders which result in real property tax relief in order to: (1) induce businesses to remain in

New York City; (2) attract new business; (3) provide subsidies for low income housing; and (4) promote economic growth. PILOT payments are either fixed sums based on real property taxes paid on the underlying property in the year preceding the agreement, formulas calculated on the income derived from business operations at the PILOT facility, or a combination of both. Payments are remitted quarterly, semi-annually or annually.

There are four primary sponsor agencies which serve as intermediaries between the City and the PILOT facility owner: New York City Housing Authority, Port Authority of New York and New Jersey, Industrial Development Agency and Battery Park City Authority. These agencies administer projects that comprise approximately 95 percent of PILOT payments received. Two smaller sponsors are the Economic Development Corporation and the Triborough Bridge and Tunnel Authority. PILOT revenue is expected to be $153.4 million in 2000 and $133.6 million in 2001.

Stock Transfer Tax: The State repealed the City's stock transfer tax in 1980 and provided for annual appropriations of not more than $120 million as compensation. Until 1988, the State appropriated to the City approximately $118 million annually. Following a slowdown in State revenue growth, the appropriation was reduced to $83 million in 1990 and to $56 million in 1991. In 1992, the appropriation was restored to $114 million. In 2000 and 2001, a level of $114 million is expected.

Waiver (Personal Income Tax On Nonresident City Employees): Under section 1127 of the New York City Charter, the City may collect payments from nonresident employees of the City or any of its agencies in an amount which equalizes their personal income tax liability to what it would be if they were residents. Revenue is projected to be $60.7 million in 2000 and $57.3 million in 2001.

Prior Year and Current Year Penalty and Interest - Real Estate: Taxpayers who do not pay their real property tax on time are liable for interest charges on outstanding balances. Interest is charged at a rate of nine percent for taxpayers whose annual liability is under $2,750 and 18 percent for all other taxpayers. Penalties and interest received against current year delinquencies are expected to be $11 million in 2000 and in 2001, while prior year penalty and interest is expected to be $42 million in 2000 and $40 million in 2001.

Penalty and Interest - Other: Penalty and interest charges on outstanding balances for all taxes except the real property tax are reflected in penalty and interest - other. Revenue is projected to be $1.3 million in 2000 and $2.5 million in 2001.

Penalty and Interest - Other Refunds: The City currently pays out interest on refunds claimed on overpayments against the first installment paid on business income taxes, on audits of the general corporation and unincorporated business taxes already collected by the Department of Finance but overturned by Federal or State rulings, and on payments made under protest by taxpayers who subsequently substantiate their claims. As a result of legislation, interest on overpayments claimed on amended returns is currently no longer paid for tax years beginning with 1989 as long as the refund is paid within a 90-day period. Penalty and interest - other refunds is projected to be $16.6 million in 2000 and $18.9 million in 2001.

TAX ENFORCEMENT REVENUE

The Department of Finance targets delinquent taxpayers through agency audit activities, selected use of collection agencies and computer matches. Audits are forecast at $378 million in 2000 and $412 million in 2001.

MISCELLANEOUS RECEIPTS

Forecast of Miscellaneous Receipts

The non-tax revenue portion of City Funds is referred to as miscellaneous revenues. The 2001 Executive Budget includes eleven classes of miscellaneous revenues, which are discussed below.

Miscellaneous Revenues

($ in Millions)

	2000 Forecast	2001 Executive Budget	Forecast to Executive Budget Increase (Decrease)
Licenses	$52	$44	(8)
Permits	87	84	(3)
Franchises and Privileges	178	168	(10)
Interest Income	156	131	(25)
Tuition and Charges for Services	429	417	(12)
Water and Sewer Revenues	820	843	23
Rental Income	145	112	(33)
Fines and Forfeitures	465	490	25
Miscellaneous	680	799	119
Total Miscellaneous Revenues	$3,012	$3,088	$76

Miscellaneous revenues are estimated at $3,088 million in 2001, an increase of $76 million from 2000, exclusive of private grants and intra-city revenues. The revenue classes listed above are regrouped and described in the following three areas: Cost-based Charges (Licenses, Permits and Charges for Services); Water and Sewer revenues; and Other Income (Interest Income, Franchises, Rental Income, Fines, and Miscellaneous).

Cost-based Charges

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

Licenses

The City issues approximately 460,000 licenses. About 60,000 are non-recurring, 145,000 are renewed annually, and 255,000 biennially. The major sources of license revenue are taxi and limousine licenses, pistol licenses, marriage licenses, and various business licenses under the jurisdiction of the Department of Consumer Affairs.

The 2001 forecast for license revenue is $44 million, $8 million less than 2000. The biennial licensing program for drivers and vehicles, implemented by the Taxi and Limousine Commission in 2000, caused a one-time acceleration of revenues.

Permits

Permits are issued to 923,000 individuals or entities for the use of facilities, premises or equipment. Approximately 240,000 permits are renewable on an annual basis, 60,000 are renewable biennially, and 70,000 are renewable triennially. Seasonal or single occurrence permits, such as tennis, golf, and building permits account for 553,000 additional permits, all of which are issued and regulated by nine City agencies.

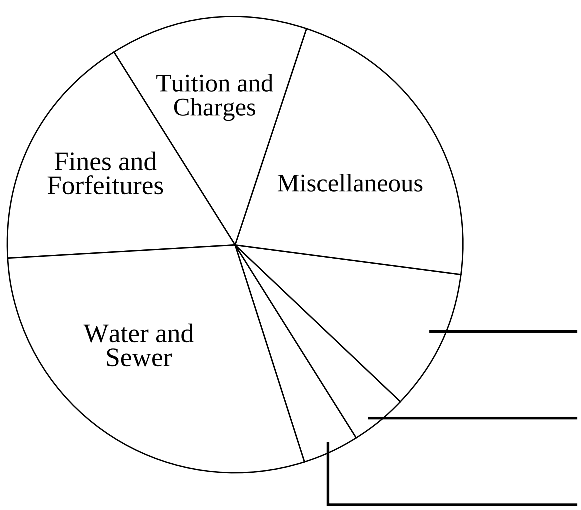
The major sources of revenue are permits for building construction and alteration, street opening, restaurants, hazardous material, and air pollution control. The 2001 forecast for permit revenue is $84 million, $3 million less than 2000. The decrease is due to a decline in receipts for various construction-related permits issued by the Department of Buildings.

Tuition and Charges for Services

The City collects tuition from students enrolled at community colleges. In addition, the City collects money from charges to the public and other governmental agencies for services rendered. There are over 100 different service fees in this category, including fees for parking, towing, Sheriff poundage, provision of school lunches, copies of reports, processing applications, searches, and performing fire and building inspections. The 2001 forecast for tuition and charges is $417 million, $12 million less than 2000. The loss of one-time revenues collected from the processing of 421-a tax exemption applications for large developments, from parking meters during the mild winter of 2000, and from one-time collections of arrears at the Department of Buildings account for this change.

COMPONENTS OF MISCELLANEOUS REVENUES

As a Percentage of 2001



27%	Water and Sewer
26%	Miscellaneous
16%	Fines and Forfeitures
13%	Tuition and Charges
10%	Licenses, Permits and Franchises
4%	Rental
4%	Interest Income

Water and Sewer Revenues

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

In 2001, water and sewer rates are expected to increase by one percent. The 2001 forecast for Water Board revenue is $1.5 billion, including a City payment of $32 million for municipal water and sewer charges and $73 million for interest on funds held by the New York City Municipal Water Finance Authority. The Water Board will pay $692 million for Water Board and Authority expenses and debt service. The City will receive $708 million for services rendered in the delivery of water and the collection, treatment, and disposal of waste water, and $135 million for the rental of the water supply and sewer system plant, in accordance with the lease agreement between the Water Board and the City.

Other Income

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

Interest Income

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

The 2001 forecast for interest earnings is $131 million, a decrease of $25 million from 2000. Higher interest rates are offset by a change in short term borrowing, and an expected return to normal cash balances in the City's accounts.

Franchises and Privileges

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

The 2001 forecast for franchise revenue is $168 million, compared to $178 million in 2000. The 2000 collections reflect higher fee payments from cable television and high capacity fiber franchises, and one-time arrears collections from the City's long distance carrier on public pay telephones.

Rental Income

Rental income is derived from revenue collected from both long and short-term agreements for the occupancy of City-owned property, including condemnation sites and *in rem* buildings. Approximately 3,560 properties are rented from the City. Over 2,400 are *in rem* or condemnation sites, 160 are covered by long term agreements, and approximately 1,000 are schools that are rented on a per event basis after school hours.

The 2001 forecast for rental income is $112 million, $33 million less than in 2000. The decrease is due to additional rent payments received from the Port Authority of New York and New Jersey based on increased activity at Kennedy and LaGuardia Airports in calendar year 1999, the declining inventory of residential units managed by the Department of Housing Preservation and Development, and additional revenue received in 2000 from percentage-based rent agreements collected by the Department of Citywide Administrative Services.

Fines and Forfeitures

The City collects fine revenue through courts and administrative tribunals for violations issued under the Administrative Code, Vehicle and Traffic Law, and other laws. Forfeiture revenue is obtained from the surrender and conversion of bail and cash bonds, and contractors' performance bonds. The 2001 forecast for forfeitures is $3.6 million, $1.5 million less than 2000. The Department of Finance collected additional revenue in 2000 by improving cash bail forfeiture processing and eliminating backlogs. The revenue expected from fines in 2000 and 2001 is listed below:

Fine Revenue

SOURCE ($ in 000's)	2000 FORECAST	2001 EXECUTIVE BUDGET
Parking Violations	$371,993	$396,371
Environmental Control Board	30,672	32,150
Traffic Violations	19,800	18,067
Department of Health	12,000	12,907
Taxi and Limousine Commission	6,441	7,441
State Court Fines	6,400	7,085
Department of Buildings	6,290	5,000
Department of Consumer Affairs	2,900	3,992
Other sources	3,095	3,630
Total	$459,591	$486,643

The Parking Violations division of the Department of Finance is forecasted to collect $396 million in parking fines in 2001, $24 million more than 2000. The Department's initiative to enhance customer service and provide one-stop shopping will continue to improve collections by offering electronic payment options, streamlining workflows, and eliminating duplicative activities. The Department of Finance has also initiated several programs to improve the processing of parking summonses that currently cannot be collected.

The Environmental Control Board (ECB) adjudicates more than 400,000 notices of violation issued by over a dozen City agencies for infractions of the City's Administrative Code related to street cleanliness, waste disposal, street peddling, fire prevention, air, water and noise pollution, building safety and construction, and other quality of life issues. ECB will collect $32 million. The Traffic Enforcement Division within the Police Department will expand street opening and sidewalk obstruction enforcement efforts throughout the City.

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

Miscellaneous

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

The 2001 forecast for miscellaneous revenue is $799 million, $119 million more than in 2000. Increased revenue from the proceeds of the sale of the Coliseum, and from the disposition of other surplus commercial and residential real property, including economic development sites, will more than offset the non-recurring revenue received in 2000 from the recovery of additional FICA payments made in prior years, a higher tobacco settlement payment, and other miscellaneous sources.

Private Grants

The Executive Budget includes $347 million in private grants in 2001, $96 million less than 2000. Additional private grant funding will be modified into the budget during the course of the year, as additional funding sources are identified and grants are defined.

Interfund Revenues

Interfund Revenues (IFA's) reflect reimbursement by the Capital Fund for expenditures of the General Fund for first-line architectural, engineering, and design costs incurred by the City's own engineering and support staff. These costs are assigned to particular capital projects and are valid capital charges under generally accepted accounting principles. In 2001, IFA reimbursements will be $290 million.

CAPITAL BUDGET

The Executive Capital Budget and Four-Year Plan, 2001-2004

The 2001 Executive Capital Budget includes new appropriations of $7.3 billion, of which $6.8 billion are to be funded from City sources. These appropriations, together with available balances from prior years, authorize total commitments for 2001 of $8.9 billion, of which $8.0 billion will be City-funded. City funds include proceeds of bonds issued by the City Municipal Water Finance Authority and the State Dormitory Authority, and the New York City Transitional Finance Authority as well as City general obligation and Tobacco Settlement bonds. As indicated in the table below, the targeted level for City-funded commitments is $6.7 billion in 2001. The aggregate agency-by-agency authorized commitments of $8.0 billion exceed the 2001 financial plan by $1.3 billion. Excess authorizations in this proportion have proven necessary to achieve commitment spending targets by accommodating such factors as project scope changes and delays.

FY 2000-2004 Commitment Plan
($ in millions)

	2000		2001		2002		2003		2004	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Environmental Protection										
• Equipment	$140	$151	$167	$371	$39	$39	$30	$30	$17	$17
• Sewers	265	266	217	217	165	165	106	106	98	98
• Water Mains	351	351	251	251	255	255	308	308	301	301
• Water Pollution Control	437	468	1,053	1,083	1,387	1,412	638	663	285	310
• Water Supply	109	109	194	194	236	236	324	324	154	154
Subtotal	$1,303	$1,344	$1,882	$2,115	$2,082	$2,107	$1,404	$1,430	$854	$879
Transportation										
• Mass Transit	$114	$114	$108	$108	$279	$279	$278	$278	$106	$106
• Highways	226	214	307	328	279	287	246	273	271	271
• Highway Bridges	292	337	326	353	401	433	560	620	347	387
• Waterway Bridges	123	128	210	326	88	158	0	0	474	549
Subtotal	$754	$793	$951	$1,116	$1,047	$1,157	$1,084	$1,171	$1,198	$1,312
Education & Hospitals										
• Education	$1,105	$1,360	$1,529	$1,614	$1,105	$1,180	$1,318	$1,398	$1,201	$1,281
• Higher Education	39	50	9	12	4	6	3	5	4	8
• Hospitals	144	144	171	171	48	48	181	181	121	121
Subtotal	**$1,288**	**$1,554**	**$1,708**	**$1,796**	**$1,156**	**$1,234**	**$1,502**	**$1,584**	**$1,326**	**$1,410**
Housing And Economic Development										
• Housing	$335	$466	$260	$363	$361	$446	$312	$400	$268	$353
• Economic Development	288	375	380	416	173	191	95	101	42	42
• Port Development	(1)	(1)	0	0	0	0	0	0	0	0
Subtotal	**$623**	**$840**	**$640**	**$779**	**$533**	**$637**	**$407**	**$502**	**$310**	**$395**
City Operations & Facilities										
• Correction	$118	$122	$210	$210	$104	$104	$43	$43	$138	$138
• Fire	152	152	212	212	62	62	51	51	52	52
• Police	50	29	128	161	36	36	56	56	55	55
• Public Buildings	134	136	223	227	78	78	61	61	64	64
• Sanitation	125	125	282	295	233	233	216	216	258	258
• Parks	219	234	231	242	139	139	38	38	49	49
• Other	1,170	1,291	1,567	1,779	630	711	442	476	525	532
Subtotal	**$1,969**	**$2,089**	**$2,853**	**$3,127**	**$1,281**	**$1,363**	**$907**	**$940**	**$1,140**	**$1,147**
Total Commitments	**$5,936**	**$6,620**	**$8,035**	**$8,933**	**$6,099**	**$6,497**	**$5,304**	**$5,627**	**$4,829**	**$5,144**
Reserve For Unattained Commitment	**(1,688)**	**(1,688)**	**(1,303)**	**(1,303)**	**(56)**	**(56)**	**47**	**47**	**3**	**3**
Commitment Plan	**$4,248**	**$4,932**	**$6,732**	**$7,630**	**$6,043**	**$6,441**	**$5,351**	**$5,674**	**$4,832**	**$5,147**
Total Expenditures	**$4,347**	**$4,837**	**$4,614**	**$5,151**	**$5,459**	**$6,107**	**$5,254**	**$5,906**	**$5,534**	**$6,055**

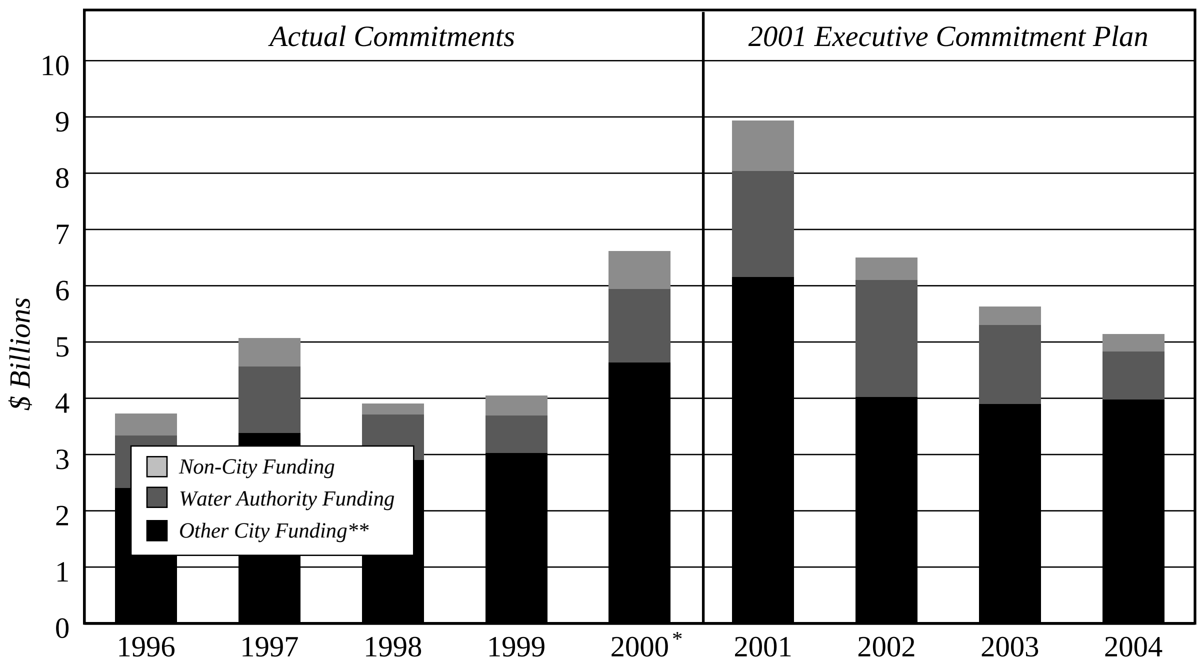
**Note: Individual items may not add to totals due to rounding*

Non-City Funding Sources

Non-City capital funding sources include $898.0 million in the 2001 plan and $1.9 billion over the 2001-2004 four-year plan period. The majority of non-City funding supports Transportation, Housing, and Environmental Protection programs. Non-City includes pay-as-you-go capital of $85.0 million for the Board of Education in 2001, financed in part by the proceeds from the sale of real property in Battery Park City.

Transportation programs are projected to receive non-City funding of $746.0 million over the 2001-2004 period, with $648.0 million from the Federal government and $97.0 million from the State, and private funds of $0.5 million. Housing programs anticipate non-City funding of $361.0 million in the 2001-2004 period, consisting of Federal funds. Environmental Protection programs anticipate receiving $308.0 million in non-City funding over the 2001-2004 period, with $5.0 million from the Federal government, $303.0 million from the State and $0.2 million of private funds.

FY 1996-2004 CAPITAL COMMITMENTS BY FUNDING SOURCE



* *Projected*

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

The Capital Program since 1996

The table below illustrates the changes in the size of the City's capital program over the 1996-1999 period.

FY 1996 - 1999 Commitments
($ in millions)

	1996		1997		1998		1999	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Environmental Protection								
• Equipment	$211	$211	$185	$185	98	98	$81	$81
• Sewers	126	126	166	166	184	184	185	185
• Water Mains…	315	343	460	462	152	152	200	203
• Water Pollution Control	254	311	352	355	320	321	198	198
• Water Supply	32	32	17	17	58	58	4	482
Subtotal	**$937**	**$1,023**	**$1,180**	**$1,185**	**$812**	**$813**	**$668**	**$671**
Transportation								
• Mass Transit	$113	$111	$864	$863	$123	$122	$116	$116
• Highways	136	149	172	209	168	185	171	184
• Highway Bridges	140	144	77	122	119	123	92	94
• Waterway Bridges	60	150	150	413	152	127	177	355
Subtotal	**$449**	**$555**	**$1,264**	**$1,607**	**$561**	**$557**	**$556**	**$749**
Education & Hospitals								
• Education	$621	$621	$1,013	$1,013	1,246	1,246	$1,400	$1,400
• Higher Education	3	3	6	7	9	11	12	14
• Hospitals	53	53	30	30	23	23	56	56
Subtotal	**$678**	**$678**	**$1,049**	**$1,049**	**$1,278**	**$1,279**	**$1,468**	**$1,470**
Housing And Economic Development								
• Housing	$168	$261	150	239	116	241	$161	$259
• Economic Development	156	164	112	119	55	69	54	59
• Port Development	(9)	(9)	0	0	4	4	0	0
Subtotal	**$315**	**$416**	**$263**	**$358**	**$175**	**$314**	**$215**	**$318**
City Operations & Facilities								
• Correction	$223	$223	33	33	81	81	$63	$74
• Fire	30	30	73	73	56	56	66	66
• Police	62	62	56	51	47	47	46	46
• Public Buildings	118	118	92	93	54	54	65	67
• Sanitation	169	169	107	107	102	102	63	63
• Parks	117	155	141	174	153	165	158	174
• Other	240	296	306	335	390	434	323	352
Subtotal	**$959**	**$1,053**	**$809**	**$866**	**$882**	**$939**	**$784**	**$842**
Total Commitments	**$3,338**	**$3,725**	**$4,565**	**$5,066**	**$3,709**	**$3,904**	**$3,691**	**$4,050**
Total Expenditures	**$3,355**	**$3,733**	**$3,568**	**$3,946**	**$3,631**	**$3,985**	**$4,385**	**$4,786**

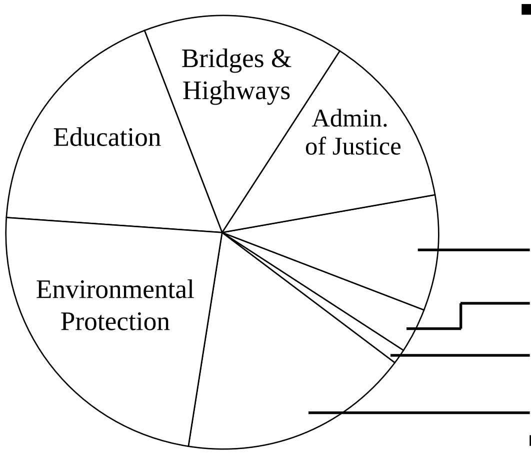
** Note: Individual items may not add to totals due to rounding*

2001 Agency Highlights

The chart below outlines the major elements of the 2001 Capital Commitment Plan.

2001 AUTHORIZED CAPITAL COMMITMENTS, BY PROGRAM

($ in Millions - All Funds)



% of Plan	*Program*	*2001 Plan*
23.7%	Environmental Protection	$2,115
18.2%	Education	1,626
14.9%	Bridges & Highways	1,326
13.0%	Administration of Justice	1,164
8.7%	Housing & Development	779
3.3%	Sanitation	295
1.2%	Mass Transit	108
17.0%	Other City Services	1,520
	Total	**$8,933**

Environmental Protection and Sanitation

- Landfill Remediation: construction work to remediate the Pennsylvania/Fountain Avenue and Brookfield landfills ($74.1 million, G.O. funds, $203.2 million State funds).

- Water Supply: construction of shafts for City Tunnel No. 3, Stage 2 ($111.6 million).

- Water Pollution Control: the continued reconstruction of the Newtown Creek Water Pollution Control Plant ($775.6 million); reconstruction of various sewage pumping stations ($75.8 million)

- Water Mains: projects in the upstate watershed include the reconstruction of watershed dams ($22.9 million) and the continuation of the land acquisition programs ($54.0 million). In-City water main replacement and extension projects ($120.6 million).

- Sanitation: replacement of equipment, including collection trucks, mechanical brooms and salt spreaders ($115.8 million) in accordance with established replacement cycles.

Transportation

- Bridges: continued reconstruction of the four East River Bridges; reconstruction of three bridge structures rated "poor" and 16 bridge structures rated "fair"; continued rehabilitation of "fair" bridges through the component rehabilitation program ($679.7 million).

- Highways: reconstruction of 32.4 linear (103.5 lane) miles and the resurfacing of 244.0 (811.4 lane) miles of streets; continued installation of pedestrian ramps and replacement of sidewalks ($285.8 million).

- Transit: contribution to the MTA's capital program including subway and bus fleet enhancement, infrastructure improvements, in-house track rehabilitation, reconstruction of bus and subway lines and facilities ($108.0 million).

Education, Health and Social Services

- Education: A total program of $1.6 billion, including $275.0 million for the Mayor/City Council initiative. Funding provides for capacity expansion, technology, air-conditioning, school modernization and the rehabilitation/replacement of building components and other facility improvements. In addition, the Plan will be enhanced by the dedication of an additional $85.0 million of expense budget resources.

- Health: construction of a new free standing OCME facility on the Kings County Hospital campus ($11.4 million); construction of a new High Sensitivity DNA Laboratory for OCME ($10.8 million); implementation of a case management and reporting system for the HIV/AIDS Partner Notification program ($6.4 million); renovations to two Center for Animal Care and Control shelters ($5.4 million); Phase II of the Jamaica Health Center renovations project ($2.0 million).

- Aging: renovations, fire safety, handicapped accessibility and infrastructure repairs to senior centers, citywide ($17.2 million).

- Homeless Services: loans to nonprofit organizations to develop SROs for single adults leaving the shelter system ($3.5 million); adult facility upgrades at Camp LaGuardia, the Franklin Armory and the Bedford-Atlantic Armory ($10.1 million); renovations of family facilities including Catherine Street and Jamaica Assessment ($4.2 million); and exterior repairs to maintain compliance with City building codes ($7.3 million).

- Human Resources: renovations and initial outfitting of Job Centers ($26.7 million); expansion of the Wide Area Network ($11.3 million); implement imaging projects ($5.3 million); infrastructure improvements and renovations at Multi-Service Centers ($8.2 million).

- Children's Services: renovation of the Jefferson Place Group Home ($1.4 million); completion of Williamsburg Day Care Center ($1.9 million); technology projects, including data warehousing, LAN & WAN development and Bellevue Children's Center MIS installation ($5.4 million).

- Housing: disposition and rehabilitation of approximately 2,300 occupied in rem dwelling units through the Building Blocks! (privatization) initiative and of nearly 400 vacant in rem units through a variety of sale and loan programs ($160.3 million); provision of low-interest loans for capital improvements to privately-owned residential buildings, with more than 3,800 units, to prevent their abandonment and preserve their quality through the Participation Loan, Article 8A, Small Homes Private and Article 7A programs ($60.8 million); development starts for the construction of close to 1,500 homeownership and rental units in one- to three-family homes, through the Partnership New Homes and Nehemiah programs, and multi-family, mixed-use and retail units, through the Alliance for Neighborhood Commerce, Homeownership and Revitalization or ANCHOR program ($41.9 million); and production of over 400 units through the Supportive Housing program, which includes units for homeless, low-income, and special needs (persons with mental illness or AIDS) populations ($39.3 million). Production levels are dependent on the availability of Federal HOME funds.

- Housing Authority: replacement of apartment closet doors ($2.5 million) and drains/sewer lines ($1.8 million) at Boulevard Houses, a 1,436-unit development in Brooklyn; replacement of apartment closet doors ($2.8 million), installation of steel bar fencing ($1.3 million), and renovation of roofs ($1.9 million) at Linden Houses, a 1,586-unit development in Brooklyn; and replacement of radiator traps and valves ($0.8 million) at Marble Hill Houses, a 1,682-unit development in The Bronx.

- Economic Development: development of the New York Stock Exchange in Manhattan ($109.0 million); St. George Stadium in Staten Island ($25.6 million); Steeplechase Stadium in Brooklyn ($26.0 million); St. Johns Interim Stadium in Queens ($6.0 million); Whitehall Ferry Terminal Reconstruction, Manhattan ($27.7 million); St. George Ferry Terminal Reconstruction, Staten Island ($29.0 million); Brooklyn Army Terminal Phase IV ($15 million); Kingsbridge Armory in The Bronx ($8.0 million); and Brooklyn Navy Yard Development Corporation match ($7.3 million).

Administration of Justice and Public Safety

- Correction: replacement of deteriorating housing facilities with new facilities ($106.9 million); reconstruction of the James A. Thomas Center ($32.0 million); completion of fire safety system upgrades in borough houses and on Rikers Island ($15.7 million).

- Courts: construction of a Supreme Criminal Court building in the Bronx ($129.5 million); construction of a west wing addition to the Criminal Courts building in Queens to house the Supreme Criminal Court ($65.8 million); renovation of the Family Court building in Manhattan ($47.2 million); renovation of the Supreme Court building in Queens ($39.5 million); renovation of space at the Brooklyn Army Terminal to provide a records storage facility for the courts ($11.9 million); upgrade of systems in the Appellate Court building in Manhattan ($11.3 million); upgrade of elevator systems in four courthouses, in Manhattan, Brooklyn and the Bronx ($16.0 million); upgrade of electrical systems in eight courthouses, in Manhattan, Brooklyn, the Bronx and Queens ($9.7 million); and renovation work to comply with the Federal Americans with Disabilities Act (ADA) in eight courthouses, citywide ($7.8 million).

- Police: construction of a Public Safety Answering Center at 109 Park Row ($48.5 million); design of three new precincts ($7.0 million); replacement of the Computer Aided Dispatch system and upgrade of other computer equipment ($24.8 million); rehabilitation of various floors at the Police Academy to add new classrooms ($3.3 million); noise abatement at the Rodman's Neck Firing Range ($3.4 million); enhancement and replacement of communications equipment ($67.9 million).

- Fire: replacement of front-line firefighting apparatus, support vehicles and equipment ($38.8 million); acquisition of ambulance sites for EMS ($13.0 million); rehabilitation of Department facilities ($23.0 million); renovation of buildings for classroom training at Fort Totten and construction of a new fire training facility at Randall's Island ($91.0 million); continued maintenance and upgrade of the current call box network ($0.9 million); Computer Aided Dispatching (CAD) and other communications systems ($6.4 million).

Recreation and Culturals

- Parks: focused reconstruction and replacement of safety surfaces, play equipment and paths to improve the overall condition of parks ($13.0 million); reconstruction of regional parks, citywide ($20.0 million); planting of street trees ($7.0 million); East River Park ($5.0 million); construction of a playground in Madison Square Park ($750K).

- Public Libraries: redesign and renovation of the Library for the Performing Arts ($8.2 million); various renovation projects at the Humanities and Social Sciences Library, formerly the Central Research Library, totaling $11.8 million. These projects include: $1.5 million for renovations to the Map Division; $3.4 million for the creation of the Center for Scholars and Writers; $2.6 million for renovation work to the US History, Local History, and Genealogy Division; $1.8 million for the construction of a Rare Books room; and $2.7 million for renovation work to office and administrative space.

- Department of Cultural Affairs: construction of the Third Stage Theater, a mid-sized theater with an innovative stage and seating design, at Carnegie Hall ($3.5 million); a Master Plan including renovations and upgrades at Lincoln Center for the Performing Arts ($24.0 million); comprehensive reconstruction and expansion at the Metropolitan Museum of Art ($5.0 million); creation of a new wing for the Museum of Jewish Heritage that will contain a theater, special exhibition galleries, a Family History Center, classrooms, offices, a kosher dining facility, and a garden ($6.0 million); major renovation and expansion at the Museum of Modern Art. A key feature will be an entire building dedicated to education and research. In addition, gallery space will be doubled, the Abby Rockefeller Sculpture Garden will be renovated and restored, stores and restaurants will be expanded, and a state-of-the-art storage and study facility will be constructed ($30.0 million); infrastructure improvements at the New York Botanical Garden ($4.3 million).

Department of Citywide Administrative Services

- Public Buildings: compliance with legal mandates ($79.2 million), including vapor control and leak detection equipment for petroleum underground storage tanks ($53.7 million); lead and asbestos abatement ($14.3 million), and compliance with the Americans with Disabilities Act ($1.6 million); the reconstruction of public buildings and City owned office space ($96.2 million), including the construction of a Visitor Center and code compliance work at the Tweed Courthouse ($45.8 million); the construction of leased space ($38.6 million), including the construction of the Department of Finance Business Center at 66 John Street in Manhattan ($16.3 million), and the renovation of City Council offices ($2.5 million); and the reconstruction of non-waterfront properties including construction at the Kingsbridge Armory ($5.0 million).

Borough Presidents' Allocations

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

FY 2001-2004 Borough Presidents' Allocations*
(City Funded Appropriations $ in thousands)

	2001	2002	2003	2004
Bronx Program				
Economic Development	$1,095	$0	$0	$0
Housing Authority	500	-----	-----	-----
Housing	3,200	-----	-----	-----
Higher Education	624	-----	-----	-----
Highways	0	1,611	-----	-----
New York Public Library	1,800	800	-----	-----
Parks	100	-----	-----	-----
EDP Equipment	300	-----	-----	-----
Cultural Affairs	353	-----	-----	-----
Public Buildings	175	-----	-----	-----
Real Property	700	-----	-----	-----
Traffic	150	-----	-----	-----
GRAND TOTAL: BRONX	$8,997	$2,411	$0	$0
Brooklyn Program				
Economic Development	$2,313	$2,748	$9,000	$5,500
Highways	754	-----	-----	-----
Brooklyn Public Library	4,527	865	1,000	2,000
Parks	5,135	6,150	-----	7,800
Cultural Affairs	9,527	6,561	3,842	-----
Public Buildings	-----	70	1,600	-----
GRAND TOTAL: BROOKLYN	$22,256	$16,395	$15,442	$15,300

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

FY 2001-2004 Borough Presidents' Allocations*
(City Funded Appropriations $ in thousands)

	2001	2002	2003	2004
Manhattan Program				
Aging	$345	-----	-----	-----
Education	1,079	-----	-----	-----
Economic Development	800	200	-----	-----
Housing	1,750	800	-----	-----
Higher Education	732	427	-----	-----
Highways	89	500	-----	-----
New York Research Library	953	-----	-----	-----
New York Public Library	806	-----	-----	-----
Parks	1,453	-----	-----	-----
Cultural Affairs	1,183	1,050	-----	-----
Public Buildings	200	200	-----	-----
Transit	250	250	-----	-----
Traffic	225	-----	-----	-----
GRAND TOTAL: MANHATTAN	$9,865	$3,427	$0	$0
Queens Program				
Housing	$71	-----	-----	-----
Higher Education	194	-----	-----	-----
Hospitals	2,605	2,000	-----	-----
Highways	700	-----	-----	-----
Parks	6,211	1,000	-----	-----
Cultural Affairs	13,523	17,073	2,916	-----
GRAND TOTAL: QUEENS	$23,305	$20,073	$2,916	$0
Staten Island Program				
Housing Authority	$300	-----	-----	-----
Highways	1,079	2,000	-----	-----
Parks	1,500	-----	-----	-----
Public Buildings	143	-----	-----	-----
GRAND TOTAL: STATEN ISLAND	$3,022	$2,000	$0	$0

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

Management Initiatives

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

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

Capital Program Management

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

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

Capital Asset Inventory and Maintenance Program

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

Value Engineering

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

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

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

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

FINANCING PROGRAM

The City's financing program projects $26.9 billion of long-term borrowing for the period of FY2000 through FY2004 to support the City's current capital program. The majority of the financing will be implemented through four bond issuing entities: the City through its General Obligation (GO) bonds, the New York City Transitional Finance Authority (TFA), the New York City Municipal Water Finance Authority (NYW) and TSASC, Inc. In addition, the City will utilize the New York State Dormitory Authority (DASNY) to fund several capital initiatives. Through financing lease arrangements, DASNY will issue bonds for the City's court facilities program, the expansion or reconstruction of three hospital facilities and the Lincoln Center capital improvement project. The annual financing amount during the planned period for each of the bond issuing entities is listed in the table below.

2000-2004

CAPITAL FUNDING PROGRAM

(In Millions)

	2000	2001	2002	2003	2004	Total
SOURCES OF FUNDS:						
City General Obligation Bonds (1) (2)	$935	$1,195	$2,440	$2,900	$3,650	$11,120
Transitional Finance Authority (2) (3)	2,320	1,630	0	0	0	3,950
Tobacco Settlement Bonds (4)	709	700	700	700	0	2,809
Water Authority Financing (5)	888	1,067	1,561	1,482	1,597	6,595
DASNY and other Lease Debt (6)	317	823	252	386	530	2,308
Other Sources (7)	(567)	(325)	901	152	(1)	160
Total	$4,602	$5,090	$5,854	$5,620	$5,776	$26,942
USES OF FUNDS:						
City Capital Improvements (8)	$4,372	$4,747	$5,586	$5,306	5,535	25,546
City General Obligation Refinancing	0	0	0	0	0	0
Water Authority Refunding	0	0	0	0	0	0
Reserve Funds and Other (9)	230	343	268	314	241	1,396
Total	$4,602	$5,090	$5,854	$5,620	$5,776	$26,942

(1) *The City has issued no general obligation bonds to date during fiscal year 2000. It expects to issue approximately $700 million of new money bonds by negotiated sale in May, and $200 million of new money bonds by competitive sale in June*

(2) *If the City's proposed changes to the TFA enabling act and to the state constitutional debt cap are adopted, the City would expect the issuance of additional TFA bonds in fiscal years 2001 through 2004, matched by some reduction in the issuance of general obligation bonds.*

(3) *The Finance Authority has sold $1.8 billion of bonds and $1.1 billion of bond anticipation notes (BANs) during fiscal year 2000 for the City's capital improvement program. The first $600 million of BANs issued in Nov. 1999 will be defeased on May 2, 2000 with long-term financing and the second $515 million of BANs sold on April 12, 2000 will be redeemed or defeased in November 2000 through the issuance of bonds. TFA will continue pre-funding its long-term financing program with BANs in FY2001. In FY2002, TFA will issue approximately $600 million of bonds to defease BANs issued in May 2001. The figures set forth above exclude bonds issued to defease bond anticipation notes and include bond anticipation notes and capitalized interest thereon.*

(4) *TSASC bonds are not indebtedness of the City. The amounts shown are estimates. The City expects to derive proceeds of approximately $2.4 billion from these issuances, including the $604 million of proceeds from the November 1999 TSASC financing.*

(5) *The above figures reflect NYW commercial paper and certain revenue bonds issued to date and expected to be issued for the water and sewer system's capital program, and includes reserve amounts. The figures above do not include bonds which defease commercial paper.*

(6) *The financing program includes DASNY financing of 100% of the City court capital program, three HHC projects, as well as other lease financings. The amounts reflected in fiscal years 2000 through 2004 include an allocation for reserve funds and other costs of issuance of $359 million.*

(7) *Other sources include changes in restricted cash balances, federal and state grants, $53 million increase in proceeds available for the three HHC projects, and a $128 million increase in proceeds available for water and sewer purposes.*

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

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

As shown, the City will issue approximately $11 billion of its GO bonds, which represents the largest share, 41 percent of the total program. NYW will continue a steady pace of financing activity, at an average annual amount of $1 billion. TSASC, Inc. will complete its financing program by FY2003 with three more annual issuances, each generating $600 million of net proceeds to the City. It is also assumed here that the TFA's $7.5 billion bonding authorization, which is expected to be fully utilized by the end of FY2001, will be increased by $4 billion to allow the City to implement its current capital program.

TSASC, Inc., a special-purpose corporation, has successfully issued the first of four series of Tobacco Flexible Amortization Bonds (Tobacco Bonds) to finance a portion of the City's capital program. The Bonds are secured by future payments of tobacco settlement revenues (TSRs) from the four largest American tobacco companies. This first series included $709 million of tax exempt bonds and will be followed by three similar-size bond financings to be issued annually. The total program size is expected to be $2.8 billion. The City is expected to realize $2.4 billion in net proceeds for its capital improvement purposes, including the $609 million of proceeds from the initial issuance of TSASC bonds in November 1999. The remaining $400 million of bond proceeds will provide for liquidity reserves, capitalized interest and costs of issuance.

The TSRs are payable pursuant to a nationwide Master Settlement Agreement (MSA) entered into between 46 States and the manufacturers of over 99% of cigarettes sold in the US. The City's share is approximately equal to 3.4% of the national total, or approximately $6.7 billion over the next 25 years. These payments consist of initial payments and annual payments. Two of the initial payments have been received; the remaining three are payable on January 10, 2001, 2002 and 2003. Annual payments are payable every April 15, commencing in 2000 and continuing in perpetuity. The first Annual Payment in 2000 is expected to be distributed to TSASC on schedule in an amount of approximately $117 million. All planned debt service through June 30, 2001, totaling $55.8 million has been fully funded by the initial payment received in January 2000. The amount of TSRs to be received by TSASC will vary according to an inflation factor and the annual amount of cigarettes sold in the U.S. among other factors. TSASC's current forecast, based on the projection provided by its consultant, WEFA, indicates an annual receipt of TSRs ranging from $215 million in 2001 to $350 million in 2029, assuming an average annual cigarette consumption decline of approximately 2 percent.

Utilizing an asset-backed securitization framework, the City sold its share of the future TSRs to TSASC, which in turn agreed to issue tax-exempt Tobacco Bonds, transfer the net proceeds to the City for capital purposes and release all residual TSR revenues to a trust owned by the City. The inaugural issue, also the first of its kind nationwide, offered investors a dual-amortization payment structure: a 30-year Planned Principal Payment schedule and a 40-year Rated Amortization schedule. Under the structure, TSASC will make debt service payments according to the more accelerated 30-year Planned Payment schedule as long as there are sufficient TSRs. However, TSASC will not incur default unless it falls behind a slower 40-year Rated Amortization Payment schedule.

The structure is designed and tested to withstand as high as a continuous 4% annual decline in cigarette consumption without triggering payment default. In addition, the structure can also endure without default a dramatic increase in cigarette prices, including up to three additional (theoretical) massive litigation settlements by the cigarette manufacturers similar in scale of payments to those of the MSA. Potential payment disruption caused by bankruptcy of one or two major tobacco manufacturers has also been vigorously examined and tested. Other credit features, such as a liquidity reserve fund and a money trapping mechanism, were also built into the legal framework to provide for additional assurance of timely payments of debt service.

Recognizing the resilience of the structure and the strength of the legal protections, three of the four major rating agencies rated most of the maturities of TSASC's tobacco bonds in the double A category. Duff and Phelps rated the entire transaction double A. Moody's and S&P's ratings varied according to the maturities, with the earlier maturities receiving higher ratings than the later maturities (see chart below). Fitch IBCA rated all maturities A+.

Maturities	Moody's Rating	Maturities	S&P Ratings
2003-2027	Aa1	2003-2005	AA-
2027-2034	Aa2	2006-2010	A+
2034-2039	Aa3	2011-2039	A

Although the ratings of TSASC's bonds are higher than those of the City's GO, the interest rates on the inaugural TSASC bonds were somewhat higher than City GO bonds in similar maturities. Investor demand for TSASC's initial issuance was strong, with more than $1 billion in orders placed for the $703 million offering. This transaction represents the first flexible amortization structure ever sold in the municipal market. It is expected that the future spread between TSASC and GO yields should tighten, as investors become more comfortable with the structure and the credit, which is essentially the credit of the tobacco industry as a whole.

Allowing for full utilization of TSASC's $2.4 billion bonding capacity, and the TFA's current $7.5 billion issuance authority, the City will require additional borrowing capacity to carry out its capital program starting in fiscal year 2001.

The City intends to seek a constitutional amendment increasing the City's debt limit as well as legislative initiatives increasing TFA's bonding capacity by an additional $4 billion to $11.5 billion. In addition, the City proposes to expand its variable-rate bond capacity from 10% to 20% of debt limit or authorized amount for both the City's GO and the TFA. The proposed constitutional amendment will expand the economic base (i.e. the real estate property value), from which the debt limit is derived, to include Personal Income. The new methodology to calculate debt limit will include a component based on the five-year average real estate property value and a component based on the five-year average personal income in New York City. The constitutional amendment will require legislative approval in two consecutive sessions and a voter referendum and could have an effective date in FY2002.

If such an amendment as proposed by the City is approved, it would allow the City to implement its current 10-year capital program. Additional TFA bond capacity alone, if passed by the State legislature in this session, will allow the City to implement its current capital program through 2004 without major delay. The additional variable-rate bonding capacity will increase the structuring flexibility of the City's General Obligation bonds and TFA bonds, producing savings by lowering interest costs.

The current debt limit, which was established in the early 1930's, does not reflect the additional financial resources that are available to the City to fund its infrastructure needs. Furthermore, the volatility of the current debt limit calculation, which caused the City's limit to drop from $54 billion in 1995 to $32 billion in 1997, is not an effective tool in managing the City's long-term liabilities and does not reflect the essential stability and strength of the City's economic and revenue base. Rating agency analysts and the investment community have often commented that a distinction should be made between debt affordability, which measures the size of the City's capital program relative to the City's revenues (or wealth), and a debt limit, which should not impede the City's rational management of its actual issuance of debt.

As presented in the City's Debt Affordability Statement dated April 18, 2000: "debt affordability is a judgment made by balancing the City's need for essential capital improvements and the costs of delaying or not implementing such improvements against the impact of debt service costs…. The judgement is reflected in the City's Plan proposed by the Mayor." In making such analysis, one must bear in mind that while the City has a large amount of debt outstanding, it, unlike any other city, must also carry out the responsibilities traditionally reserved for the county government and school district in addition to traditional municipal functions. Additionally, the City has substantial resources not considered by standard debt burden ratios, notably its income tax and sales tax bases.

Finally, the New York State Constitution does not provide for "equitable" debt incurring power between the City and other counties or cities within the State. The Constitution grants separate debt limits for cities, counties and in some cases, city school districts as well. Based on this formulation, cities such as Buffalo, Rochester, Yonkers, Syracuse, Albany and White Plains would have a combined "effective" debt limit equal to 16% to 19% of their 5-year average taxable real property value. New York City on the other hand, serving city, county and school district functions, is currently allowed the debt incurring power equal to 10% of its property value under the Constitution.

While the Tobacco bonds enjoyed much of the spotlight in the first half of fiscal year 2000, TFA's well-established credit structure and market acceptance continue to provide the least costly financings for the City. The TFA has completed nine bond financings to date, totaling $6 billion. The TFA has raised capital for the City on average at approximately 10 basis points less in cost than City GO bonds.

In November 1999 and February 2000, the TFA issued a total of $1.12 billion of tax-exempt bonds and $80 million of taxable bonds (Series 2000A and 2000B). In addition, the TFA also sold for the first time $600 million of Bond Anticipation Notes (BANs) in November 1999, comprised of $560 million of tax-exempt and $40 million of taxable BANs. The 2000A tax-exempt bond series achieved a true interest cost (TIC) of 5.80 percent and the 2000A taxable bond series achieved a TIC of 6.72 percent. The 2000B tax-exempt bond series achieved an overall true interest cost (TIC) of 6.01 percent and the 2000B taxable bond series achieved a TIC of 7.33 percent.

TFA's first tax-exempt BANs were sold at a yield of 3.62 percent and the taxable BANs at 6.02 percent. In April 2000, TFA sold $560 million of tax exempt bonds and $40 million of taxable bonds (the Series 2000C) to redeem the BANs issued in November 1999. The tax-exempt portion of the Series 2000C bonds was sold with an overall TIC of 5.61 percent and the taxable portion of the bonds received a winning bid of 7.12 percent. The tax-exempt fixed rate TFA bonds had the lowest relative borrowing cost for TFA in over two years. The spreads over the triple A MMD scale were 10 basis points in the 10 year maturity and 13 basis points in the 30 year maturity. In addition, TFA also issued a new six-month BAN in the amount of $515 million in April 2000, which had a winning bid of 4.11 percent.

The TFA intends to continue the BAN program through the next fiscal year, which has already generated approximately $5 million of debt service savings in FY2000.

The remaining TFA financing program in FY2001 consists of three $500 million financings in September 2000, February 2001 and May 2001, at which time TFA's current $7.5 billion bonding authorization will be fully utilized. Assuming the Constitutional Amendment as proposed by the City is passed in 2002 and the TFA bonding capacity is raised, there will be additional borrowing by TFA beyond FY2001.

In FY2000 to date, the TFA tax-exempt floating-rate bonds have performed at an average of 3.2%, These rates are slightly lower than those on the City's GO adjustable-rate bonds.

While the City may not enter into additional capital contractual liabilities when it reaches its debt limit, it may continue to issue GO bonds for previously contracted liabilities. The financing program in the above table reflects this practice. However, with the TFA assuming $1.8 billion and $1.5 billion of the City's new-money financing needs in FY2000 and 2001, respectively and TSASC shouldering $2.4 billion of borrowing needs during the plan period, annual issuance of City General Obligation bonds is expected to decrease from $2.5 billion in FY1997 to $935 million and $1.2 billion in FY2000 and 2001, respectively. Beginning in FY2004, the financing plan currently anticipates that the City will resume financing the entire program through issuance of its general obligation bonds.

In April 1999, the City implemented a competitive GO financing employing a new electronic bidding mechanism. The electronic format has become the norm for New York City GO and TFA competitive sales. Since the first competitive bid using an electronic format, there have been two GO sales and three TFA competitive sales for the taxable component of TFA bonds.

In April 1999, the City converted $140 million of its existing floating-rate bonds into Dutch Auction-based floating-rate securities. The Dutch Auction process eliminates the need for a bank liquidity facility, required for traditional variable-rate paper. In addition, the new product was expected to broaden the City's investor base. Since the inception of this program, all-in costs, inclusive of credit enhancement, have been considerably lower than traditional variable-rate paper where a remarketing agent determines the interest rate. Excluding upfront costs, which are amortized over the life of the bonds, the new program has achieved average savings of nearly 10 basis points compared to NYC's traditionally remarketed variable-rate paper.

In FY2000 to date, short-term interest costs as reflected in the GO $3 billion of variable-rate bonds have been 3.3 percent on average for tax-exempt debt and 5.4 percent for the taxable floaters during the last calendar year. These rates paid on variable rate bonds are expected to generate an annual debt service savings of over $15 million in FY2000 compared with fixed-rate debt.

The City's seasonal borrowing has declined considerably in recent years. From a high of $3.65 billion of RANs and TANs issued in FY1991, the City issued only $500 million of RANs in FY1999 and $750 million of RANs in FY2000.

With rising interest rates and the numerous refinancing activities in the last three years exhausting much of the advance refundable GO bonds, there has not been any refunding activity in FY2000. However, the City has issued a total of $15 billion of refunding bonds since January 1994. These refundings have produced an aggregate of $851 million of present value savings in debt service on City GO bonds.

The City is also expected to realize a $25 million savings from the release of interest earnings on a debt service fund held by the Municipal Assistance Corporation (MAC) for its debt. The earnings, which were generated mainly from the City's pre-payment of MAC debt service in prior years, reduce MAC's funding requirement for 2001.

In December 1999, DASNY issued $290 million of revenue bonds for the City's courts capital program. The bonds are supported by a lease appropriation from the City and enhanced by a State aid intercept. The intercept is triggered if the City fails to make lease appropriation or rental payments to DASNY. This is the second DASNY financing for the City's courts program, bringing the inception-to-date DASNY financing for this program to $707 million. The City's current 10-year capital strategy calls for a $2.3 billion capital construction and reconstruction program for the City's court facilities through 2009. Fitch IBCA upgraded the credit from BBB+ to A and S&P also raised the rating from BBB+ to A-. The bond rating from Moody's Investors Service is A3. These rating adjustments reflect recognition of an additional credit support through the State aid intercept mechanism, bringing the credit to a par with the City's GO. Generally, lease-appropriation debt is rated at a notch below G.O. The TIC for the 1999 DASNY court financing was 6.16 percent.

The City is also expected to implement several new lease-financing initiatives in the next four years. In 2001, the City is expected to issue approximately $130 million of bonds for the phase two reconstruction of Kings County Hospital through DASNY. Also through DASNY, the City plans to finance another $250 million for a new DNA lab and ambulatory service facilities at Bellevue hospital in late 2000 or early 2002. In addition, the City will also use DASNY to fund an annual $25 million capital program for Lincoln Center in the next ten years.

The New York City Municipal Water Finance Authority ("NYW" or the "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 $13.955 billion in General and Second Resolution bonds. Of this aggregate bond par amount, $9.931 billion is outstanding, $3.937 billion was refinanced with lower cost debt, and $887 million was retired with Authority revenues as it matured. In addition to this long-term debt, NYW utilizes a tax-exempt $600 million commercial paper program as a source of flexible short-term financing.

NYW's General Resolution bonds are rated "Aa3" by Moody's Investors Service, "A" with a positive outlook by Standard and Poor's, "AA-" by Fitch IBCA and "AA-" by Duff & Phelps. The "Aa3" Moody's rating reflects an upgrade that occurred on March 6, 2000. In upgrading the Authority, Moody's Investor Service cited the water and sewer system's success in meeting capital and operational goals, the increasing rate of customer collections, sound management of the capital program, and the strong legal provisions put in place for the protection of the Authority's bondholders.

To date in FY2000, the Authority has completed three financing transactions. The Series A issuance consisted of a bond sale directly to the public. The Second Resolution Series 1 bonds were issued to the New York State Environmental Facilities Corporation (EFC) and will secure a temporary direct loan from EFC to the Authority. The Second Resolution Series 2 bonds represent the Authority's participation in an EFC pooled loan financing. The final financing activity in FY2000 will consist of a bond sale by the Authority directly to the public for approximately $400 million. These financings are discussed in more detail below.

On September 28, 1999, the 2000 Series A bonds were offered for sale with a par amount of $276 million. The transaction structure consisted of four term bonds with maturities in 2027, 2030, 2031 and 2032. In pricing this transaction, the Authority decided to insure the entire 2027, 2031 and 2032 term bonds in an effort to lower the costs of this financing. The insurance was provided by the Financial Guaranty Insurance Company (FGIC) and covered $190 million or 69 percent of the total par amount. With insurance in place, yields were lowered to 5.79 percent in the 2027 maturity, 5.83 percent in the 2032 maturity, and 5.85 percent in the 2031 maturity. The uninsured bonds yielded 5.90 percent in the remaining 2030 maturity. In marketing this bond sale, the Authority tapped into the retail segment of the investor community by offering a one day priority retail order period. During this period, the Authority received approximately $10 million in orders from retail investors. Proceeds from this bond sale defeased a portion of the Authority's Series One and Five commercial paper, funded the debt service reserve fund, and paid certain costs of issuance. The true interest cost of this financing was 5.93 percent.

On February 3, 2000 the Authority received a direct loan from EFC. EFC offered this $287 million bridge loan as it awaits approval from the United States Environmental Protection Agency (EPA) to extend the amortization of its bond structures from 20 years to 30 years. Proceeds from EFC bond sales assist in the financing of federally mandated clean water and safe drinking water projects for municipalities like New York City. NYW used the direct loan proceeds to defease commercial paper previously issued to fund clean water improvements to the system. The interest cost of this direct loan was 2.56 percent. Upon EPA approval of the longer amortization structure, NYW will issue 30-year Second Resolution bonds to EFC and EFC will issue its 30-year bonds directly to the public. Proceeds from the EFC issuance will be used to repay NYW's temporary direct loan.

On February 8, 2000, the Authority participated in an EFC pooled loan financing. The Authority's share in this pool was $13 million or 17 percent of the $73 million total par amount of the pooled sale. The Authority received a 33 percent subsidy on its interest costs by participating in this sale. The proceeds of the 2000 Series 2 bonds were utilized for safe drinking water projects. Taking into account the interest subsidy, NYW's cost of funds was 4.25 percent.

In May of 2000, the Authority expects to sell an additional $400 million of tax-exempt bonds.

In FY's 2001-2003, the Authority expects to sell approximately $1 billion of debt per year. Of this $1 billion amount, NYW plans to issue a minimum of $300 million per year through EFC. The Authority fully participates in the EFC program to take advantage of the 33 to 50 percent interest subsidy available to participants for qualifying projects. These subsidies allow NYW to minimize the overall costs of its financing program.

Analysis of Agency Budgets: Mayoral Agencies

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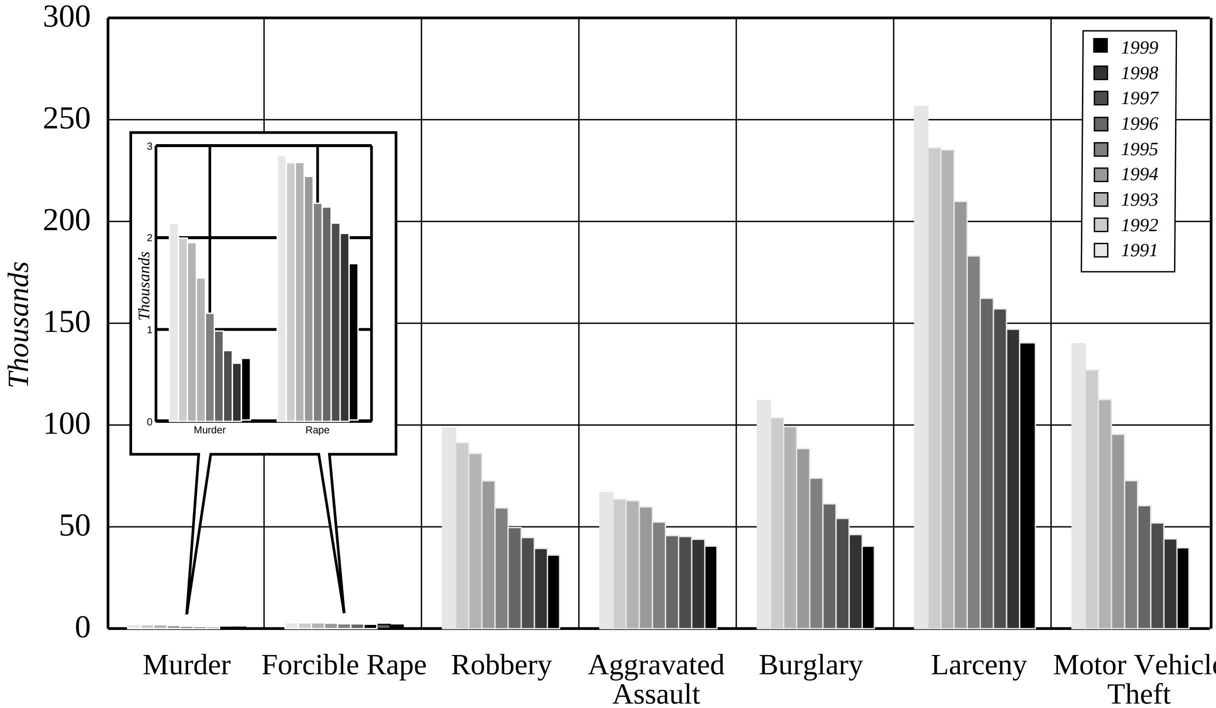
Overview

As a result of the Administration's focus on crime-fighting and quality-of-life issues, reported crime in New York City continues to dramatically decrease. From 1993 to 1999 FBI Index crimes declined overall by 50 percent. During this period, crime in all seven major categories declined significantly. Murder experienced the largest decrease (66 percent), followed by motor vehicle theft (65 percent), burglary (59 percent), robbery (58 percent), forcible rape (40 percent), larceny (40 percent) and aggravated assault (35 percent).

In addition, the FBI Crime Index for New York City showed a seven percent overall decrease from calendar years 1998 to 1999. The number of forcible rapes, burglaries, and motor vehicle thefts experienced the largest changes, decreasing 17 percent, 12 percent and 10 percent respectively. According to data compiled from 1993-1998, New York City accounts for almost 17 percent of the national reduction in crime.

NEW YORK CITY FBI INDEX CRIMES

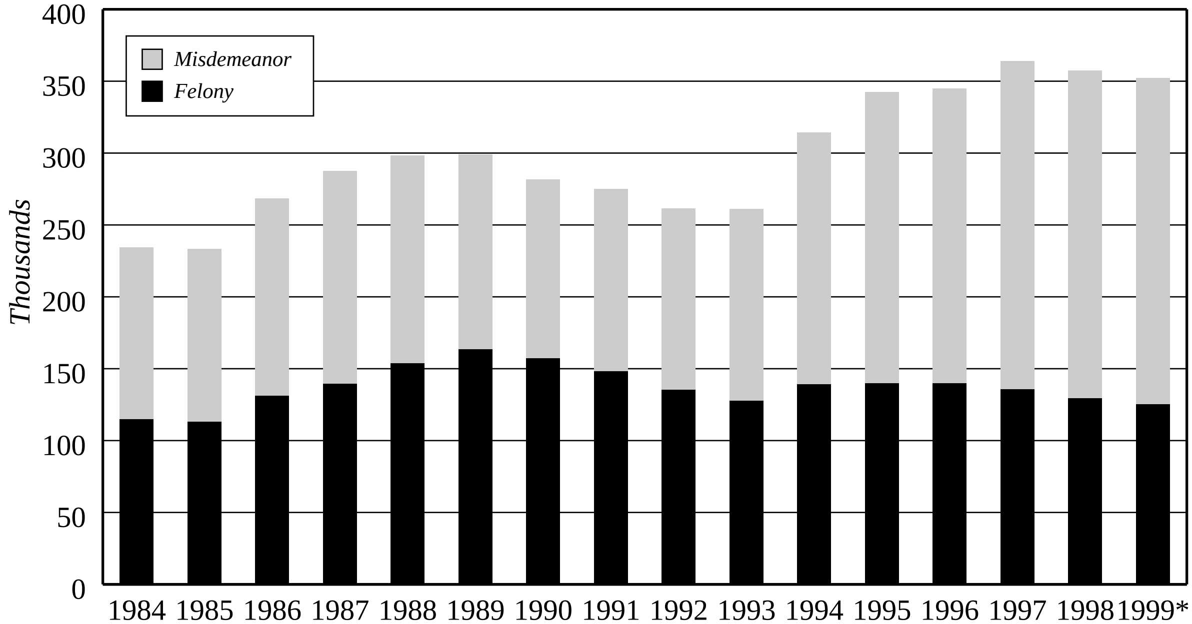
Calendar Years 1991-1999



Arrests totaled 363,090 in 1999, an increase of 37 percent from 1993. Misdemeanor arrests increased by 70 percent during the same period, from 133,446 in 1993 to 226,804 in 1999. The steady increase in misdemeanor arrests is reflective of the Mayor's focus on quality of life improvements.

NEW YORK CITY FELONY & MISDEMEANOR ARRESTS

Calendar Year 1984-1999



** Preliminary*
1984 – 1998 as per Official Crime Comparison Reports

The average daily inmate population (ADP) decreased in 2000. From 1999 through March 2000 the ADP fell by 11.5 percent, from 17,897 to 15,836. The decrease in ADP can be primarily attributed to decreases in overall admissions and in the length of stay of detainees and alleged parole violators. Average length of stay of parole violators decreased by 37 percent during this period, from 112 days in 1999 to 70 days through March 2000. March year-to-date jail admissions declined by 4 percent, from 97,350 in 1999 to 93,530 in 2000.

Productivity Initiatives

CITY-WIDE DRUG INITIATIVE

Historically, crime experts have suggested that there is a strong correlation between drug activity and crime. Based on this theory, in the 1990's, the Administration developed a firm belief that drug activity in New York City was linked to neighborhood crime rates.

As a result, in early 1996, the Police Department implemented the Brooklyn North Initiative to fight drug trafficking. Based on the success of this program, the Department expanded the initiative each year so that it now encompasses 13 task forces and 39 precincts citywide. Funding for this initiative increased from $61.8 million in 1998 to $121 million in 1999 as the initiative expanded to target more neighborhoods. In 2000, funding grew to $145 million to reflect uniformed promotions and increased supervisory span of control and in 2001 to $155 million to fund salary increments.

POLICE

In 2001, the Department is projected to achieve a peak uniform headcount of 41,440 demonstrating the Administration's continued commitment to fighting crime and improving the quality of life for the people of New York City.

In 2000, the Police Department has taken steps to safeguard its critical technology operations, as well as respond to an increase in call volume at the Public Safety Answering Center. As part of this effort, the Department has secured funding for maintenance contracts for its software and hardware applications, as well as its Mobile Data Terminal (MDT) message switch. The Department will also contract for MIS disaster recovery services to ensure that data essential for arrest processing and police operations are secure in the event of a disaster. The Public Safety Answering Center, which houses the City's emergency 911 operations, will also benefit from increased staffing.

The Department has also initiated efforts to improve its facilities. The 2001 Executive Budget provides over $4 million to address the deteriorating state of precincts and other buildings. These funds will provide for additional staff, repair and maintenance contracts, replacement of building systems, lead and asbestos abatement, and regular painting and cleaning.

The 2001 Capital Commitment Plan includes funding for the design and construction of a state-of-the-art DNA testing laboratory that will be operated by the Office of the Chief Medical Examiner on the Bellevue Hospital campus. After completion, the new facility will increase the number of pieces of casework evidence processed each year by over 400 percent. Moreover, the funding will double the number of cases processed by the planned high sensitivity laboratory that tests DNA evidence obtained from fingerprints and other materials that must be analyzed in a sterile environment.

CORRECTION

Beginning in July 2000, 300 new recruits will be trained and will begin to serve as correction officers in City jails. These recruits will replace attrition and will enable the Department to reduce overtime expenditures by $13.2 million in 2000.

With an 11.5 percent decrease in population, City jails have remained under capacity for most of the year. This has enabled the Department to consolidate beds, lease beds, and close entire housing areas. By the end of 2000, the Department expects to have leased an average of 692 beds to the State of New York. In 2001, the Department will lease a minimum of 200 beds.

Population management strategies also enable the Department to close beds to perform necessary reconstruction and improvements. The Department expects to commit $202 million for capital improvements to existing capacity in 2001. These projects improve the overall security, conditions, fire safety, and food service in the jails.

Other Criminal Justice Programs

The Department of Juvenile Justice (DJJ) is proceeding with the expansion of the Crossroads Juvenile Center in Brooklyn and the Horizon Juvenile Center in the Bronx to address the continued growth of the average daily population of youth housed in its facilities. With plans for design underway in 2000, funding totaling $8 million is provided in 2001 for construction management services. In 2000, DJJ also completed improvements at the Bridges Juvenile Center totaling $8.2 million, enabling the agency to accommodate higher population levels until the expansion of Crossroads and Horizon is completed.

In 2000, the Department of Probation, in coordination with the New York City Police Department, the Kings and Richmond County District Attorneys, the Corporation Counsel and the Courts, implemented a new initiative known as Operation Neighborhood Shield to provide enhanced community based supervision of probationers that are at highest risk of recommitting offenses. In 2001, $2.0 million and 35 additional positions are provided for the operation of sites in Brooklyn and Staten Island.

POLICE DEPARTMENT

The principal mission of the Police Department is to maintain public safety and security, to respond to calls for emergency aid and to conduct investigations of criminal activity. In 2001, the Department will reach a peak uniform headcount level of 41,440, complemented by a planned civilian headcount of 8,513. These numbers include the personnel of forces in all operational, patrol, and support functions.

Financial Review

The New York Police Department's 2001 Executive Budget provides for an operating budget of $3.168 billion, a decrease of $43 million from the $3.211 forecast in 2000. This decrease is due primarily to certain federal funds and private grants that are not yet reflected in the budget. Capital commitments in the Four-Year Plan total $307.6 million.

Revenue Forecast

The Police Department collects revenue from fees charged for pistol licenses, rifle permits, fingerprint fees, accident records, tow fees, and unclaimed cash and property that is abandoned or confiscated as a consequence of the commission of a crime. The Department expects to collect $36.8 million in 2001.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- In 1996, the City reached formal agreements with the Police Department and the six District Attorney Offices to cooperatively develop a program to reduce arrest processing times. As a result of these efforts, the citywide arrest to complaint times was reduced from an average of 10.8 hours in February 1996 to an average of 8.9 hours in November 1999. Processing times in Queens and Brooklyn are currently the lowest in the City, averaging 5.3 hours and 8.7 hours, respectively, in November 1999.

- The Department's 2001 Executive Budget includes $5 million to hire additional civilian staff at the City's Public Safety Answering Center. The addition of 175 E911 call takers and radio dispatchers reflects the need to meet the rising demand of emergency calls. The increase in staff will improve public safety responsiveness and reliability.

- The Police Department has received funding to bring its precincts and other facilities to a state of enhanced cleanliness and good repair. The Department's budget includes $4.5 million annually to fund additional civilian trades titles such as maintenance workers, plumbers, carpenters, and laborers. This funding will also provide for maintenance and repair contracts, electrical and HVAC system replacements, lead and asbestos abatement, and painting and cleaning efforts. The facility improvements will promote a clean, safe environment for the Department's employees and the public.

- The Department is taking positive steps to safeguard and improve its technology systems. In 1999, the NYPD began procuring a new Computer Aided Dispatch system for its Public Safety Answering Center and expects to award a contract in 2001. The Department has also received funding for maintenance of computer software and hardware systems, Mobile Digital Terminal Switches, and E911 Tape Logging Equipment. Furthermore, the Department will increase its emergency preparedness by funding a contract to house critical computer data off-site. This measure will ensure that vital police operations would continue to function in the event of a disaster.

- In order to continue to create a safer learning environment the Department will hire 635 additional School Safety Agents. Five hundred of these new agents will address needs resulting from the increased security at targeted schools, the expansion of scanning sites, security for annexes and mini-schools, and the increase in the number of public schools in the City. The remaining 135 agents will be utilized to expand the City's Truancy Reduction Alliance to Contact Kids (TRACK) program. TRACK is a multi-agency effort to help the City combat truancy and reduce daytime crime and youth victimization. The 2001 Executive Budget includes $36 million to support these positions and the associated OTPS.

Strategic Policing

- The Department's 2001 Executive Budget includes $3.8 million for the enhancement of the Hate Crimes Task Force to reduce hate crime in New York City. Task Force personnel will be deployed based upon reported bias incidents and emerging crime patterns. Funding will support the creation of a sophisticated hate crimes database and a prevention training program aimed at elementary and middle school students. The Task Force will coordinate its efforts with the City's five District Attorneys, who have been allocated $1.2 million to prosecute hate crimes.

- In February 2000, the Department announced the expansion of its Domestic Violence Prevention Program to an additional 15 police precincts, for a total of 32 participating precincts citywide. This program expansion will enhance domestic violence investigations, apprehensions, and support services for victims.

- In 2001, the Department's School Safety Division, in conjunction with other City agencies, will expand the TRACK (Truancy Reduction Alliance to Contact Kids) program citywide in an effort to combat truancy and ensure the safety of youths.

Summary of Agency Financial Data

The following table compares the 2001 Executive Budget with the 2001 Preliminary Budget, and the 2000 forecast and actual expenditures for 1999.

Summary of Agency Financial Data

($000's)

			2001		Increase/(Decrease)	
	1999 Actual	2000 Forecast	Preliminary Budget	Executive Budget	2000 Forecast	2001 Preliminary Budget
Expenditures						
Personal Service	$2,700,300	$3,005,729	$2,950,031	$3,004,681	($1,048)	$54,650
Other Than Personal Service	202,546	205,153	141,724	163,103	(42,050)	21,379
Total	$2,902,846	$3,210,882	$3,091,755	$3,167,784	($43,098)	$76,029
Funding						
City	$2,581,557	$2,861,378	$2,881,758	$2,915,310	$53,932	$33,552
Other Categorical Grants	129,398	126,288	62,682	72,659	(53,629)	9,977
Capital IFA	1,797	1,797	1,797	1,797	—	—
State	12,703	17,419	5,800	5,800	(11,619)	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	126,914	111,274	50,933	83,433	(27,841)	32,500
Intra-City Other	50,477	92,726	88,785	88,785	(3,941)	—
Total	$2,902,846	$3,210,882	$3,091,755	$3,167,784	($43,098)	$76,029
Personnel (at fiscal year-end)						
City	47,288	48,715	48,471	48,650	(65)	179
Non-City						
• IFA	—	74	74	74	—	—
• CD	—	—	—	—	—	—
• Other	804	7	—	—	(7)	—
Total	48,092	48,796	48,545	48,724	(72)	179

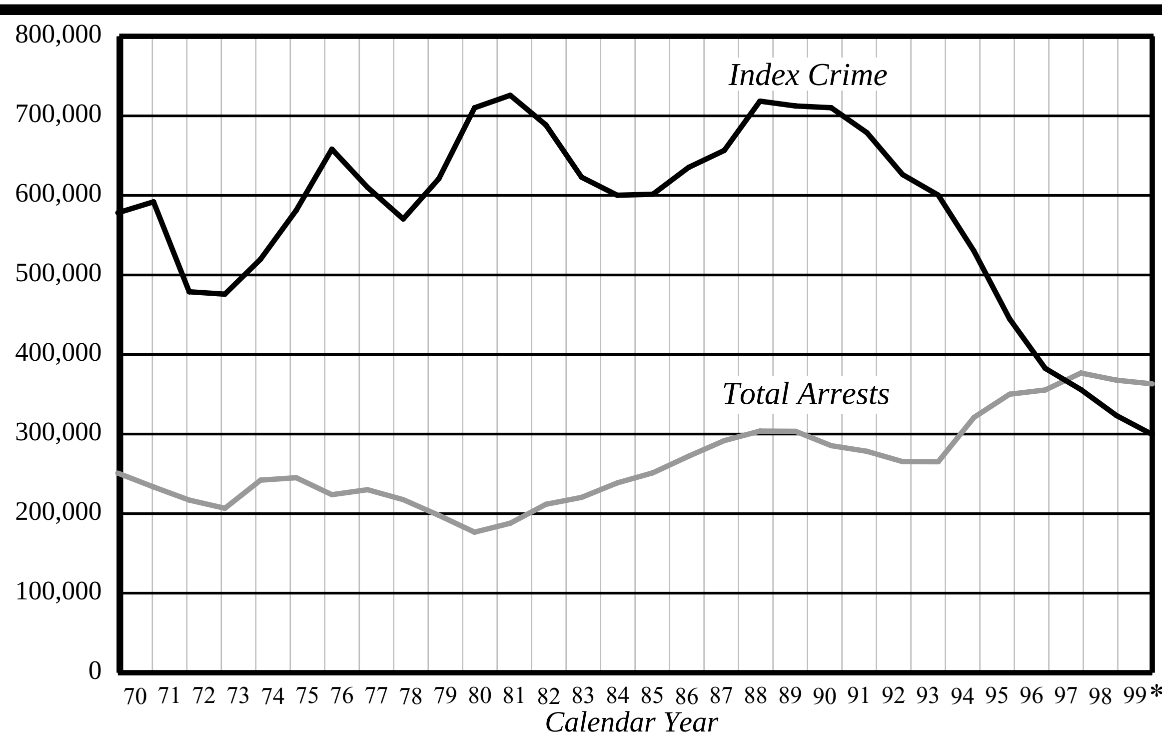
Programmatic Review

The 2001 Executive Budget reflects a continuing policy of improving the quality of life in the City by maintaining and enhancing the Department's crime fighting efforts through strategic deployment. In addition to uniformed presence, the Department uses a variety of investigative tactics to identify and prevent crime activities in the City.

In 2000, the Police Department will apply for additional Federal Crime Bill funding in an effort to expand uniformed headcount. The additional Federal funds will provide for a recruit class in September 2000. The increase in uniformed headcount will enable the Department to enhance its crime-fighting strategies citywide.

Crime rates reached an historic low in 1999. Complaints received for the seven major crimes in the FBI index totaled 299,523 in calendar year 1999, which is lower than any single reported year since 1970. According to preliminary data, arrests in 1999 totaled 363,090, an increase of 36.9 percent compared to 265,229 total arrests in 1993. While felony arrests are down, misdemeanor arrests have increased steadily since 1994. The increase in misdemeanor arrests is representative of the Mayor's focus on quality of life improvements.

INCREASED ARRESTS AND REDUCED CRIME

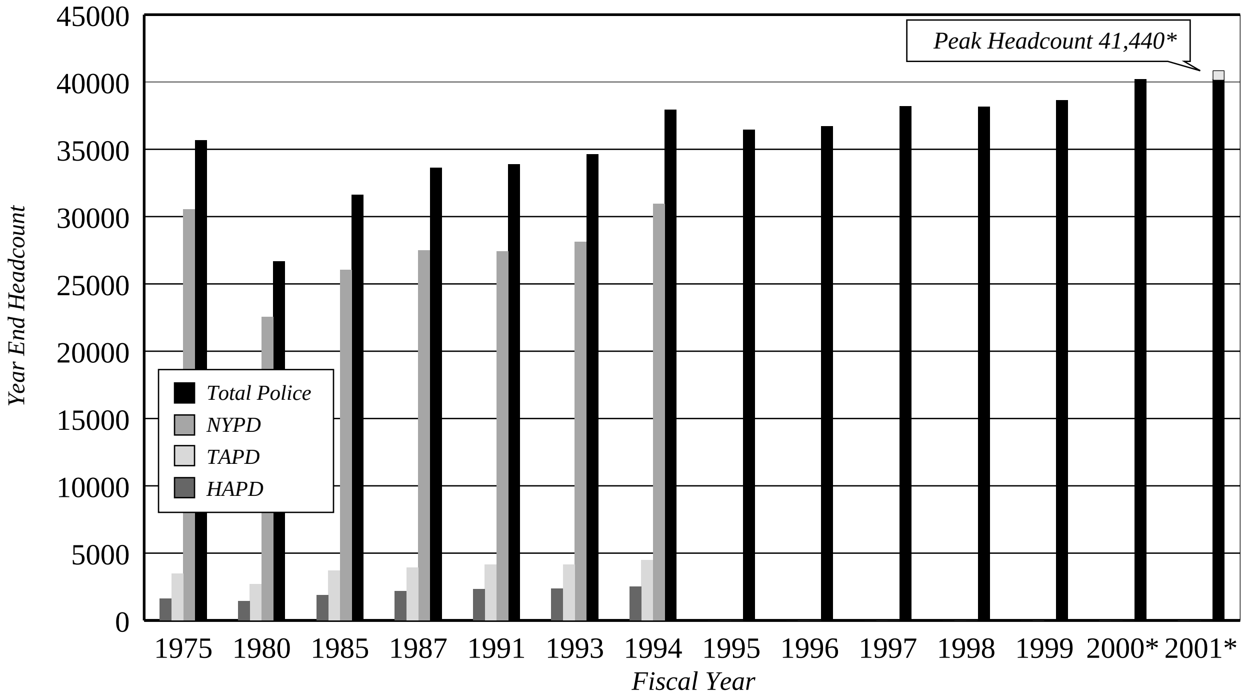


* *NYPD Preliminary Data*

Uniformed Headcount

The Department hired 1,200 recruits in July 1999 and 1,542 recruits in March 2000 and is expected to end the fiscal year with a uniform headcount level of 40,210. In 2001, the Department is projected to achieve a peak uniform headcount of 41,440. The expansion of the police force will allow the Department to strategically deploy officers while maintaining citywide enforcement efforts.

TOTAL CITY, TRANSIT AND HOUSING POLICE FORCE



Note: Merger of the TAPD and HAPD with NYPD was completed in FY 95. ** Projection*
The FY01 recruit class schedule results in an all time peak uniform headcount of 41,440 in September FY01.

Capital Review

The Four-Year Plan allocates $307.6 million for the replacement, reconstruction and maintenance of facilities citywide; replacement and upgrade of computer and communications equipment; and the replacement of transportation equipment, including the Department's helicopters and boats.

The Four-Year Plan includes the following major items:

- construction of a second Public Safety Answering Center to ensure complete redundancy of emergency response and dispatching capabilities ($48.5 million).
- design of the new 40th precinct in the Bronx ($3 million); design and construction of the new 70th precinct in Brooklyn ($13.2 million); construction of a new facility for the Queens South Task Force ($4 million); site acquisition, design and construction of the new 66th precinct in Brooklyn ($20.6 million).

- noise abatement at the Rodman's Neck Firing Range ($3.4 million).
- lifecycle improvements of facility systems ($17 million).
- rehabilitation of various floors at the Police Academy to add new classrooms ($3.3 million).
- radio system replacement ($42 million).

The table below shows capital plan commitments by program area over the 2000-2001 period.

Capital Commitments

($000's)

	1999 Actual		2000 Plan		2001 Plan		2002 Plan		2003 Plan		2004 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Police Facilities	34,071	34,071	36,216	14,916	52,874	52,874	9,020	9,020	30,875	30,875	17,390	17,390
Computer Equipment	7,618	7,618	3,359	3,359	4,766	24,766	2,270	2,270	2,143	2,143	8,775	8,775
Communications	4,811	4,811	5,002	5,002	54,520	67,901	18,467	18,467	15,657	15,657	16,441	16,441
Equipment	960	960	4,470	4,470	4,317	4,317	896	896	2,061	2,061	770	770
Vehicles	8,890	8,890	1,362	1,362	11,286	11,286	4,936	4,936	5,374	5,374	11,373	11,373
Total	56,350	56,350	50,409	29,109	127,763	161,144	35,589	35,589	56,110	56,110	54,749	54,749

The 2001 Capital Commitment Plan for the Police Department is $161.1 million. The Plan includes the following major items:

- enhancement and lifecycle replacements of communications equipment ($67.9 million).
- replacement of operational and support vehicles ($11.3 million).
- replacement of the Computer Aided Dispatch system and upgrade of other computer equipment ($24.8 million).
- various police facility improvements ($52.9 million).

DEPARTMENT OF CORRECTION

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

Financial Review

The 2001 Executive Budget for the Department of Correction provides for a total operating budget of $860 million, an increase of $13.8 million from the amount forecast in 2000. The increase is primarily due to service enhancements and collective bargaining funding. Capital commitments in the 2001 Four-Year Plan will total $494.9 million.

Revenue Forecast

The Department of Correction collects revenue from prison commissary operations, vending machines, inmate fines and sundry accounts. In 2001, the Department expects to collect $17 million from all revenue sources.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- Starting in July 2000, 300 new recruits will be trained and will begin to serve as Correction Officers in City jails. These new officers will replace attrition and will enable the Department to reduce overtime expenditures by $13.2 million in 2001.

- In an effort to increase accountability and efficiency, the Department will add 28 officers to collect and report performance indicators to wardens and deputy wardens in command. The Department will use this information to enhance its Total Efficiency and Accountability Management System (TEAMS) to improve operations.

- In 2001, the Department will expand the provision of educational services at Riker's Island. Funding has been provided for additional classrooms and enhanced classroom and cell study security.

- The Department is currently hiring 72 new trades title positions in order to improve maintenance at its facilities. In addition to enhancing maintenance in the jails, the new positions will reduce overtime spending and result in $641,000 in savings annually.

- The Department has initiated a community outreach program called Reducing Adolescent Problems (RAP) which demonstrates the realities of incarceration to "at risk" adolescents. RAP program correction officers make presentations in the community and conduct guided tours at Riker's Island.

Streamlining

- Through successful reforms carried out with the cooperation of the State, the Department of Correction has reduced the completion time of parole hearings at Riker's Island. These reforms resulted in a dramatic reduction in the parole violator population in the City jails and enable the Department to achieve savings of $10.3 million in 2000 and another $10.3 million in 2001.

- The recent decline in inmate population has provided the Department with an opportunity to reduce uniform overtime spending. In 2000, the Department reduced population-related overtime spending by $8 million.

- The Department received $30.3 million in 2000 through the U.S. Department of Justice State Criminal Alien Assistance Program. The reimbursement offsets costs associated with the jailing of illegal immigrants.

- Through March 2000, the Department had leased an average of 792 beds to the State to help alleviate the State's prison overcrowding problem. By the end of the year, the Department expects to maintain an average of 692 leased beds. In 2001, the Department plans to lease a minimum of 200 beds per day.

Summary of Agency Financial Data

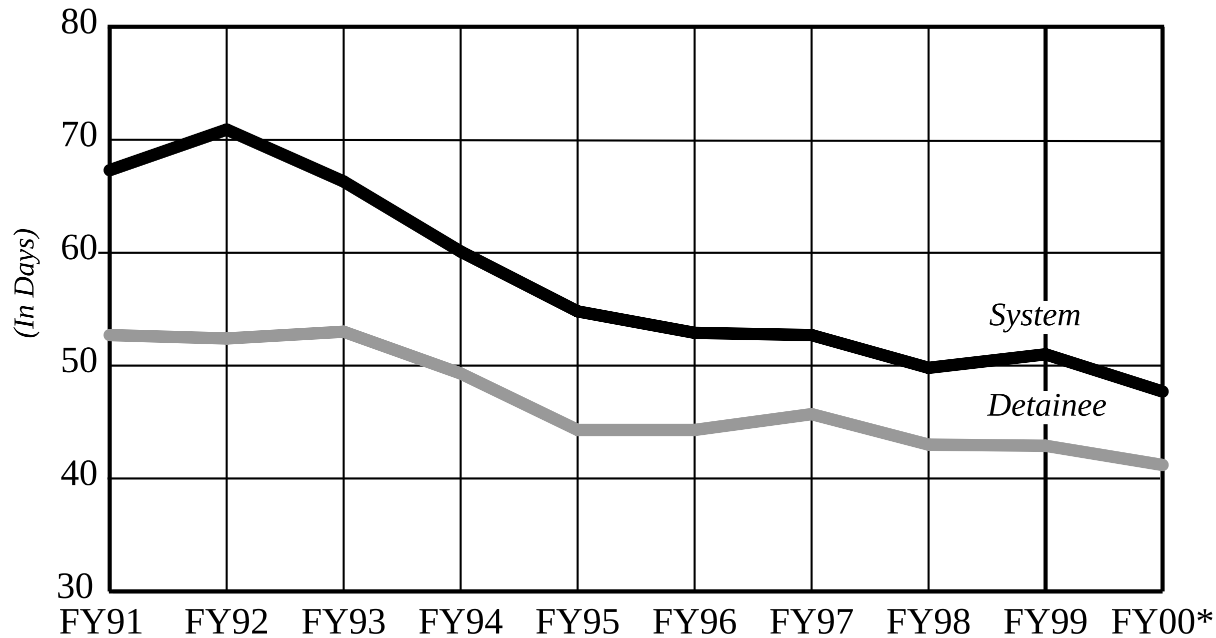
The following table compares the 2001 Executive Budget with the 2001 Preliminary Budget, the 2000 forecast and actual expenditures for 1999.

Summary of Agency Financial Data

($000's)

	1999 Actual	2000 Forecast	2001 Preliminary Budget	2001 Executive Budget	Increase/(Decrease) 2000 Forecast	Increase/(Decrease) 2001 Preliminary Budget
Expenditures						
Personal Service	$734,046	$741,896	$751,867	$751,977	$10,081	$110
Other Than Personal Service	100,504	104,668	103,230	108,389	3,721	5,159
Total	$834,550	$846,564	$855,097	$860,366	$13,802	$5,269
Funding						
City	$732,469	$756,725	$811,259	$816,528	$59,803	$5,269
Other Categorical Grants	488	328	—	—	(328)	—
Capital IFA	—	—	—	—	—	—
State	59,194	56,384	36,101	36,101	(20,283)	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	40,397	32,372	6,982	6,982	(25,390)	—
Intra-City Other	2,002	755	755	755	—	—
Total	$834,550	$846,564	$855,097	$860,366	$13,802	$5,269
Personnel (at fiscal year-end)						
City	11,823	12,038	11,931	11,929	(109)	(2)
Non-City						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	1,054	858	858	858	—	—
Total	12,877	12,896	12,789	12,787	(109)	(2)

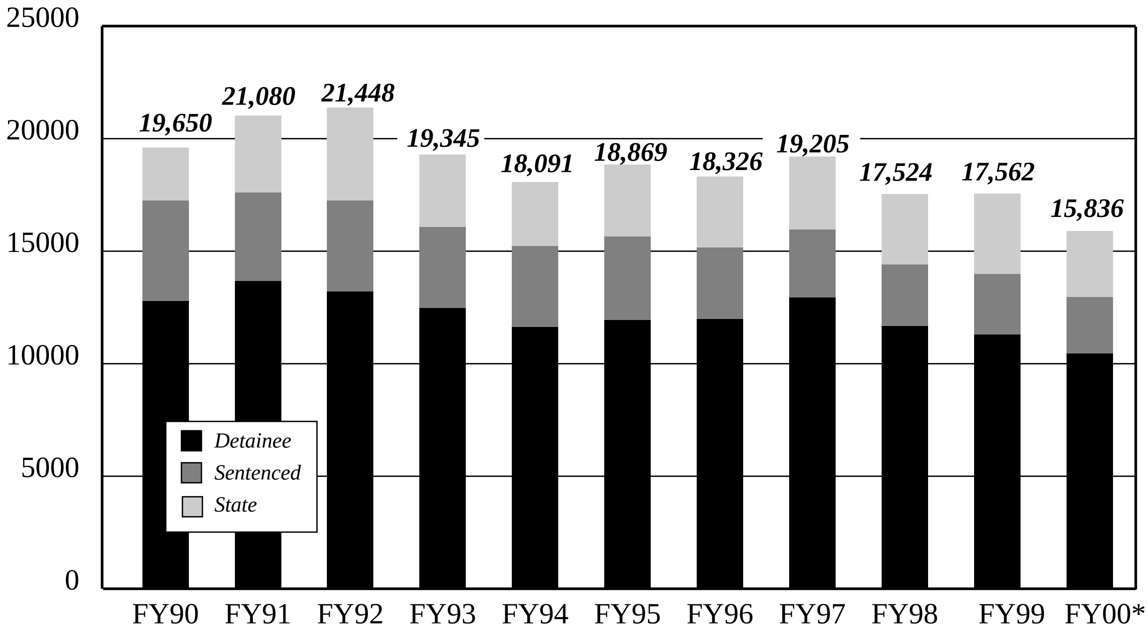
AVERAGE LENGTH OF STAY (By Fiscal Year)



** YTD through March 31, 2000*

AVERAGE DAILY INMATE POPULATION

By Fiscal Year



** YTD through March 31, 2000*

The average daily population through March 2000 was 15,836, a decrease of 11.5 percent over the same period last year. The populations of pretrial, City-sentenced, parole violator, court-returned, and state-ready inmates have declined significantly. The decrease in ADP can be primarily attributed to decreases in overall admissions and in the length of stay of detainees and alleged parole violators.

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

Capital Review

The Department's Four-Year Plan totals $494.9 million. This amount includes $329.9 million primarily for replacement of capacity, $5.7 million for construction of support space, $137.3 million for major overhaul of building systems and infrastructure, and $22 million for acquisition of new equipment.

The table below shows capital plan commitments by program area over the 2000-2004 period:

Capital Commitments

($000's)

	1999 Actual		2000 Plan		2001 Plan		2002 Plan		2003 Plan		2004 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Capacity Replacement	6,046	6,046	(1,139)	(1,139)	106,949	106,949	83,000	83,000	16,632	16,632	123,318	123,318
Support Space	5,362	5,362	9,538	9,538	376	376	0	0	2,300	2,300	2,985	2,985
Building Systems and Infrastructure	45,450	56,542	92,506	96,256	95,435	95,435	15,600	15,600	18,980	18,980	7,286	7,286
Equipment	6,340	6,340	17,272	17,272	7,318	7,318	5,210	5,210	4,625	4,625	4,892	4,892
Total	63,198	74,290	118,177	121,927	210,078	210,078	103,810	103,810	42,537	42,537	138,481	138,481

Capacity Replacement

The Department's capital program funds the replacement of aging modular units and sprungs with permanent structures. The Four-Year Plan includes $328.5 million for modular replacements. Commitments include:

- construction of a 448-cell addition at the George R. Vierno Center ($98.3 million).
- design and construction of an 800-bed addition at the Rose M. Singer Center ($69.0 million).
- design and construction for a 224-cell addition at the New York City Correctional Institute for Men ($42.5 million).
- design and construction of a 448-cell addition at the George Motchin Detention Center ($85 million).
- design and construction of a 200 bed addition to the Adolescent Reception and Detention Center ($17.3 million).

Building Systems and Infrastructure

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

- completion of the upgrades to the fire safety systems in the borough houses and on Riker's Island ($15.7 million).
- reconstruction of the James A. Thomas Center to extend the useful life of the oldest facility in the system ($32.0 million).
- reconstruction of the Queens House of Detention ($15.6 million).
- reconstruction of the Bronx House of Detention ($14.9 million).

Equipment

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

- expansion of the DOCNet computer system and upgrade and replacement of existing computer equipment ($7.2 million).
- replacement of vehicles for inmate transport ($9.1 million).

DEPARTMENT OF SOCIAL SERVICES

The Department of Social Services provides a range of services and programs to assist individuals and families achieve independence and self-sufficiency. Eligible clients receive employment services, income support, medical assistance, and food stamps, as well as childcare and other support services. The Department also provides shelter, housing, and other assistance to victims of domestic violence, people with AIDS and HIV-illness, and frail and elderly adults.

Financial Review

The Department's 2001 Executive Budget provides for operating expenses of $5.3 billion, of which $3.3 billion are City funds.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- the Department will implement a comprehensive employment program designed to provide work, training, education, and supportive services to Public Assistance recipients and other low-income New Yorkers. This will greatly expand the employment services offered by the agency and will offer every Public Assistance recipient the opportunity to gain work experience and receive other services targeted to their employment needs. Contractors will conduct individualized skills assessments and work with clients to devise the combination of education, training, job readiness, and job search activities that will be most effective in helping individuals find and retain unsubsidized employment.

- the Department will implement the Medicaid Outreach Initiative to reduce the number of individuals and families without health insurance, with the goal of enrolling 40,000 people in Medicaid by the end of 2001. An additional $16.2 million in 2001 will support outreach and Medical Assistance costs.

- an additional $3.9 million in total funds will support an increase in the number of beds for victims of domestic violence, the development of a literacy program for domestic violence victims and their children, and the expansion of a program that partners schools and local domestic violence providers to address teen relationship abuse.

Restructuring and Streamlining

- the Department will continue to emphasize performance-based contracts to ensure that contractors meet selected performance criteria. Contractor payments will be contingent upon success in achieving agency objectives, such as placing clients in jobs at salaries above minimum wage and helping clients retain those jobs. This approach is expected to increase the quality of service and improve participant outcomes.

- the Department will continue to scan case records from paper files into an electronic database that will provide employees with on-line access to pertinent records. The Department will also bar-code closed paper files to facilitate retrieval. Both initiatives will substantially improve the Department's ability to manage cases and improve record keeping.

Summary of Agency Financial Data

($000's)

	1999 Actual	2000 Forecast	2001 Preliminary Budget	2001 Executive Budget	Increase/(Decrease) 2000 Forecast	Increase/(Decrease) 2001 Preliminary Budget
Expenditures						
Personal Service	$496,339	$554,133	$543,979	$544,029	($10,104)	$50
Other Than Personal Service	4,684,911	4,916,998	4,702,180	4,785,775	(131,223)	83,595
Total	$5,181,250	$5,471,131	$5,246,159	$5,329,804	($141,327)	$83,645
Funding						
City	$3,236,204	$3,284,208	$3,355,603	$3,285,090	$882	($70,513)
Other Categorical Grants	3,359	3,676	—	—	(3,676)	—
Capital IFA	—	—	—	—	—	—
State	832,123	826,542	812,552	811,709	(14,833)	(843)
Federal						
• JTPA	—	—	—	—	—	—
• CD	739	3,838	2,286	2,286	(1,552)	—
• Other	1,107,886	1,319,925	1,075,380	1,230,644	(89,281)	155,264
Intra-City Other	939	32,942	338	75	(32,867)	(263)
Total	$5,181,250	$5,471,131	$5,246,159	$5,329,804	($141,327)	$83,645
Personnel (at fiscal year-end)						
City	10,642	9,717	9,532	9,532	(185)	—
Non-City						
• JTPA	—	—	—	—	—	—
• CD	—	60	60	60	—	—
• Other	2,481	3,697	3,442	3,442	(255)	—
Total	13,123	13,474	13,034	13,034	(440)	—

Programmatic Review

Family Independence Administration

The Family Independence Administration (FIA) administers the Department's income support and employment services programs. These programs include Family Assistance (FA), Safety Net Assistance (SNA), and food stamps. FIA also provides participants with employment, training, and support services such as childcare, transportation assistance, and substance abuse treatment.

In 2001 the Department will help clients achieve independence through implementation of its "Ladders to Success" model, which consolidates employment and eligibility services into a seamless operation, in all Income Support and Job Centers. Public Assistance clients and other job seekers will have access to a range of services, including employment and training information, childcare, transportation assistance, computer-based learning labs, crisis services, and family violence counseling.

The Department is implementing new initiatives and continuing successful programs that address the unique needs of different populations. These programs include:

- a joint effort with OASAS (New York State Office of Alcohol and Substance Abuse Services) to expand vocational rehabilitation services at more than 30 treatment centers.

- a contracted Clinical Case Management program for substance abusing clients with significant medical, legal, housing, child welfare, or domestic violence problems.

- a contracted intensive case management service for substance abusing clients with multiple barriers to employment.

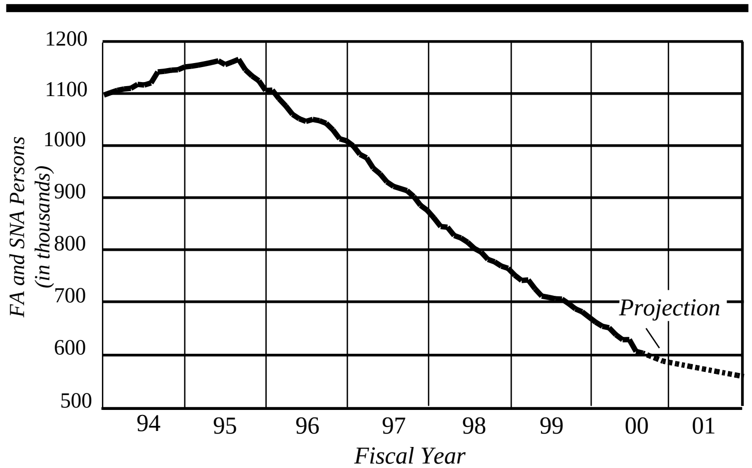
- a joint program with the Department of Probation to coordinate treatment and employment services for probationers on Public Assistance.

- a collaboration with CUNY to provide classes in parenting, stress management, basic education, and job readiness to pregnant clients.

- the INVEST program, a cooperative initiative with CUNY and the State Department of Labor, that provides vocational programs on evenings and weekends to raise the skills and earnings of employed Public Assistance recipients.

- the PRIDE program, which provides vocational rehabilitation services, work-based education, and counseling to persons with physical or developmental limitations.

PUBLIC ASSISTANCE CASELOAD 1994-2001



Total expenditures for FA and SNA, including Public Assistance payments as well as other related services, are projected to be $1.3 billion, of which $398 million are City funds. In 2001, 564,543 persons on average are projected to receive Public Assistance—a decline of 55,648 persons and 9.0% from 2000 levels.

Family Assistance will assist an average of 474,571 adults and children, compared with 521,386 for 2000. Expenditures for this program will be $1.1 billion, of which $264 million are City funds. An additional $268 million, of which $134 million are City funds, will be spent in the Safety Net program for 89,972 persons, compared to 98,805 in 2000.

Medical Assistance

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

In 2001 MAP will continue the Mayor's Outreach initiative to increase enrollment in the Medicaid program. MAP will conduct a multimedia outreach campaign and purchase advanced technology to facilitate eligibility determinations and enrollment. In addition, MAP has deployed eligibility specialists to Job Centers to provide direct enrollment assistance to clients moving from welfare to work. The Department has also formed a separate Child Health Insurance Plus (CHIP) eligibility unit to process applications and transfer eligible CHIP clients to Medicaid, and has extended hours at its Medicaid recertification office. MAP will continue to train and certify providers and community based organizations as Medicaid prescreening agencies. These agencies will identify families and individuals that meet initial Medicaid eligibility requirements and assist in the application process.

The 2001 Executive Budget for Medical Assistance is $2.39 billion in City funds (excluding expenditures for the Health and Hospitals Corporation, the Department of the Health, and administrative costs). This represents an increase of $97 million, excluding anticipated savings from federal actions, over the 2000 forecast. The primary factors contributing to the cost increases include:

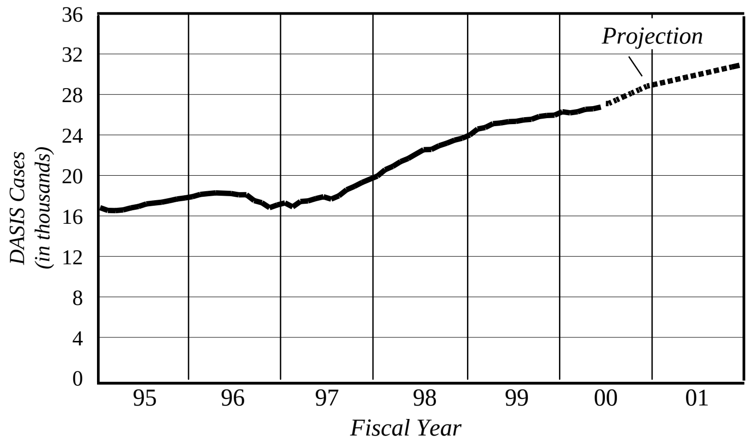
- the continued rise of pharmacy costs due to greater utilization and higher prices ($30.7 million).

- expected increases in expenditures for treatment at clinics and outpatient hospitals due to the increased use of outpatient settings for the provision of care ($25.4 million).

- expected growth in hospital inpatient expenditures ($20.9 million).

Division of AIDS Services and Income Support (DASIS)

DIVISION OF AIDS SERVICES CASELOAD 1995-2001



The Division of AIDS Services and Income Support (DASIS) provides a full range of services to individuals with AIDS, as defined by the Centers for Disease Control, or with advanced HIV-illness, as defined by the New York State AIDS Institute. DASIS provides case management services as well as access to benefits including Public Assistance, Supplemental Security Income (SSI) and Social Security Disability Insurance (SSDI), and Medicaid. DASIS case managers place clients in a range of housing programs and make referrals to substance abuse/mental health counseling and treatment, as well as to other social services in the community. The DASIS caseload is projected to reach 28,557 by June 2000, and is expected to grow by seven percent to 30,621 by June 2001.

DASIS provides emergency transitional housing for formerly homeless clients and permanent housing for more stabilized clients in congregate facilities and scattered-site apartments. Programs are operated by community based organizations that provide supportive services and case management. By June 2000, DASIS will have added 357 units of supportive congregate housing; another 260 units will be provided in 2001, for a total of 1,805. DASIS also operates 2,090 scattered-site apartment units through contracts. A new model will be piloted in 2001 under performance-based contracts to place 1,350 additional clients in apartments. This initiative will significantly increase the number of clients placed in scattered-site housing and should enable DASIS to reduce its use of commercial SRO's.

The Work Opportunity Program is a voluntary program affording DASIS clients the opportunity to enter or return to the workforce. Clients can participate in relevant vocational rehabilitation activities, develop marketable skills, and find employment while retaining necessary support services. Available services include pre-employment activities, career development planning, skills training, job counseling, job placement assistance, and other vocational rehabilitation services. Of the 350 clients who were participating by the end of January 2000, more than half had received employment counseling, nearly a third had completed some level of computer training and/or job readiness training, and nearly a quarter had participated in basic business skills training. Fifty-seven were also enrolled in paid internships, and 11 had been placed in paid jobs.

DASIS has implemented a Professional Training Academy to ensure that staff understand the medical and social issues related to HIV/AIDS illness and develop the social work skills required to address the needs of DASIS clients. Training of all staff will be complete by the end of 2000.

The Office of Domestic Violence and Emergency Intervention Services

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

The Office of Domestic Violence Services

The Office of Domestic Violence Services supports contracted and directly operated programs for victims of domestic violence. Emergency and transitional housing is provided in shelters, safe homes, safe dwellings, and Tier II shelters. All programs provide a safe environment as well as counseling, advocacy, and referral services. The Department will increase its emergency shelter capacity by 67 beds by the end of 2000, bringing the total number of emergency beds to 1,365. In 2001, emergency shelter capacity will expand by an additional 122 beds.

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

The Department is continuing to expand the range of services available to victims of domestic violence. The Alternative to Shelter Program enables victims to remain in their own homes with a personal emergency response system and a cell phone programmed to dial 911. The Adopt-a-School Initiative has provided counseling and other relationship abuse services to youth in five Bronx high schools since October 1999; the program will be implemented in other schools in 2001. The Department has also developed a program at seven facilities that will train substance abuse counselors to address the special needs of victims of domestic violence.

The Emergency Food Assistance Program (EFAP)

The Emergency Food Assistance Program (EFAP) will purchase and distribute more than 10 million pounds of food in 2001. The food will be delivered to over 680 food pantries and soup kitchens, which will serve between 25 and 30 million meals.

Protective Services for Adults

Protective Services for Adults (PSA) provides crisis counseling, financial management, eviction prevention assistance, and referrals to support services for adults. Each month PSA staff and contractors serve more than 5,000 clients who are unable to care for themselves due to physical or mental impairment and who are threatened with neglect, abuse, or exploitation. In 2001, several new initiatives will improve the quality and efficiency of PSA services, including:

- streamlining and automating the case management process.
- adding measurable performance outcomes to job descriptions.
- developing contract initiatives to enhance service delivery.
- upgrading facilities and equipment.
- improving collaboration with other City agencies and community organizations.

Capital Review

The Department's Four-Year Capital Plan totals $63.8 million, including $31.1 million for facilities maintenance and improvement, $22.8 million for technology to enhance Department operations, and $9.7 million for the installation of telecommunications equipment to facilitate data transmission, and $0.2 million for the replacement of vans and trucks to support Department operations.

Capital Commitments

($000's)

	1999 Actual		2000 Plan		2001 Plan		2002 Plan		2003 Plan		2004 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Buildings	$50,769	$51,088	$53,422	$61,395	$23,021	$27,612	$2,225	$2,225	$1,190	$1,190	$152	$152
Computers	$2,330	$7,026	$26,864	$49,701	$3,996	$7,328	$3,260	$6,069	$1,834	$3,057	$3,809	$6,348
Telecommunications	$361	$1,622	$5,455	$9,469	$1,493	$2,488	$800	$1,334	$1,500	$2,500	$2,000	$3,333
Vehicles	$55	$186	$33	$55	$30	$50	$33	$55	$33	$55	$30	$50
Homeless Families	($3,718)	($3,718)	($1,100)	($1,100)	$0	$0	$0	$0	$0	$0	$0	$0
Homeless Individuals	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total	$49,797	$56,204	$84,674	$119,520	$28,540	$37,478	$6,318	$9,683	$4,557	$6,802	$5,991	$9,883

Highlights of the Four-Year Plan

- reconstruction and furnishing of existing facilities as part of the Job Center/Ladders to Success initiative ($18.2 million).
- imaging projects to eliminate paper records and streamline Department operations ($5.2 million).
- infrastructure and system upgrades at eight multi-service centers ($6.0 million).
- continued development of LAN's and WAN's to provide greater connectivity among Department personnel, contract service providers and clients ($20.9 million).

ADMINISTRATION FOR CHILDREN'S SERVICES

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

Financial Review

The Department's 2001 Executive Budget provides for operating expenses of $2.2 billion, $682 million of which are City funds.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- an increase of 90 positions and $6.4 million in total funds will enhance services for youth in directly run congregate care programs. New staff will be trained to handle mental health and substance abuse issues as well as to assist youngsters in finding employment and gaining life skills.
- an additional $2.4 million in total funds will support 50 Child Evaluation Specialists to conduct case conferences where caseworkers, foster parents, birth parents and other concerned parties discuss permanency planning goals and appropriate placement.
- an additional $5.3 million in total funds will increase preventive slots and meet special service needs identified in the conversion to neighborhood-based services.
- an increase of $14.1 million in total funds will develop specialized congregate care programs to care for an increasing population of special-needs children.
- an additional $3.2 million in total funds will support merit increases for outstanding child welfare workers.
- an increase of $18.4 million in total funds will support additional training, access to specialized clinical consultation and expanded quality assurance reviews for department and contract agency child welfare staff.

Restructuring and Streamlining

- implementation of a neighborhood-based services system will ensure that children and families will receive services through local networks of providers familiar with the needs and resources of each community.
- the Safe and Timely Adoption and Reunification (STAR) Program will enable foster care providers who reduce children's length of stay in care to invest in additional services to improve outcomes for children and families.

Summary of Agency Financial Data

($000's)

	1999 Actual	2000 Forecast	2001 Preliminary Budget	2001 Executive Budget	Increase/(Decrease) 2000 Forecast	Increase/(Decrease) 2001 Preliminary Budget
Expenditures						
Personal Service	$297,532	$325,938	$328,859	$352,175	$26,237	$23,316
Other Than Personal Service	1,757,278	1,913,774	1,791,753	1,868,258	(45,516)	76,505
Total	$2,054,810	$2,239,712	$2,120,612	$2,220,433	($19,279)	$99,821
Funding						
City	$629,796	$648,125	$676,175	$681,598	$33,473	$5,423
Other Categorical Grants	847	905	—	—	(905)	—
Capital IFA	—	—	—	—	—	—
State	473,139	507,891	494,453	496,666	(11,225)	2,213
Federal						
• JTPA	—	757	757	757	—	—
• CD	21,747	24,841	12,855	12,855	(11,986)	—
• Other	929,157	1,057,027	936,206	1,028,420	(28,607)	92,214
Intra-City Other	124	166	166	137	(29)	(29)
Total	$2,054,810	$2,239,712	$2,120,612	$2,220,433	($19,279)	$99,821
Personnel (at fiscal year-end)						
City	7,140	7,323	7,358	7,373	50	15
Non-City						
• JTPA	—	—	—	—	—	—
• CD	12	7	7	7	—	—
• Other	93	155	155	155	—	—
Total	7,245	7,485	7,520	7,535	50	15

Note: An estimated $57 million in federal Head Start funds will be added to the budget during FY 2001.

Programmatic Review

In accordance with its Reform Plan, ACS continues its efforts to significantly improve outcomes for children and families served by the child welfare system. New initiatives target issues that have the greatest impact on services, such as enhanced staff skills and supports, increased coordination with contract agencies, greater integration of child welfare goals and service delivery, and expanded management reporting and evaluation capabilities.

- **Protective Services for Children**

The 2001 Executive Budget includes $116.8 million for Protective Services. The Agency projects an average of 52,657 reports of child abuse or neglect will be investigated in 2000 and that the number of reports will remain level in 2001. In order to improve outcomes for children, the use of 72-Hour Child Safety Conferences has been implemented citywide. These conferences bring together caseworkers, parents, relatives and service providers to ensure that service and placement decisions are fully informed by everyone involved in the child's life.

- **Preventive Services for Children and Families**

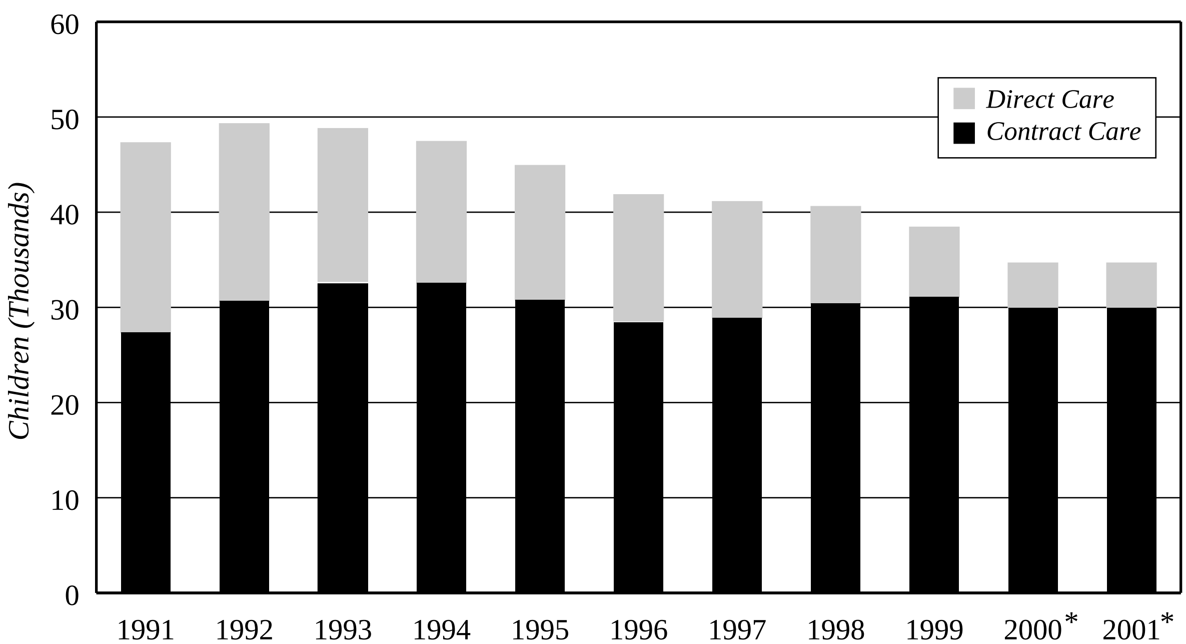
The 2001 Executive Budget for ACS includes $158.5 million for preventive services. These services are designed to assist families in crisis or at risk of a foster care placement. The number of preventive service slots will increase from 9,153 in 2000 to 11,060 in 2001, including 1,180 intensive slots for families with substance abuse issues. Services also include $29 million in contracts with community-based agencies to provide homemaking services and over $6 million for the housing subsidy program.

- **Foster Care**

The 2001 Executive Budget for ACS contains $925.7 million for foster care, including funding for special education services. Since 1994, the foster care population has declined 27 percent from 47,414 to a projected 34,645 in 2000. The population is expected to remain stable in 2001. While the population has declined, the portion of children requiring specialized care and treatment, including mental health and developmental services has increased. To address the needs of children in care, ACS is developing specialized congregate care programs and high service foster boarding home slots.

ACS is initiating several programs to enhance foster care service delivery. Neighborhood-based providers will work with local preventive service providers and other community resources to minimize disruption in the lives of children removed from their homes. A recently implemented Evaluation and Quality Improvement Protocol (EQUIP) will allow ACS to produce a comprehensive evaluation of provider performance on process, quality and outcome measures. The STAR Program will provide an opportunity for high performing foster care providers to redirect funds to aftercare or specialized services to improve permanency outcomes for children.

AVERAGE FOSTER CARE CASELOAD: 1991-2001



** Projected*

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

- **Adoption**

The 2001 Executive Budget for ACS includes $250 million for adoption services. Adoption provides a stable and nurturing environment to children who cannot be returned to their homes. The Agency's adoption recruitment efforts, including a recruitment hotline, adoption fairs and award winning public information campaigns have contributed to a 64% increase in annual adoptions, from 2,312 in 1994 to 3,800 in 1999. ACS has a goal of completing 4,500 adoptions in 2000 and 2001.

- **Head Start**

The Head Start program is funded at $87 million for 2001 with $57 million in additional Federal funds expected later in the year. Head Start is a federally-sponsored educational and developmental program for low-income three and four-year old children. The Head Start program, which requires significant parent involvement, is designed to improve a child's preparedness for the challenges of school and everyday life. In 2000, ACS funded 19,309 slots with 74 providers and two Board of Education sites.

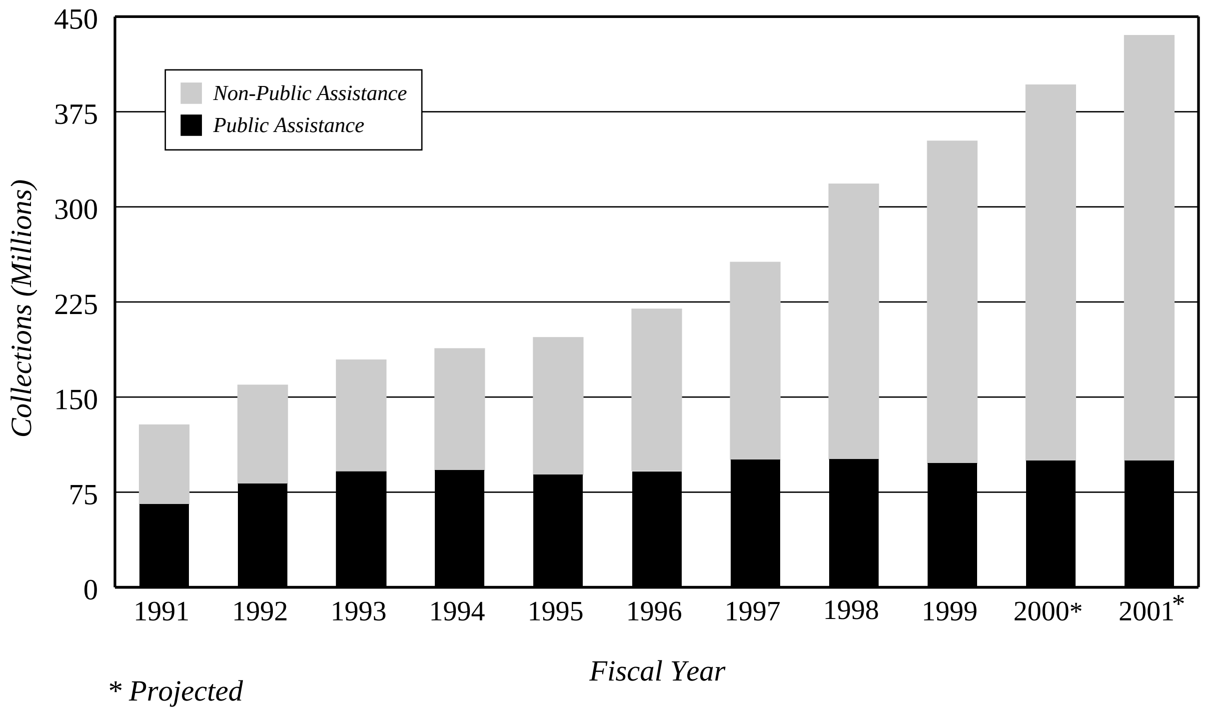
- **Agency for Child Development**

The 2001 Executive Budget for subsidized childcare services through the Agency for Child Development (ACD) is $474.5 million. (An additional $142 million is provided in the Department of Social Services for childcare.) ACD is responsible for providing high quality childcare services that enhance child development and assist in maintaining stable, self-sufficient families. Eligible families include public assistance recipients who are employed or engaged in work activities, low-income working families, and families in need of protective, preventive or foster care services. Care is provided in group centers and family day care homes, and is paid for through contracts and vouchers. Services are available for children ages 2 months through 12 years for up to 10 hours per day, 5 days per week, year round. ACD currently provides childcare to over 55,000 children and is projected to serve approximately 65,000 children in June 2001. The Agency works in collaboration with the Department of Social Services in planning and providing childcare for public assistance recipients.

- **Office of Child Support Enforcement**

The Office of Child Support Enforcement (OCSE) is funded at $36.1 million. OCSE ensures that non-custodial parents provide financial support for their children. Services provided on behalf of both public assistance and non-public assistance families include establishment of paternity and support obligations; collection, accounting, and disbursement of support payments; and the enforcement of court-ordered support obligations. In 2000, it is projected that OCSE will collect $100 million in child support for public assistance families and $296 million on behalf of non-public assistance clients. The OCSE collection goals for 2001 are $100 million for public assistance clients and $335 million for non-public assistance clients.

CHILD SUPPORT COLLECTIONS



Four Year Capital Strategy

The Department's Four-Year Capital Plan totals $38.1 million including $10 million for renovation of congregate care facilities, $7.8 million for construction and renovation of childcare facilities, $9.4 million for renovation and furnishing of ACS program and administrative offices, and $10.9 million for technology and telecommunications to streamline agency operations.

Capital Commitments

($000's)

	1999 Actual		2000 Plan		2001 Plan		2002 Plan		2003 Plan		2004 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Child Welfare	$0	$0	$0	$0	$3,256	$3,456	$2,442	$2,442	$2,167	$2,167	$2,167	$2,167
Day Care	$0	$0	$0	$0	$1,967	$1,967	$2,776	$2,776	$0	$0	$3,075	$3,075
Buildings	$0	$0	$0	$0	$7,400	$9,239	$1,000	$1,613	$1,000	$1,613	$0	$0
MIS	$0	$0	$0	$0	$5,440	$8,897	$1,652	$2,665	$1,100	$1,774	$2,682	$4,336
Total	$0	$0	$0	$0	$18,063	$23,559	$7,870	$9,496	$4,267	$5,554	$7,924	$9,578

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

Highlights of the Four-Year Plan

- construction of the Williamsburg Day Care Center in Brooklyn ($1.9 million, in addition to $3.5 million in the 2000 HRA capital plan) and the Seabury Day Center in the Bronx ($2.8 million).

- continued development of local area networks (LAN's) and wide area networks (WAN's) in order to provide greater connectivity among agency personnel, contract service providers and clients ($6.5 million).

- development of a data warehouse project to increase data storage capabilities, including secure storage of ACS financial and child welfare information ($2 million).

DEPARTMENT OF HOMELESS SERVICES

Since its inception in July 1993, the Department of Homeless Services (DHS) has carried out its mandate to provide temporary housing and services to homeless families and single adults. In 2001, DHS will continue its commitment to providing quality services that enable homeless adults and families to attain self-sufficiency and return to independent living.

In January 2000, in recognition of the profound changes that have occurred in the transitional housing system, New START Centers were renamed: Self-sufficiency, Treatment, Addiction Control, Rehabilitation and Training. In 2001, DHS will continue to develop and maintain specialized services in New START Centers, including employment programs and mental health and substance abuse treatment.

Financial Review

The Department's 2001 Executive Budget provides for operating expenses of $447.3 million, of which $176.6 million are City funds.

Expense Budget Highlights

The Department continues to carry out its mission of providing services for eligible homeless families and individuals in a safe, supportive environment and of delivering services through a continuum of care, in which clients assume responsibility for achieving the goal of independent living.

Budgetary Priorities: Providing Core Services

- an additional $654,000 will expand contracted and DHS City-operated outreach teams to provide 24-hour outreach coverage citywide. The teams connect homeless people in streets and public spaces with housing and services.
- an additional $1.3 million will enhance safety and security for residents by the addition of peace officers at adult facilities.
- an increase of $3.7 million will enable the Department to centralize intake where women entering the DHS system receive referrals to appropriate placements and enhanced psychiatric assessment services.

Restructuring and Streamlining

- the Agency will continue the incentive payment program that rewards providers financially for achieving excellence in areas such as making long-term placements outside of the New START Center system, reducing clients' return to the DHS system, and assisting clients in maintaining employment placements.
- DHS will continue its efforts to contract out directly operated facilities to not-for-profit providers. In 2001 the Department will begin the process of phasing out the 850-bed 30th Street Men's New START Center with smaller contracted facilities.
- services will be provided more efficiently through the use of new and improved technology, linking the Department with its contractors. Computerized programs will aid in client tracking, case management, and paying providers.

Summary of Agency Financial Data

($000's)

	1999 Actual	2000 Forecast	2001 Preliminary Budget	2001 Executive Budget	Increase/(Decrease) 2000 Forecast	Increase/(Decrease) 2001 Preliminary Budget
Expenditures						
Personal Service	$84,181	$89,993	$89,666	$92,184	$2,191	$2,518
Other Than Personal Service	308,729	353,962	351,658	355,067	1,105	3,409
Total	$392,910	$443,955	$441,324	$447,251	$3,296	$5,927
Funding						
City	$149,992	$188,352	$180,966	$176,585	($11,767)	($4,381)
Other Categorical Grants	—	—	—	—	—	—
Capital IFA	—	—	—	—	—	—
State	146,109	156,545	157,951	168,673	12,128	10,722
Federal						
• JTPA	—	—	—	—	—	—
• CD	570	1,142	—	—	(1,142)	—
• Other	93,574	95,416	102,407	101,993	6,577	(414)
Intra-City Other	2,666	2,500	—	—	(2,500)	—
Total	$392,910	$443,955	$441,324	$447,251	$3,296	$5,927
Personnel (at fiscal year-end)						
City	1,841	1,765	1,701	1,711	(54)	10
Non-City						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	15	—	—	—	—	—
Total	1,856	1,765	1,701	1,711	(54)	10

Programmatic Review

Homeless Individuals

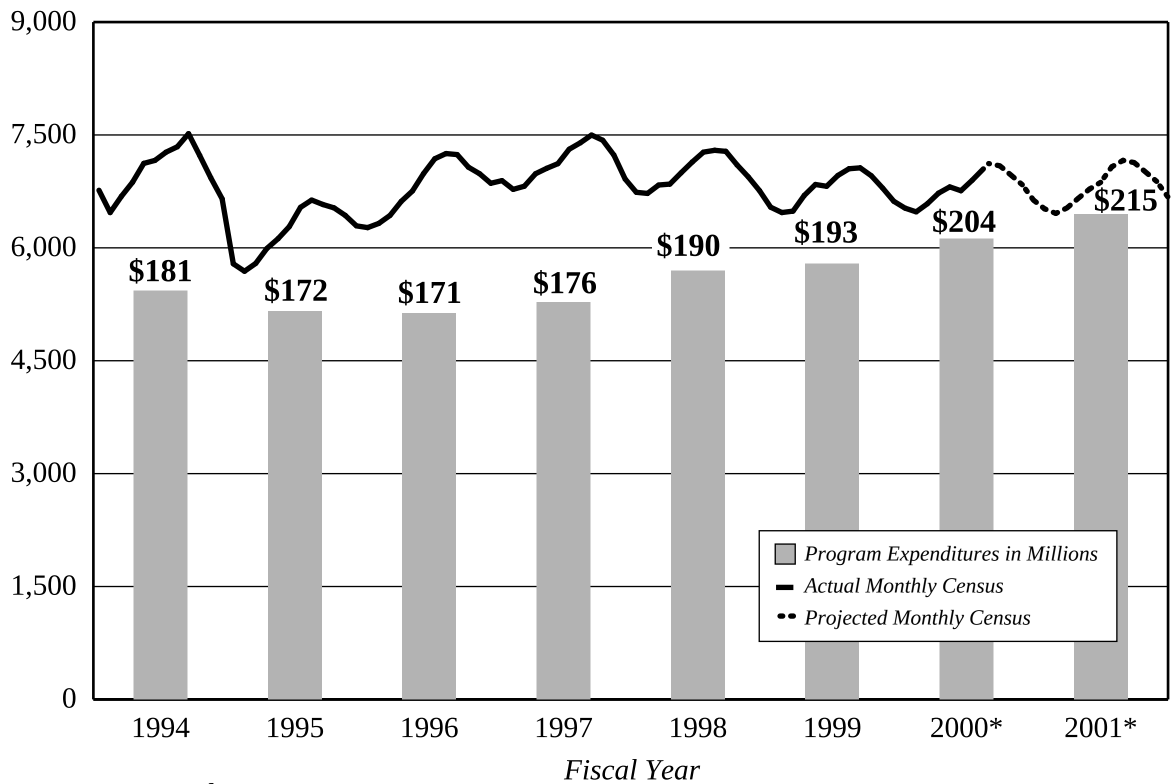
The Department provides a continuum of services to homeless individuals. These services include street outreach and drop-in centers for the hardest to serve, general and specialized New START Centers, and supportive housing. In 2000, DHS continued to improve and expand programs and services that provide homeless individuals with substance abuse and mental health treatment and help them secure and retain private sector employment. Eighty four percent of all adult New START Center beds offer program services. Permanent housing assistance, including referral to supportive SRO units, is also provided.

In 2001, DHS will implement new intake procedures and enhance psychiatric services for single adult women to improve population management and better assess client needs.

The Rental Assistance Program (RAP) will provide time-limited rent subsidies that decrease gradually as participants become increasingly self-sufficient as well as supportive services to employed, homeless individuals. RAP will enable approximately 200 homeless individuals to locate and retain permanent housing through the private market.

In 2000, the number of homeless individuals seeking temporary housing will decline slightly to a projected average of 6,756 per night. The projected census peak is 7,150 in February 2000. In 2001, the number of single adults in the New START Center system is expected to average 6,748 per night and peak during the year at 7,205. The cost of serving these individuals will be $215.2 million, of which $108.4 million are City funds.

HOMELESS INDIVIDUALS-SHELTER CENSUS AND PROGRAM EXPENDITURES: 1994-2001



* Projected

Homeless Families

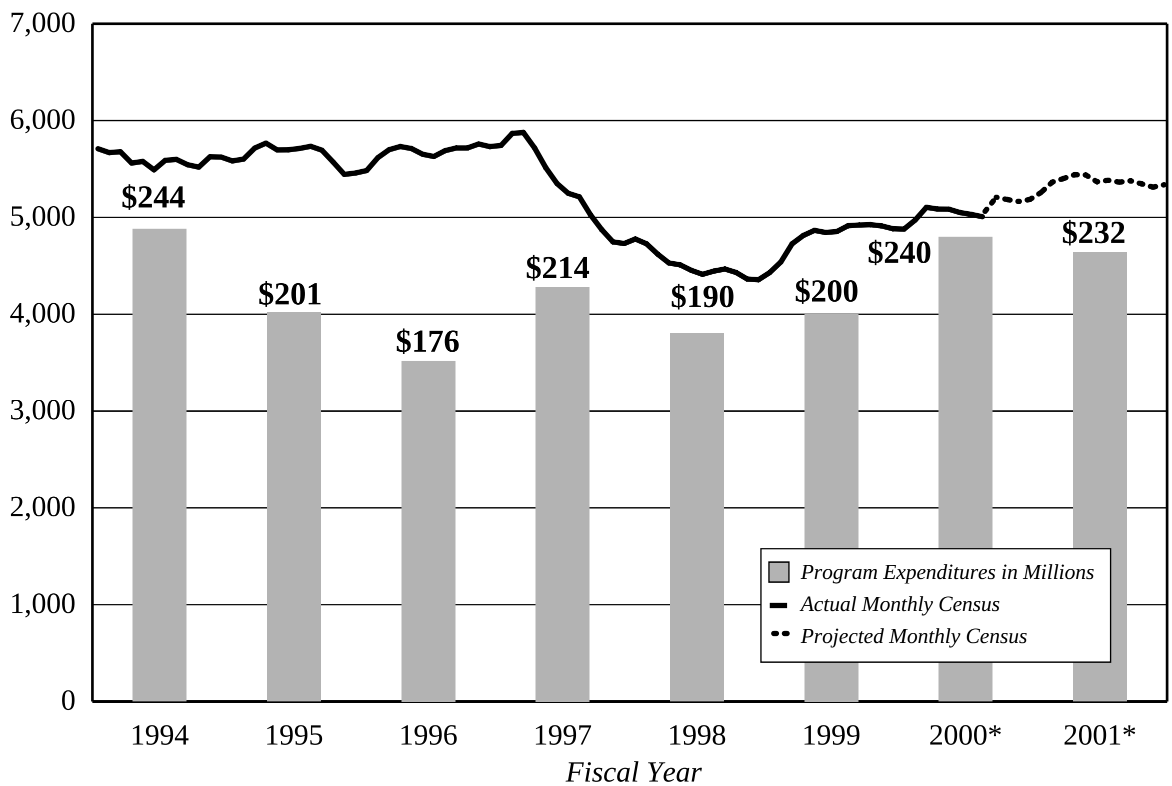
The Department provides services to homeless families through a network of transitional housing facilities. Transitional housing provides families with stable living situations and supportive social services designed to lead to self-sufficiency. Access to permanent housing and follow-up services are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

The Department will continue to provide families with children applying for temporary housing at the Emergency Assistance Unit by 10 P.M. with overnight sleeping accommodations. Increased staffing and facility changes have been made to accommodate this new use of facilities, including additional medical services and enhanced transportation.

The Family Rental Assistance Program (FRAP) will provide time-limited rent subsidies that decrease gradually as participants become increasingly self-sufficient. The program will also provide supportive services to employed, homeless families. FRAP will enable approximately 210 homeless families to locate and retain permanent housing through the private market.

The number of families in the DHS New START Center system is expected to average 5,049 per night in 2000 and peak at 5,105.[1] In 2001, the number of families is expected to increase to an average of 5,260 per night and peak at 5,335. The cost of housing these families will be $232.1 million, of which $68.2 million are City funds.

HOMELESS FAMILIES-CASELOAD AND PROGRAM EXPENDITURES: 1994-2001



** 2000 & 2001 Projected*

[1] Census figures include approximately 420 families in HPD emergency facilities who may be referred from either the HPD or DHS systems.

Capital Review

The Department's Four-Year Capital Plan totals $120.6 million, including $33.6 million for facilities for homeless families and $86.1 million for facilities for homeless individuals.

Capital Commitments

($000's)

	1999 Actual		2000 Plan		2001 Plan		2002 Plan		2003 Plan		2004 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Homeless Families . . . . . .$	951	951	1,345	1,345	16,124	16,124	5,000	5,000	5,695	5,695	6,743	6,743
Homeless Individuals . . . .$	10,324	10,324	7,028	7,028	40,815	40,815	25,730	25,730	6,181	6,181	13,450	13,450
Equipment and Vehicles . .$	512	512	1,841	1,841	262	262	100	100	250	250	250	250
Administrative Facilities . .$	0	0	5,000	5,000	0	0	0	0	0	0	0	0
Total. . . . .$	11,787	$11,787	$15,214	$15,214	$57,201	$57,201	$30,830	$30,830	$12,126	$12,126	$20,443	$20,443

Highlights of the Four-Year Plan

- development of a new adult facility on the Willow Avenue site to replace the existing, dilapidated building.
- building upgrade and repair projects at adult and family facilities, including $7.0 million at 68 Lexington Avenue, $3.3 million at Bedford Atlantic Armory, $3.0 million at Franklin Armory, $1.7 million at Dean Street, $1.2 million at Jamaica Assessment Center, $1.0 million at Palace South and $1.0 million at Linden.
- code compliance renovation including projects at Camp LaGuardia, Kingsboro, Sumner Armory and Catherine Street New START Centers ($15.0 million).
- an additional $24 million for exterior repairs to various New START centers.
- fire safety projects at various sites, including work at Jamaica, Franklin, Charles Gay, Park Slope, Saratoga and John Heuss ($8.5 million).
- permanent housing options through loans to not-for-profit organizations to develop Single Room Occupancy Residences (SROs) for single adults leaving the New START Center system ($3.5 million).
- upgrades of existing SROs, including projects at Sirovich, Commonwealth Veterans, Miracle Maker and Mount Eden ($5.5 million).

DEPARTMENT FOR THE AGING

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

Financial Review

The Department's 2001 Executive Budget provides for operating expenses of $207.8 million, of which $147.3 million are City funds.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- an additional $3.2 million in City funds will support the creation of nine new senior centers in underserved areas.

- an additional $4 million in City funds will fund Naturally Occurring Retirement Communities (NORCs). NORCs are residential buildings, complexes or neighborhoods which are home to a concentrated population of seniors who have aged into a community and may need on-site social services.

- two additional Adult Day Care programs will be developed in 2001. Adult Day Care provides a congregate environment for seniors who are physically or mentally frail and require some on-site supportive care and nutrition assistance.

Summary of Agency Financial Data

($000's)

	1999 Actual	2000 Forecast	2001 Preliminary Budget	2001 Executive Budget	Increase/(Decrease) 2000 Forecast	Increase/(Decrease) 2001 Preliminary Budget
Expenditures						
Personal Service	$18,717	$20,491	$19,891	$19,891	($600)	$—
Other Than Personal Service	172,957	205,077	186,709	187,978	(17,099)	1,269
Total	$191,674	$225,568	$206,600	$207,869	($17,699)	$1,269
Funding						
City	$123,615	$154,068	$145,687	$147,345	($6,723)	$1,658
Other Categorical Grants	9	—	—	—	—	—
Capital IFA	—	—	—	—	—	—
State	20,080	20,303	19,662	19,662	(641)	—
Federal						
• JTPA	156	—	—	—	—	—
• CD	909	1,162	741	362	(800)	(379)
• Other	46,282	49,346	40,031	40,031	(9,315)	—
Intra-City Other	623	689	479	469	(220)	(10)
Total	$191,674	$225,568	$206,600	$207,869	($17,699)	$1,269
Personnel (at fiscal year-end)						
City	139	167	146	148	(19)	2
Non-City						
• JTPA	5	—	—	—	—	—
• CD	—	2	2	—	(2)	(2)
• Other	225	237	234	234	(3)	—
Total	369	406	382	382	(24)	—

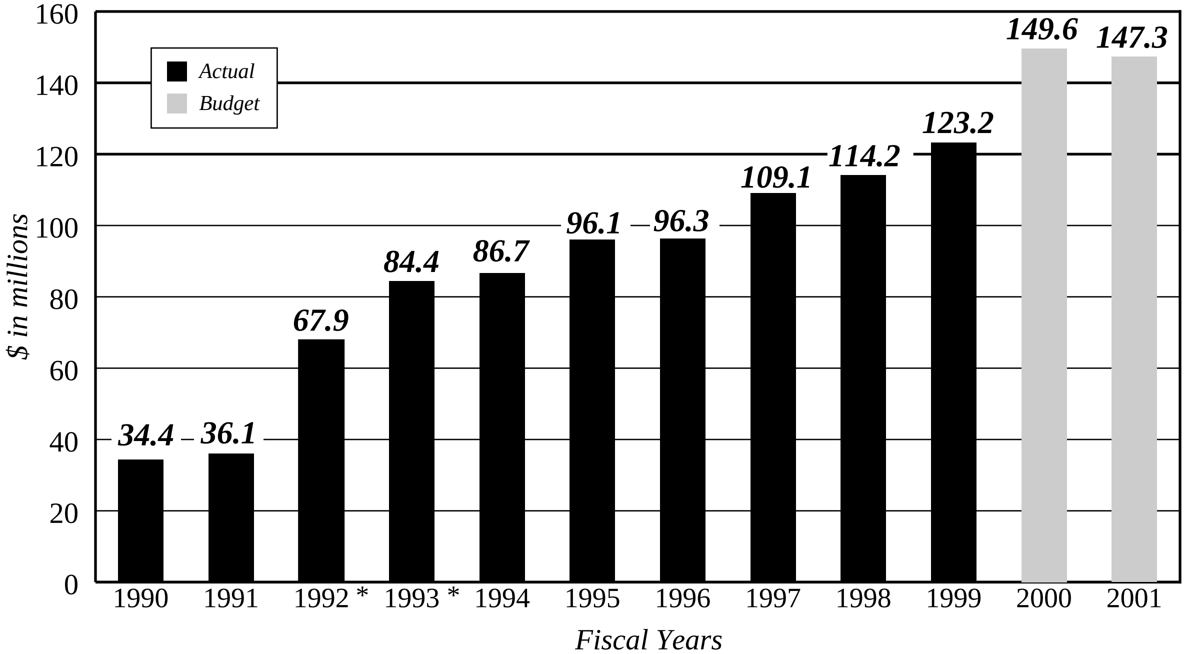
Programmatic Review

In 2001, DFTA will continue to provide services to elderly New Yorkers through a network of 340 senior centers, which serve over 165,000 of the City's elderly. The Department will also provide 14 million congregate and home-delivered meals throughout the five boroughs.

Over four million home-delivered meals (including over one million on weekends and holidays) and over nine million congregate meals will be served to seniors.

The Department administers the Senior Citizen Rent Increase Exemption Program (SCRIE), which serves over 45,000 households applying for or receiving exemptions from rent increases. SCRIE provides property tax abatements to the owners of more than 27,000 buildings participating in the program. In an ongoing effort to inform the public, the Department has distributed over 200,000 copies of "Your Guide to the Senior Citizen Rent Increase Exemption (SCRIE) Program" to tenants, building owners, elected officials, and community-based service organizations.

DEPARTMENT FOR THE AGING: HISTORICAL TAX - LEVY SPENDING



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

Capital Review

The Department's Four-Year Mayoral Capital Plan totals $16.5 million. Capital projects include the rehabilitation of facilities that provide services to the elderly and the development of a computerized network to assist seniors to apply for entitlement and benefit programs directly at local senior centers.

Highlights of the Four-Year Plan

- renovations of senior centers citywide ($13.7 million).

- support for computer systems projects including the Provider Data System (PDS) and Uni-Form Benefits Assessment System. These systems will streamline the application and certification process for senior citizen entitlement benefits. In addition, the system will provide the Department with a reliable client database ($2.8 million).

Capital Commitments

($000's)

	1999 Actual		2000 Plan		2001 Plan		2002 Plan		2003 Plan		2004 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Electronic Data Processing	$1,359	$1,359	$1,650	$1,650	$1,370	1,370	$200	$200	$200	$200	$1,000	$1,000
Building Reconstruction . .	$1,569	$1,569	$3,472	$3,472	$5,724	$5,724	$2,352	$2,352	$3,231	$3,231	$2,403	$2,403
Total	$2,928	$2,928	$5,122	$5,122	$7,094	$7,094	$2,552	$2,552	$3,431	3,431	$3,403	$3,403

DEPARTMENT OF HEALTH

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

Financial Review

The Department of Health's 2001 Executive Budget provides for $814.3 million, which is $7.6 million less than the 2000 forecast. Additional funds of approximately $30 million will be modified during the fiscal year when Federal and State award notifications are received.

Revenue Forecast

The Department of Health generates revenue from licenses, permits, inspection and service fees, and fines for violations of the New York City Health Code. The Department will generate $35.8 million in 2001.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- an increase of $34.4 million to ensure the provision of clinical services for the increased number of children entering the Early Intervention Program.

- an increase of $6.3 million that will enable the School Health Program to maintain current staffing levels at public and non-public schools and to provide services to newly-opened public schools and summer schools.

- an increase of $4.4 million for a Comprehensive Arthropod-Borne Disease Control Program to prevent and contain diseases carried by mosquitoes and other insects.

- an increase of $3.9 million to continue the Comprehensive Pest Control Initiative, which includes inspection, extermination, and cleaning in districts with the greatest need for abatement.

- an increase of $3.9 million for a new High Sensitivity DNA Laboratory that will employ sophisticated techniques to identify individuals involved in property crimes using evidence samples with minute traces of DNA.

- an increase of $2.9 million to offset the elimination of Federal grant funding for critical tuberculosis programs. These funds will enable the continuation of services such as evaluation, case management, education, and surveillance of tuberculosis patients, including inmates on Rikers Island.

- an increase of $2 million to develop intervention strategies, including screening, early detection, and education initiatives, targeted to communities with a high incidence of breast cancer.

- an increase of $1.3 million for a Child Health Initiative that will seek to reduce childhood morbidity in four targeted communities: Bedford Stuyvesant, Bushwick, Jamaica, and Washington Heights.

- an increase of $732,000 to raise awareness of the City's HealthPass program, which will expand health insurance coverage by enabling small businesses to offer plans with a range of premium options to their employees. This funding will be used for a marketing campaign to promote HealthPass to small businesses, insurance brokers, and the public.

Summary of Agency Financial Data

($000's)

			2001		Increase/(Decrease) 2000	Increase/(Decrease) 2001
	1999 Actual	2000 Forecast	Preliminary Budget	Executive Budget	Forecast	Preliminary Budget
Expenditures						
Personal Service	$186,386	$209,006	$213,299	$217,704	$8,698	$4,405
Other Than Personal Service	315,978	612,861	453,357	596,575	(16,286)	143,218
Total	$502,364	$821,867	$666,656	$814,279	($7,588)	$147,623
Funding						
City	$237,681	$378,397	$358,573	$406,294	$27,897	$47,721
Other Categorical Grants	4,816	77,066	81,852	88,219	11,153	6,367
Capital IFA	—	—	—	—	—	—
State	73,021	191,007	170,081	210,429	19,422	40,348
Federal						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	186,461	174,322	55,538	108,725	(65,597)	53,187
Intra-City Other	385	1,075	612	612	(463)	—
Total	$502,364	$821,867	$666,656	$814,279	($7,588)	$147,623
Personnel (at fiscal year-end)						
City	2,051	2,453	2,366	2,479	26	113
Non-City						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	1,086	1,182	1,030	844	(338)	(186)
Total	3,137	3,635	3,396	3,323	(312)	(73)

Programmatic Review

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

Agency Initiatives

In 2001, the Department will continue its efforts to mobilize community partnerships to identify and solve health problems and to develop policies and plans that support individual and community health efforts.

The Department continues to expand the Childhood Asthma Initiative, which is now in its third year and is quickly becoming a national intervention model for urban settings. The initiative supports Citywide educational and media outreach efforts, comprehensive community-based intervention programs in high-risk neighborhoods, and surveillance and evaluation activities.

The Department is currently in the process of deploying the Critical Event Response System, a two-year pilot program serving asthmatic children in East Harlem. Critical asthma events, such as visits to school nurses or emergency rooms, will be identified and shared with those who are involved in the management of the child's asthma using a computerized tracking system. The program will commence operations in spring 2000 and will serve approximately 600 families.

In 2001, the Department will launch the Child Health Initiative, a program involving both Citywide and community-based efforts. The purpose of the Initiative is to reduce childhood morbidity through a coordinated, integrated response to lead poisoning, asthma, vaccine-preventable illnesses, injuries, and other diseases and conditions affecting children.

The Department will implement a Tobacco Control Plan for New York City in 2001. The program will be based upon the recommendations of the Federal Centers for Disease Control and Prevention (CDC) to reduce the health and economic burden of tobacco use by preventing smoking initiation among youth, promoting smoking cessation among adults and youth, and reducing exposure to second-hand smoke. The program will include both Citywide and community-level activities.

Disease Intervention Services

The Department will continue initiatives that prevent new cases of tuberculosis. The number of new tuberculosis cases decreased by 55 percent between 1994 and 1999. The Department is planning for 140,200 tuberculosis visits in 2001 and will ensure that 90 percent of drug-sensitive patients and 80 percent of harder-to-reach, multiple drug-resistant patients complete treatment.

The Department will continue its efforts to control AIDS and HIV infection. The number of deaths from AIDS in New York City decreased by more than 70 percent between 1994 and 1999, with a concomitant increase of almost 44,000 people living with AIDS. The Department provides an array of HIV/AIDS services and plans to respond to more than 77,000 calls to the AIDS Hotline and to provide in-depth prevention education for more than 7,000 persons.

The Department will implement the new State law requiring providers to report HIV- infected individuals, including their partners, and will offer HIV counseling and testing to those who are potentially at risk of HIV infection. As a provider of clinical services, the Department itself will also begin reporting HIV-infected clients to the New York State Department of Health. The Department will also provide partner notification, counseling, and testing services to providers in the community upon referral of their clients for such services. The Department expects 50,000 visits to its testing sites requiring confidential counseling, testing, and partner notification. From March 2000 to February 2001, the Department will monitor the disbursement of $107.6 million in Title I Ryan White Comprehensive AIDS Resources Emergency (CARE) funds.

Between 1995 and 1999, the number of new lead cases reported for New York City children dropped by 53 percent. In 2001, the Department will continue to work toward reducing the burden of lead poisoning in communities by: (1) conducting outreach and education; (2) providing medical case management for children reported as lead poisoned; (3) inspecting dwelling units where lead poisoned children spend significant time, and; (4) assuring compliance of abatement through follow-up inspections.

Through walk-in immunization clinics and collaboration with public and private partners, the Department provides vaccinations for all children who need them. In 2000, the Department maintained its goal of having 100 percent of all public and private hospitals reporting to the Citywide immunization registry and ensuring that providers track their patients' immunization histories. As of November 1999, 94 percent of private physicians, representing 906 sites, were reporting to the registry.

Family and Community Health Services

The Department provides public health services in all public elementary and intermediate schools. These services include vision and hearing screening, case management, and follow-up. The Department anticipates providing 7,000 new admission exams in 2001 and referring the majority of new school entrants to primary health care providers who will provide ongoing direct health care.

The Department will continue its efforts to reduce the infant mortality rate, which fell to a record low of 6.8 deaths per 1,000 births in 1998. The Department anticipates providing 33,000 callers to the Women's Healthline with information about women and infant health care and arranging 1,800 prenatal care appointments within three weeks of a pregnant woman's initial contact with the Department. The Department will also provide case management services to 1,410 high-risk pregnant women and infants.

The Department will ensure the provision of preventive services to children under the age of 18 through a contract with the Health and Hospitals Corporation (HHC). HHC plans to provide 163,200 child health clinic visits during 2001.

The Department will continue to administer the Early Intervention Program in partnership with the Department of Mental Health, Mental Retardation, and Alcoholism Services and HHC. This program is designed to: (1) create an efficient system for the early identification and referral of infants and toddlers under the age of three with developmental delays; (2) reduce the duplication of services; (3) provide more timely and efficient evaluation of young children, and; (4) provide comprehensive services in a more natural setting for each child. Since its inception in 1993, over 67,000 children have been referred to the Early Intervention Program. It is anticipated that approximately 15,500 additional children will be referred to the program in 2001.

Due to greater public awareness of the Early Intervention Program, children are being identified and referred to the program in larger numbers. As a result, the developmental potential of infants and toddlers is maximized.

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

Regulatory and Environmental Health Services

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

In response to the West Nile virus outbreak in the summer of 1999, the Department has been developing a comprehensive insect-borne disease surveillance and control plan for the City. In 2001, the Department will continue to: (1) monitor infection and/or illness in humans and other animals, including birds, which may carry this infection; (2) eliminate or reduce potential mosquito-breeding sites, and; (3) reduce the mosquito population through the aggressive use of larvicide and the judicious use of pesticides against adult mosquitoes. The Department will also mount a wide-scale public and professional education and information campaign on the West Nile virus.

In 2001, the Department plans to conduct 21,200 initial restaurant inspections. The Department will continue to conduct inspections of food service establishments in the evenings and on weekends, enabling the Department to enforce the Smoke-Free Air Act and to maintain a consistent presence in establishments that operate during nontraditional business hours. The results of the Department's restaurant inspections will continue to be accessible by the public through NYC LINK.

In 2001, the Department will continue to implement the Comprehensive Pest Control Initiative, which identifies strategic geographic areas with rodent problems and develops customized plans to address rodent infestation. These areas are identified through complaints from citizens, elected officials, and community boards, or by the Department based on the results of inspections and/or information about known chronic problem areas. Site-specific plans are developed and implemented within an appropriate time frame after the identification of critical geographic areas. In 2001, the Department anticipates making 14,900 inspections in response to complaints.

Health Care Access

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

The Division of Health Care Access oversees New York City's Medicaid managed care program. Mandatory enrollment of Medicaid clients began in 2000 and will continue in 2001. The Department will continue to execute contracts and contract amendments with Medicaid managed care plans in the City; review, assess, and monitor the performance of these plans, and; enforce the terms and conditions of managed care contracts. The Department will work with the New York State Department of Health and the New York State AIDS Institute to develop Special Needs Plans (SNPs) for Medicaid recipients with AIDS. Implementation of these SNPs is expected in 2001.

The Department has also been working toward reducing barriers to health insurance coverage. The HealthPass program, which began in 2000 and is administered by the New York Health Purchasing Alliance, will continue in 2001 and will enable businesses with 50 or fewer employees to offer their staff a choice of health insurance plans and benefit options.

Correctional Health Services

The Department contracts with HHC to provide health services to approximately 16,000 inmates daily. Services include new admission examinations, infirmary services, sub-acute treatment, preventive care, dental services, and prenatal services. These services are provided to inmates on Rikers Island through a subcontract with St. Barnabas Hospital. In 2000, HHC, in conjunction with the Department of Correction, the Department of Health, and the Department of Mental Health, Mental Retardation, and Alcoholism Services, will issue a Request for Proposals (RFP) for a new subcontractor to provide correctional health services on Rikers Island. A total of 533,400 medical visits, 194,300 mental health visits, and 11,000 dental visits are anticipated in 2001.

Office of the Chief Medical Examiner

OCME operates an accredited Forensic Biology Laboratory that currently processes DNA evidence from 3,000 homicide and sexual assault cases. As of March 1999, the laboratory had produced 1,385 entries into the City's DNA databank. During 2000, the Forensic Biology Laboratory will add six evidence stations in a new annex at Bellevue Hospital that will greatly reduce the time required to process DNA evidence. These additional stations will also allow for expedited processing of high profile cases without disruption to regular casework. The goal of this facility is to reduce processing time to 30 days for regular cases and seven days for rush cases.

In 2001, OCME will expand its DNA laboratory by accepting up to 35,000 fingerprint cases in a new, specialized High Sensitivity Laboratory that will be constructed on two floors of the Administration Building at Bellevue Hospital. This high-throughput laboratory will isolate and profile DNA obtained from items of evidence typically encountered in property crimes using automated and semi-automated equipment. Evidence for testing will include fingerprints gathered from stolen vehicles, phones, doorknobs, or other items from crime scenes. The new laboratory will also include a program to train evidence collection teams from the New York City Police Department in methods of collecting DNA for high sensitivity analysis.

The High Sensitivity Laboratory is the first phase in an overall expansion of DNA testing. Construction of a permanent DNA facility will begin in 2001, with completion scheduled for 2004. This facility will consolidate the existing Forensic Biology Laboratory, its Bellevue Annex, and the planned High Sensitivity Laboratory and will include the addition or expansion of the following functions: (1) a new evidence delivery area capable of accepting over 100,000 pieces of evidence per year and high density storage systems to house 12 years of evidence as retained specimens; (2) an expanded casework laboratory to handle 16,000 cases annually, up from the current level of 3,000; (3) an expanded fingerprint laboratory capable of handling evidence from 70,000 property crime cases annually, up from the 35,000 cases to be processed in the new High Sensitivity Laboratory; (4) a high-volume, high-throughput exemplar laboratory to perform DNA profiling from blood and saliva taken from suspects, elimination samples, and postmortems; (5) a mitochondrial laboratory to perform DNA typing of hair samples in cases such as body identifications, where regular DNA from blood and semen is unavailable; (6) an in-situ laboratory that will use DNA testing of the brains and serum of deceased individuals to ascertain the level of pain, stress, or fear of homicide victims immediately before death, and; (7) training facilities and conference rooms essential for supporting programs on proper evidence collection.

Capital Review

The 2000-2004 Capital Plan totals $92.8 million for facility renovations and equipment.

Capital Commitments
($000's)

	1999 Actual		2000 Plan		2001 Plan		2002 Plan		2003 Plan		2004 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Equipment	$3,107	$3,107	$31,863	$31,863	$6,955	$6,955	$1,315	$1,315	$1,268	$1,268	$855	$855
Renovation	4,643	4,643	18,588	18,588	10,907	10,907	10,864	10,864	3,425	3,425	6,804	6,804
Total	$7,750	$7,750	$50,451	$50,451	$17,862	$17,862	$12,179	$12,179	$4,693	$4,693	$7,659	$7,659

Highlights of the Four-Year Plan include:

- $11.4 million for the construction of a new free standing OCME facility on the Kings County Hospital campus.
- $10.8 million for the building of a new High Sensitivity DNA Laboratory for OCME.
- $7.4 million to ensure that all facilities are in compliance with applicable codes, rules, and regulations.
- $6.7 million to purchase and upgrade the Department's automation system for more efficient management of information.
- $6.4 million to purchase required systems for surveillance, case management, and mandatory reporting of HIV/AIDS cases and their contacts.
- $5.4 million for two projects for the Center for Animal Care and Control: $3.3 million for the renovation of the Manhattan shelter and $2.1 million for continued renovation of the Brooklyn shelter.
- $2.2 million for elevator rehabilitation at various health centers.
- $2 million for Phase II renovation of the Jamaica Health Center.

DEPARTMENT OF MENTAL HEALTH,
MENTAL RETARDATION, AND ALCOHOLISM SERVICES

The Department of Mental Health, Mental Retardation, and Alcoholism Services (DMH) is a contracting and supervisory agency that plans, evaluates, and monitors mental health, mental retardation, alcoholism, and substance abuse services for New York City residents. The Department also provides court-ordered psychiatric evaluations through its criminal and family court mental health clinics. In addition, the Department funds public education, prevention services, and training while maintaining culturally responsive, cost-effective, and high quality care for its clients. The Department serves 353,000 clients annually through 300 contracts with voluntary mental hygiene service providers and Health and Hospitals Corporation (HHC) facilities.

Financial Review

The Department of Mental Health's 2001 Executive Budget provides for operating expenses of $545.1 million, which is $5.1 million more than the 2000 forecast.

Seventy nine percent of the Department's City tax levy budget funds programs provided by the voluntary service sector and HHC. The distribution of these funds among program areas is as follows: mental health, 35 percent; mental retardation, 15 percent, and; alcoholism and substance abuse, 29 percent. The remainder is allocated to prison mental health, family court, criminal court, and administration.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- an increase of $6.7 million to implement court-ordered assisted outpatient treatment programs under the provisions of recently-passed State legislation known as Kendra's Law.

Summary of Agency Financial Data

($000's)

	1999 Actual	2000 Forecast	2001 Preliminary Budget	2001 Executive Budget	Increase/(Decrease) 2000 Forecast	Increase/(Decrease) 2001 Preliminary Budget
Expenditures						
Personal Service	$12,179	$14,089	$13,014	$13,014	($1,075)	$—
Other Than Personal Service	426,862	525,884	416,537	532,041	6,157	115,504
Total	$439,041	$539,973	$429,551	$545,055	$5,082	$115,504
Funding						
City	$132,376	$91,273	$94,913	$95,289	$4,016	$376
Other Categorical Grants	49,369	—	—	—	—	—
Capital IFA	—	—	—	—	—	—
State	234,545	176,094	123,780	162,858	(13,236)	39,078
Federal						
• JTPA	—	—	—	—	—	—
• CD	538	553	553	553	—	—
• Other	22,213	16,061	13,275	14,335	(1,726)	1,060
Intra-City Other	—	255,992	197,030	272,020	16,028	74,990
Total	$439,041	$539,973	$429,551	$545,055	$5,082	$115,504
Personnel (at fiscal year-end)						
City	141	159	159	159	—	—
Non-City						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	82	113	80	70	(43)	(10)
Total	223	272	239	229	(43)	(10)

Programmatic Review

Mental Health

The Department plans and funds a variety of mental health services, including outpatient services to adults and families, outreach services, and services to special populations, including recent immigrants. The Department's priority services include programs for children and adolescents, the homeless, the severely and persistently mentally ill, and the mentally ill forensic population.

Mental Retardation and Developmental Disabilities

The Department plans and funds services for people with developmental disabilities, including mental retardation, cerebral palsy, epilepsy, autism, and other neurological impairments. The services provided to these populations include adult vocational programs, employment programs, diagnostic evaluations, clinic treatment programs, family support programs, counseling, after-school and weekend recreation and respite programs, special continuing education, sleep-away camp, transportation, information and referral, and public education.

Alcoholism

The Department plans and funds an array of services to assist individuals in need of alcoholism treatment, including inpatient detoxification, alcohol crisis centers, comprehensive outpatient services, and community residences. The priority populations include homeless persons, pregnant women, families, and adolescents.

Assisted Outpatient Treatment

In August 1999, Assisted Outpatient Treatment (AOT) legislation was signed into law, effective November 8, 1999. Also known as Kendra's Law, this statute requires county mental health departments to establish procedures through which courts determine if certain individuals must follow court-ordered outpatient treatment plans.

In order to meet this mandate, the Department has established borough-wide AOT teams at four HHC hospitals: Bellevue, North Central Bronx, Elmhurst, and Woodhull. These teams are responsible for all facets of the AOT process, including the receipt and investigation of referrals, the implementation of psychiatric evaluations, the development of treatment plans, the filing of petitions, the delivery of in-court testimony, and the monitoring of granted orders.

Community Reinvestment

The Department is utilizing $9.7 million to enhance and establish 51 programs serving 1,961 individuals. These include vocational programs, programs serving children and adolescents and their families, supported housing programs, and forensic programs for adults.

Managed Care

The New York State Department of Health has received four responses to its Request for Proposals to operate Special Needs Plans (SNPs) for Medicaid recipients with severe mental illnesses in New York City. The State is expected to select three of these entities in April 2000. Contracts will then be negotiated by the Department, with voluntary enrollment projected to begin in July 2001.

Forensic LINK

The Department is developing three forensic LINK programs in Queens, Brooklyn, and the Bronx, which will serve a total of 1,100 clients. These programs will target adults 18 years and older who have been diagnosed with a mental illness which hinders their ability to function in the community without assistance or treatment. The goal of these programs is to ensure that clients successfully make the transition between confinement and community living.

FIRE DEPARTMENT

The Fire Department is responsible for protecting lives and property from fire, responding to non-fire emergencies, investigating suspicious fires, and providing ambulance and pre-hospital emergency medical services. Fire extinguishment and rescue services are provided through the staffing of 362 fire companies throughout the City. Fire prevention is accomplished through the enforcement of New York City's fire codes and the development of public education programs. Arson investigation is conducted by the Fire Department's fire marshals, who are responsible for determining the cause and origin of suspicious fires and apprehending arsonists. Ambulance transport and pre-hospital emergency medical care are provided by the Bureau of Emergency Medical Services (EMS), assisted by Certified First Responder - Defibrillation (CFR-D) trained personnel responding from Engine Companies. These missions are accomplished with the assistance of support units including Fire Communications, Fleet and Building Maintenance, the Division of Training, and the Bureau of Health Services.

Financial Review

The Fire Department's 2001 Executive Budget provides for operating expenses of $1.06 billion, a decrease of $17.6 million from the amount forecasted for 2000. This decrease is primarily due to over quota hiring of firefighters and computer remediation efforts funded in 2000 but no longer required in 2001. Capital commitments for 2001 of $212.2 million are also provided for, an increase of $60.0 million from the 2000 plan.

Revenue Forecast

The Fire Department issues permits and collects fees for the inspection of fire suppression and electrical systems, places of public assembly, laboratories, high-rise buildings, and the storage and use of combustible materials. In addition, revenues are received from a fee charged to out-of-state fire insurers doing business in New York City, and from fees charged to private fire alarm companies. In 2001, it is estimated that the Department will collect $44.2 million.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- response to structural fires and non-fire emergencies (such as hazardous materials incidents) is enhanced in 2001 by increasing firefighter availability through hiring over quota.

- the Department will hire an additional 20 Communication Electricians to maintain the City's Fire Call Box Network.

- the Department will receive an allocation of $2.8 million in 2001 for the procurement of infrared cameras to aid firefighters in detecting the source of a fire, thereby improving firefighting and search and rescue operations.

- one hundred twenty-five Fire Cadets were hired in order to improve minority recruitment and to enhance fire prevention programs citywide.

- as part of the Department's minority recruitment program, a total of 200 Emergency Medical Technicians, Paramedics and Fire Cadets will be promoted to the rank of Firefighter in 2001.

- firefighter re-certification training for the First Responder program will continue the CFR-D initiative, which responds to life-threatening medical incidents citywide

- the Department will provide $0.5 million annually for operating expenses upon completed construction of the fire safety learning center at Rockefeller Plaza.

Streamlining

- seventy-five uniformed personnel on limited duty assignments for an extended period will retire and those positions will be replaced with seventy-five civilians.

- citywide Fire Marshal base operations were made more efficient as a result of eliminating five Administrative Fire Marshal vacancies and reassigning these responsibilities to Supervising Fire Marshals.

Summary of Agency Financial Data

($000's)

			2001		Increase/(Decrease) 2000	2001
	1999 Actual	2000 Forecast	Preliminary Budget	Executive Budget	Forecast	Preliminary Budget
Expenditures						
Personal Service	$949,555	$983,728	$979,620	$979,091	($4,637)	($529)
Other Than Personal Service	78,892	94,015	79,575	81,091	(12,924)	1,516
Total	$1,028,447	$1,077,743	$1,059,195	$1,060,182	($17,561)	$987
Funding						
City	$950,463	$1,000,969	$982,947	$983,934	($17,035)	$987
Other Categorical Grants	75,031	74,007	73,481	73,481	(526)	—
Capital IFA	—	—	—	—	—	—
State	2,788	2,512	2,512	2,512	—	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	165	255	255	255	—	—
Intra-City Other	—	—	—	—	—	—
Total	$1,028,447	$1,077,743	$1,059,195	$1,060,182	($17,561)	$987
Personnel (at fiscal year-end)						
City	15,922	15,696	15,716	15,716	20	—
Non-City						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	15	16	16	16	—	—
Total	15,937	15,712	15,732	15,732	20	—

Programmatic Review

The changing nature of the Fire Department's emergency responses continues to be evident. In 2001, it is expected that over half of the responses by the Department's fire companies will be to medical and other non-fire emergencies. The Department's ambulances are expected to respond to over one million medical incidents in 2001. Even with this increased response to medical and other non-fire emergencies, the Department's citywide response time to structural fires continues to be less than four and a half minutes.

Fire Extinguishment

The Fire Department provides extinguishment and rescue operations with 203 engine companies, 143 ladder companies, seven squads, five rescue units, three marine companies, and one hazardous materials unit.

All engine companies have received initial defibrillation training. Recertification training will continue throughout 2001 for those units whose initial certification will expire.

Emergency Medical Services

The Department continues to acquire sites throughout the City to be used as community-based EMS stations in order to increase ambulance availability. The increased use of technology, through the Global Positioning System (GPS) and Automatic Vehicle Locator (AVL), will further improve ambulance response time by allowing dispatchers to more effectively locate, monitor and dispatch ambulances. Additionally, medical care is improved through the provision of training in asthma treatment to all ambulance companies.

Fire Prevention

The Bureau of Fire Prevention is responsible for enforcing the City's fire codes through the inspection of public and private properties, and for providing fire safety education and community outreach. These services are being enhanced through the recruitment of 125 Fire Cadets who perform fire safety instruction as part of their responsibilities. In addition, the Department hosted the Mayor's multi-agency fire task force that addressed fire education and safety and recommended legislation (Local Law 10 of 1999) that requires sprinklers in certain types of dwellings.

Fire Investigation

The Bureau of Fire Investigation will be enhanced by the promotion of 25 Firefighters to the rank of Fire Marshal in 2001.

Capital Review

The Capital Commitment Plan provides $376.5 million over the next four years for the purchase of firefighting apparatus, equipment and support vehicles; acquisition of ambulance stations; emergency medical equipment and communications systems related to the Bureau of EMS; the renovation and modernization of firehouses and training facilities; and the upgrade and replacement of computer and communications equipment, including the continued operation of the call box network.

The table below shows capital commitments by program area over the FY 1999-2004 period.

Capital Commitments

($000's)

	1999 Actual		2000 Plan		2001 Plan		2002 Plan		2003 Plan		2004 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Fire Alarm Communications	4,717	4,717	39,690	39,690	22,600	22,600	665	665	686	686	713	713
Electronic Data Processing	4,112	4,112	32,977	32,977	585	585	300	300	151	151	0	0
Reconstruction/Modernization of Facilities	21,384	21,384	54,033	54,033	150,199	150,199	26,532	26,532	20,245	20,245	19,474	19,474
Vehicles and Equipment	35,883	35,883	25,474	25,474	38,824	38,824	34,034	34,034	29,883	29,883	31,593	31,593
Total	66,096	66,096	152,174	152,174	212,208	212,208	61,531	61,531	50,965	50,965	51,780	51,780

Highlights of the Four-Year Capital Strategy and 2001 Executive Budget

- the replacement of front-line firefighting apparatus according to mandated replacement cycles and funding for support vehicles and equipment ($134.3 million).

- the renovation of firehouse components such as apparatus doors, apparatus floors, boilers, electrical upgrades, kitchens, roofs, toilets, waterproofing, and windows ($30.6 million).

- the complete restoration of twelve firehouses ($49.2 million).

- the construction of a new joint firehouse and EMS station in Staten Island ($7.5 million).

- the acquisition of ambulance stations ($17.8 million).

- funding for classroom training facilities at Fort Totten, and an in-door fire simulation training facility with additional classroom space at Randall's Island ($91.0 million).

- the purchase of communications equipment, including radio equipment for the five borough communication offices, the continued operation of the call box network and the procurement of a joint Fire/EMS Computer Aided Dispatching (CAD) system ($24.7 million).

- the purchase and upgrade of computer equipment to support agency operations, including the expansion of the Department's Local Area Network (LAN), and various records management information systems ($1.0 million).

The 2001 Plan for the Department totals $212.2 million. It includes the following:

- the continued replacement of front-line firefighting apparatus and support vehicles and equipment ($38.8 million).

- a continuing firehouse renovation program for the replacement and upgrade of essential building components ($9.3 million), the complete rehabilitation of three firehouses ($12.9 million), the design for the rehabilitation of three additional firehouses ($1.0 million), the construction of a new joint firehouse and EMS station in Staten Island ($7.5 million) and the acquisition of ambulance stations citywide ($10.8 million).

- the acquisition of equipment to upgrade the Department's communications and dispatching systems including the procurement of a new joint Fire/EMS Computer Aided Dispatching (CAD) system ($7.4 million).

- the purchase of new mobile radios for all front-line vehicles ($15.0 million).

- the design and construction of new classroom training facilities at Fort Totten, and a new in-door fire training simulation facility along with additional classroom space at Randall's Island ($91.0 million).

- the Department, in conjunction with the Fire Safety Education Fund, a not-for-profit foundation, is constructing a fire safety learning center to be located in Rockefeller Plaza ($1.5 million).

- the continued maintenance of the current fire alarm box network ($1.0 million).

DEPARTMENT OF SANITATION

The Department of Sanitation is responsible for protecting the public health by maintaining and enforcing sanitary conditions through the collection, management, and disposal of municipal solid waste. The Department is one of the oldest, largest, and most diverse public solid waste organizations in the United States providing collection service to residents in the City's 59 Community Districts. The Department collects refuse and recyclables, cleans streets, disposes of waste, processes recyclables, removes snow, and enforces portions of the City's health and administrative codes.

Financial Review

The Department of Sanitation's 2001 Executive Budget provides $973.9 million for operating expenses, an increase of $134.4 million from the amount forecasted in 2000. This increase is primarily attributed to the cost of exporting waste. Capital commitments of $295.3 million are also provided in 2001, an increase of $170.0 million from the 2000 Plan amount. This difference reflects changes of $65.8 million of prior year adjustments and de-registrations of contracts related to Fresh Kills closure activities, a reforecast of the garage construction program, and changes to funding for equipment purchases.

Revenue Forecast

The Department of Sanitation generates revenues from privately bid contracts for the removal of abandoned vehicles from City streets and property; from concession fees on methane gas extracted from the Fresh Kills landfill; from the sale of recycled paper to private processors, and from an assortment of miscellaneous fees and minor sales. The Department's 2001 revenue estimate is $10.7 million from these sources.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- the Department is exporting waste from the Bronx, parts of Brooklyn, Manhattan, and Staten Island and will continue its plan to export waste from Queens and the remainder of Brooklyn to close the Fresh Kills landfill by December 31, 2001.

- the 2001 Executive Budget allocation includes $23.0 million to hire an additional 1,050 uniformed personnel to maintain the frequency of residential waste collection services due to operational changes associated with waste export.

- an additional 241 sanitation workers have been provided, as part of the 2001 budget allocation, for the successful implementation of weekly recycling collection services citywide.

- an additional $0.4 million and six full-time personnel have been provided to the Permit and Inspection Unit to increase the frequency of inspections of private transfer stations to enforce regulatory compliance of these facilities.

- the Department maintains the ability to handle a major snow emergency.

Streamlining

- the Department continues its efforts to acquire dual-bin collection trucks for recycling collection in low-density communities to enhance collection productivity in these districts.

Restructuring

- the Department has successfully renegotiated its paper processing contracts so that the City does not have to pay for paper processing. In addition, the City will receive additional revenue from fees collected from paper processing vendors of approximately $1.2 million a year.

- the Department of Sanitation has been improving its street cleaning routes to increase the frequency of commercial street cleaning and to reduce the time required for street cleaning operations. This restructuring has allowed the Department of Transportation to reduce street cleaning parking restrictions from one to three hours to 30 to 90 minutes.

Summary of Agency Financial Data

($000's)

			2001		Increase/(Decrease)	
	1999 Actual	2000 Forecast	Preliminary Budget	Executive Budget	2000 Forecast	2001 Preliminary Budget
Expenditures						
Personal Service	$535,682	$585,603	$574,387	$592,674	$7,071	$18,287
Other Than Personal Service	179,946	253,902	318,112	381,183	127,281	63,071
Total	$715,628	$839,505	$892,499	$973,857	$134,352	$81,358
Funding						
City	$696,168	$819,216	$872,270	$950,647	$131,431	$78,377
Other Categorical Grants	201	20	—	—	(20)	—
Capital IFA	6,845	6,321	6,321	6,321	—	—
State	—	—	—	—	—	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	9,414	10,408	10,368	10,364	(44)	(4)
• Other	—	—	—	—	—	—
Intra-City Other	3,000	3,540	3,540	6,525	2,985	2,985
Total	$715,628	$839,505	$892,499	$973,857	$134,352	$81,358
Personnel (at fiscal year-end)						
City	9,094	9,768	9,514	10,574	806	1,060
Non-City						
• IFA	98	125	125	124	(1)	(1)
• CD	208	227	227	227	—	—
• Other	—	—	—	—	—	—
Total	9,400	10,120	9,866	10,925	805	1,059

Programmatic Review

The Department's main administrative and planning divisions include the Bureau of Long Term Export, Financial Management and Administration, and the Bureau of Waste Prevention, Re-use, and Recycling. The two operational divisions are the Bureau of Cleaning and Collection (BCC) and the Bureau of Waste Disposal (BWD). The Bureau of Motor Equipment (BME) and the Bureau of Building Management (BBM) provide support operations.

Planning for the Closure of the Fresh Kills Landfill

In the spring of 1996, Mayor Rudolph W. Giuliani and Governor George F. Pataki announced that the Fresh Kills landfill would close by the end of 2001 and established a joint Task Force. The Fresh Kills Task Force explored various options available to the City to reduce the use of the Fresh Kills landfill and develop a plan for its closure. The Fresh Kills Task Force Report provided various recommendations regarding the City's waste management programs such as reducing waste disposed at Fresh Kills, reducing the City's waste stream, and various recycling initiatives. The Department has allocated resources to implement these recommendations and programs.

The Department of Sanitation (DOS) is responsible for administering the City's waste management programs. The Department has developed an interim and long-term plan to meet the Fresh Kills closure deadline. DOS was disposing approximately 13,000 tons of waste per day at Fresh Kills at the end of 1996. The interim plan is a phased reduction of waste disposed at Fresh Kills through the use of private contracts to receive, transfer, and transport waste to out-of-city sites. The Department began this program in fiscal year 1998 and to date has diverted a total of 7,900 tons, or 60 percent, of waste per day from the Fresh Kills landfill (21 percent above the scheduled tonnage recommended by the Fresh Kills Task Force Report). The budget has been continuously evaluated and updated to reallocate and increase funds required for this program. The 2001 Executive Budget includes a total of $205.2 million for export contracts.

Long-Term Solid Waste Management

The Bureau of Long-Term Export is responsible for analyzing, planning, and developing long-term waste disposal strategies for the City's waste. The Comprehensive Solid Waste Management Plan (SWMP) of 1992 (updated in 1996) included the City's ten-year solid waste management plan. The City is required, as part of the long-term plan, to amend the SWMP to reflect how it will manage its future waste disposal due to the closure of the Fresh Kills landfill.

The Mayor submitted the Solid Waste Management Plan modification to the City Council for review in April 1998. The Department will release its final SWMP this spring to reflect the closure of the Fresh Kills landfill and its waste management strategies. Important elements of this plan are expanding waste prevention, recycling, and developing marine and rail based waste transportation options. The Staten Island Transfer Station project is currently in the design stage. This transfer station will provide the borough of Staten Island with the ability to transfer waste, collected by trucks, to freight containers for shipment out of New York City.

Bureau of Waste Prevention, Re-use, and Recycling

The Department continues its efforts to reduce the quantity of solid waste the City must dispose. The Department manages the largest and most aggressive recycling program in the United States.

The Bureau of Waste Prevention, Re-use, and Recycling studied and implemented many of the Fresh Kills Task Force recommendations including extensive educational outreach programs and the expansion of materials to be included in the City's recycling program. For example, the City expanded its recycling program to include mixed paper and household metal bulk collection. Also, pursuant to Local Law 59 of 1998, the City has expanded alternate week recycling collection to a weekly collection schedule in an effort to augment recycling participation and waste diversion rates. In April 2000, the Department implemented the final phase of weekly recycling providing all New York City residents with weekly collection services. The Department also expanded its leaf and Christmas tree collection to increase composting.

These efforts are evident in the City's diversion rates. The citywide diversion rate was 19.2 percent of the residential and curbside waste stream and 32.8 percent of the total DOS managed waste stream (including recycled construction and demolition debris and tires) for the first four months of fiscal year 2000.

Bureau of Waste Disposal

The Bureau of Waste Disposal is responsible for the receipt, transfer, transportation, and final disposal of approximately 13,000 daily tons of residential and institutional waste through its marine transfer stations, barges, Fresh Kills, and waste export contracts. As refuse is diverted from the landfill, workload reductions have occurred at the marine transfer stations and at Fresh Kills. Staff levels at these facilities have been reduced through attrition and redeployment to other divisions.

BWD is also responsible for the Fresh Kills landfill closure activities. The Financial Plan includes funds for closure activities including the final capping of the landfill, leachate treatment and control, methane gas collection and flaring, maintenance and security of the site and waterways, and environmental monitoring.

The Bureau of Cleaning and Collection

The Bureau of Cleaning and Collection is primarily responsible for collecting household refuse and recyclables, cleaning City streets, and enforcing recycling regulations and portions of the City's health and administrative codes. BCC provides refuse collection services two or three times a week depending on the population density of the community. Additional resources have been provided to this Bureau due to increased travel time to export refuse to out-of-city transfer stations and to ensure that collection schedules are completed on time.

The Financial Plan includes additional resources to BCC for citywide weekly recycling collection. Due to the increase in recyclables collected, the Department will deploy additional trucks to ensure that collection schedules are completed. The Department's pilot study of dual bin collection trucks to pick up paper, metal, glass, and plastic in one collection truck has been successful in low tonnage districts. The Department will expand the use of dual bin trucks in fiscal year 2001 in low-density districts to improve collection productivity.

In order to maintain street cleanliness, BCC deploys mechanical street sweepers to clean over 6,000 miles of streets. The Department deploys Work Experience Program (WEP) participants to assist in the cleaning of City streets. This initiative has contributed to an improvement in citywide street cleanliness. The Department's street cleanliness rating for the first four months of fiscal 2000 rose to 89.3 percent acceptably clean from 84.9 percent from the previous year. BCC cleaning operations include supplemental cleaning of recreational areas and beaches (during the summer season), vacant lot cleaning, and the cleaning of illegal dumpsites.

The Department will continue the cleaning strategy embodied in Operation SLICE (Streets, Lots, Intensive Cleaning and Enforcement) to perform intensive street cleaning in problem areas citywide. In 2001, the Department will continue its enforcement efforts to maintain improved street and lot conditions and work closely with other City agencies to identify those properties that require better maintenance. Also, as part of the Mayor's ongoing effort to improve quality of life in the City, the Department implemented an Anti-Graffiti Program in 1999. The Department continues to keep all of its facilities, vehicles and equipment free of graffiti.

Support Bureaus

The Bureau of Motor Equipment provides services related to the acquisition, repair, and maintenance of the Department's motor equipment including collection trucks, street sweepers, salt spreaders, cranes, tractors, and other vehicles and equipment. BME operates an extensive repair and maintenance facility to ensure that equipment is available to implement the Department's operational functions. This Bureau researches and develops equipment specifications to improve productivity, vehicle design, and alternative fuel vehicles.

The Bureau of Building Maintenance continues to provide facility management services. BME provides maintenance and emergency repair work for the Department's 204 facilities.

Capital Review

The Department's 2001-2004 Four-Year Capital Plan totals approximately $1.0 billion. The Four-Year Capital Plan provides the Department with funding to construct, rehabilitate, purchase, and develop the necessary infrastructure and assets to support refuse collection, recycling, cleaning, waste disposal, and support operations. The Department's Capital Budget consists of two major components – garage construction and rehabilitation, and equipment purchases. These two major programs represent 92 percent of the total 2001 Capital Budget allocation.

The Department supports its collection and cleaning operations through its garage program. The garage program will be expanded and developed to compliment the size of the Department's fleet and work force. Garages and facilities will be constructed and rehabilitated in all five boroughs. The Department continues to replace equipment, in accordance with established replacement schedules, including collection trucks, dual bin trucks, mechanical brooms, and salt spreaders in order to support operations.

The Department's Capital Plan includes funding for the rehabilitation of its marine infrastructure. Furthermore, the marine borer abatement program, which is necessary to implement New York City's long-term waste disposal plan, will ensure that these facilities are structurally sound and operationally safe.

In order to reduce the amount of solid waste disposed, the Department supports recycling projects. The Capital Plan provides funds to increase the City's composting capabilities by developing sites for composting.

The table below shows capital commitments by program area over the FY 1999-2004 period.

Capital Commitments

($000's)

	1999 Actual		2000 Plan		2001 Plan		2002 Plan		2003 Plan		2004 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Bureau of Waste Disposal	-17,691	-17,691	-65,785	-65,785	48,259	48,259	110	110	22,209	22,209	0	0
Solid Waste Management Plan	-5,779	-5,779	545	545	-2,655	3,595	0	0	2,505	2,505	0	0
Garages	20,787	20,787	44,004	44,004	120,694	120,694	156,625	156,625	109,875	109,875	175,685	175,685
Equipment	65,443	65,443	146,545	146,545	115,761	122,761	76,400	76,400	81,306	81,306	81,827	81,827
TOTAL	62,760	62,760	125,309	125,309	282,059	295,309	233,135	233,135	215,895	215,895	257,512	257,512

Highlights of the Four-Year Capital Strategy and FY 2001 Executive Capital Plan

- rehabilitation of and improvements to the Marine Transfer Stations including the construction of a marine borer protection system to extend the life of pilings that support piers and waste management facilities ($14.6 million).

- construction of various garages ($519.3 million), including the construction of the Queens 14 garage ($32.6 million), Brooklyn 1 & 4 garage ($75.6 million), Manhattan 4/4A/7 garage ($101.5 million), and Manhattan 6/8/8A garage ($123.9 million).

- rehabilitation of garages and various facilities ($43.6 million).

- replacement of collection trucks and mechanical brooms in accordance with established replacement cycles ($267.4 million in total funds).

- construction of new composting sites ($6.1 million in total funds).

The 2001 Plan provides $295.3 million ($282.1 million City funds) including:

- replacement of collection trucks and mechanical brooms ($94.0 million) and salt spreaders ($4.3 million) in accordance with established replacement cycles.

- replacement of all other equipment ($17.5 million).

- construction of Brooklyn District 1 and 4 garage ($75.4 million).

- construction of Brooklyn District 14 garage ($7.9 million).

- rehabilitation of multiple garages and facilities, Citywide ($9.7 million).

- construction of salt sheds, Citywide ($6.2 million).

- rehabilitation and improvements to the Marine Transfer Stations ($6.5 million).

- construction of a marine borer protection system to extend the life of pilings that support piers and waste management facilities ($5.6 million).

- construction of new composting sites ($3.6 million in total funds).

DEPARTMENT OF PARKS AND RECREATION

The Department of Parks and Recreation maintains one of the oldest and largest municipal park systems in the country. The Department maintains 28,156 acres of developed, natural, and undeveloped parkland, which constitutes 13.7 percent of the City's landmass. The Department's responsibilities include maintenance and operation of 800 malls, triangles and public squares, 980 playgrounds, 614 ballfields, 35 recreation centers, 14 miles of beaches, 7.5 miles of boardwalks, 13 golf courses, three zoos, and three municipal stadia. The Department is also responsible for the care and cultivation of approximately two million park trees and 500,000 street trees.

The Department of Parks and Recreation provides recreation programs for all age groups at parks, playgrounds and indoor recreation centers citywide. Structured programs include basketball, track and field, softball, boxing and swimming instruction.

Financial Review

The 2001 Executive Budget for the Department of Parks and Recreation provides for operating expenses of $184.6 million, which represents a net decrease of $8.2 million from the amount forecasted in 2000. This decrease is primarily due to one-year grants and initiatives included in 2000, but not in 2001. Capital commitments for 2001 of $242.3 million are also provided, an increase of $8.2 million from the 2000 capital plan.

Revenue Forecast

The Department of Parks and Recreation collects revenue from fees for the use of City tennis courts, ball fields, skating rinks, stadium rentals and concessions on park property. In 2001, the Department will collect $44.5 million from these sources, compared to $46.3 million in 2000. Accounting for some of the changes are the increased stadium rent collections, and additional concession revenue.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- maintaining the City's parks, playgrounds, infrastructure, and safety equipment.
- operating pools and beaches, and providing instructional and recreational programs.
- maintaining and operating recreation centers citywide.
- new annual funding of $465,000 in Community Development funds will be provided for the Hunts Point Teen Center in the Bronx, which will be completed in the fall of 2000.
- subsidizing the City's zoos: Flushing Meadows, Prospect Park, Central Park and Central Park Children's Zoo.
- maintaining a ten-year tree pruning cycle utilizing both in-house staff and private contractors.
- maintaining park cleanliness.
- staffing increase for the maintenance of City Hall Park and Foley Square.
- maintaining funds for the Central Park Conservancy as part of the public and private partnership initiative to maintain Central Park in a state of good repair.

Impact of Reducing the Size of Government

- reducing seasonal spending for maintenance while continuing to improve park condition ratings.
- reducing seasonal playground associates while continuing to provide recreational services to communities.
- reducing headcount through attrition with a fifty percent replacement of seasonal employees.

Summary of Agency Financial Data

($000's)

			2001		Increase/(Decrease) 2000	2001
	1999 Actual	2000 Forecast	Preliminary Budget	Executive Budget	Forecast	Preliminary Budget
Expenditures						
Personal Service	$137,164	$141,395	$134,315	$136,820	($4,575)	$2,505
Other Than Personal Service	49,137	51,417	44,172	47,805	(3,612)	3,633
Total	$186,301	$192,812	$178,487	$184,625	($8,187)	$6,138
Funding						
City	$156,618	$159,124	$149,226	$148,447	($10,677)	($779)
Other Categorical Grants	3,023	3,439	—	—	(3,439)	—
Capital IFA	13,449	14,946	14,951	14,951	5	—
State	446	752	—	—	(752)	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	3,803	4,786	4,746	5,433	647	687
• Other	178	201	—	—	(201)	—
Intra-City Other	8,784	9,564	9,564	15,794	6,230	6,230
Total	$186,301	$192,812	$178,487	$184,625	($8,187)	$6,138
Personnel (at fiscal year-end)						
City	1,827	1,777	1,677	1,677	(100)	—
Non-City						
• IFA	237	296	296	296	—	—
• CD	37	61	61	76	15	15
• Other	—	—	—	—	—	—
Total	2,101	2,134	2,034	2,049	(85)	15

Programmatic Review

The Department of Parks and Recreation will focus on maintaining parks, playgrounds, beaches, pools and recreational facilities. It will continue to deploy two programs: the Work Experience Program, which will aid in litter removal and overall park maintenance; and the Parks Career Training Program, which will assist participants to develop skills necessary to acquire useful employment. The Department commits to improving the care of its street trees citywide by allocating expense funds for tree pruning personnel and private contracts for a ten-year pruning cycle, as well as by allocating capital funds to plant 14,000 new street trees each year.

The Department will continue to optimize its resources to improve cleanliness and acceptability ratings in parks and playgrounds citywide. Cleanliness and acceptability ratings for the overall condition of parks and playgrounds have reached 95 percent and 88 percent respectively in 2000. The Department will continue its use of capital requirements contracts in conjunction with the Work Experience Program and the Parks Career Training Program to provide safe and clean parks.

Capital Review

The Four-Year Plan totals $468.4 million, including $11.3 million of non-city funding. The table below shows capital commitments by program area over the 1999 - 2004 period.

Capital Commitments

($000's)

	1999 Actual		2000 Plan		2001 Plan		2002 Plan		2003 Plan		2004 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Beaches and Boardwalks	953	953	3,178	3,178	2,185	2,185	0	0	500	500	500	500
Land Acquisition and Tree Planting	10,795	11,785	10,658	10,885	15,218	17,024	7,000	7,000	7,000	7,000	8,000	8,000
Major Recreation Facilities	15,613	15,613	23,763	23,788	16,504	17,012	13,067	13,067	3,437	3,437	6,303	6,303
Neighborhood Parks and Playgrounds	58,831	60,869	80,800	81,206	66,649	67,344	16,110	16,110	13,000	13,000	13,000	13,000
Vehicles, Equipment and Facility Reconstruction	14,391	14,391	26,287	26,287	9,241	9,241	9,400	9,400	8,895	8,895	11,070	11,070
Large, Major and Regional Park Reconstruction	58,720	67,929	74,177	88,729	121,258	129,513	93,590	93,590	5,400	5,400	9,760	9,760
Zoos	28	28	0	0	0	0	0	0	0	0	0	0
Total	159,331	171,568	218,863	234,073	231,055	242,319	139,167	139,167	38,232	38,232	48,633	48,633

Highlights of the Four-Year Capital Strategy and the 2001 Executive Budget

- planting an average of 14,000 street trees per year ($28.0 million).
- reconstructing and replacing of safety surfaces, play equipment and paths ($52.0 million).
- constructing Hudson River Park ($98.0 million).
- reconstructing citywide park comfort stations ($3.5 million).
- constructing an indoor pool in Flushing Meadows/Corona Park ($14.6 million).
- reconstruction of park bridges ($7.4 million).
- reconstruction of regional parks citywide ($20.0 million).
- reconstruction and expansion of East River Park ($5.0 million).
- constructing irrigation systems for 12 municipal golf courses ($7.1 million).

- renovation of Yankee Stadium to provide better handicapped accessibility ($6.8 million).
- reconstructing damaged pilings caused by marine borers at the Cromwell Recreation Center ($11.2 million).
- reconstructing Columbus Circle Park Plaza ($5.0 million).

DEPARTMENT OF ENVIRONMENTAL PROTECTION

The major functions of the Department of Environmental Protection (DEP) include the collection, storage and delivery of the City's water; the conveyance and treatment of storm water and sanitary flow; the enforcement of air, noise and water use regulations; water use billing, revenue collection and customer service; the management of environmental issues and natural resource protection; and the construction and reconstruction of the related infrastructure. The City is reimbursed for the costs of operating the water and sewer system by the New York City Water Board and the Department's capital program is financed through the New York City Municipal Water Finance Authority.

Financial Review

The Department of Environmental Protection's 2001 Executive Budget provides $666.3 million in operating expenses, an increase of $24.3 million from the amount forecast in 2000. It also provides capital commitments of $6.2 billion in City funds and $308 million in State funds for a total of $6.5 billion to fund the Capital Four-Year Plan.

Revenue Forecast

The Department collects revenue from environmental quality permits, the sale of hydro-energy to upstate power utilities, property rentals, summonses adjudicated before the Environmental Control Board (ECB), and other fees. The revenue estimate for 2001 is $44.6 million. DEP also collects the data used to generate bills for customers and collects water and sewer fees for the New York City Water Board.

The Bureau of Environmental Compliance, which deals with air, noise and hazardous materials, performs inspections, issues licenses and permits, and reviews technical plans related to asbestos control, air quality, and noise abatement laws. Combined, the 2001 revenue from these sources is projected at $8.4 million. The Environmental Control Board will collect $32.2 million in 2001, an increase of $1.5 million from 2000. This increase is attributable to the expansion of street construction enforcement by the Police Department.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- to ensure compliance with Local Law 65/96,which mandates notification to property owners to connect to the sewer system and prohibits the discharge of sanitary flow into storm sewers, DEP will hire three additional engineers. DEP will also add three inspectors to enhance enforcement of grease regulations to mitigate sewer back-ups and potential odor disruptions.

- the Department will change its method for disinfecting in-City drinking water with chlorine gas to one utilizing the sodium hypochlorite. Ten maintenance positions will be added to support this function.

- three positions will be added to the effort to develop a Telemetry Unit that would increase the Agency's efficiency in the collection and analysis of multiple drinking water parameters.

- to assist in the design, construction and maintenance of natural resource areas used in support of 'Best Management Practice' (BMP) drainage facilities in the Bluebelt system in Staten Island, DEP will hire a landscape architect. The establishment of BMPs allows for the presence of a natural storm water drainage system that alleviates residents of problems associated with major sewer construction.

- to ensure a 24 hour/7 day a week patrol coverage at Kensico Shaft 18 (East of Hudson District), DEP will hire an additional watershed maintainer. Two additional watershed maintainers will also be hired for the overall maintenance of buildings, grounds, highways and the aqueduct in the Catskill District.

- the Agency will hire two foresters whose task will be to develop management plans for timber on City-owned land for the purpose of sustaining a healthy forest and higher water quality. Three positions will be added to the upstate engineering section to review stormwater mitigation plans.

- to improve the statistical method for identifying and determining the viability of pathogens in water, soil and sediments, DEP will hire three scientists.

Productivity and Restructuring Initiatives

- to enhance preventive and corrective maintenance at in-City wastewater treatment facilities through the addition of fifteen positions.

- DEP will continue the Waterfowl Management Program at the Kensico Reservoir. This innovative program has successfully reduced the number of birds that nest in, and pollute, the City's reservoir without harming the birds.

- DEP will continue a pilot program to improve catch basin cleaning productivity by increasing the number of sites at DEP facilities used to transfer the residuals to landfills.

- the Department will evaluate various interim strategies that ensure continued compliance with current State nitrogen discharge limits prior to implementation of the City's long-term Comprehensive Nitrogen Management Plan for its wastewater treatment facilities.

Public/Private Competition

- the Department will continue managing its successful program regarding the disposal of dewatered sludge (or biosolids) produced from the City's wastewater treatment plants (WTPs). Through private vendors, the biosolids are transported throughout the country for beneficial use (i.e. compost and fertilizer).

- in 2001 the City will continue funding maintenance contracts on the Third Water Tunnel for servicing pumps, valves, alarms, power and lighting as well as electrical and telemetry equipment, elevators, dehumidifiers, chlorination equipment and the ventilation system. The total annual cost of these contracts is approximately $5.5 million.

- the Department will contract for sewer dragging services for Springfield Gardens in Queens and for Third Avenue in Brooklyn to alleviate the accumulation of silt at a cost of $666,000 in 2001.

- DEP will continue to contract with the Watershed Agricultural Council to facilitate a forestry management program to help protect our upstate reservoirs.

- to evaluate process improvements at in-City WTPs that can result in enhanced nitrogen removals to be performed by the City University of New York (CUNY) during a two-year study. Additionally, the Department will acquire preventive and corrective maintenance services for equipment installed as part of biological nutrient removal retrofit projects at its WTPs.

- the Department will fund a contract for the service and repair of the Gowanus Flushing Tunnel pump.

- DEP is exploring an expansion of its program to privatize water meter readings via cooperative agreements with public utilities or other contractors that will incorporate water meter readings as part of their operations. The reading of customers' meters in Staten Island and the Bronx will continue to be performed by private vendors.

Summary of Agency Financial Data

($000's)

			2001		Increase/(Decrease)	
	1999 Actual	2000 Forecast	Preliminary Budget	Executive Budget	2000 Forecast	2001 Preliminary Budget
Expenditures						
Personal Service	$277,832	$290,815	$289,790	$293,516	$2,701	$3,726
Other Than Personal Service	293,729	351,225	354,434	372,734	21,509	18,300
Total	$571,561	$642,040	$644,224	$666,250	$24,210	$22,026
Funding						
City	$539,214	$606,874	$608,072	$630,178	$23,304	$22,106
Other Categorical Grants	—	—	—	—	—	—
Capital IFA	32,277	33,355	35,580	35,580	2,225	—
State	—	301	—	—	(301)	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	18	938	—	—	(938)	—
Intra-City Other	51	572	572	492	(80)	(80)
Total	$571,561	$642,040	$644,224	$666,250	$24,210	$22,026
Personnel (at fiscal year-end)						
City	272	286	286	286	—	—
Non-City						
• IFA	710	828	828	828	—	—
• CD	—	—	—	—	—	—
• Other	4,642	4,883	4,883	4,884	1	1
Total	5,624	5,997	5,997	5,998	1	1

Programmatic Review

Water Supply Strategies

The federally mandated Surface Water Treatment Rule (SWTR) requires all surface water providers to filter drinking water unless they can demonstrate that their supply meets increasingly strict federal standards without a filter system. In 1997, the U.S. Environmental Protection Agency (EPA) gave the City a five-year conditional waiver from a filtration mandate for the Catskill and Delaware water systems. A filtration plant for the Catskill and Delaware systems would cost an estimated $4-8 billion to construct. DEP continues to implement an innovative strategy to protect and monitor both the upstate source waters and the in-City distribution system. To preserve the source waters, the Department's plan includes purchasing environmentally sensitive land around the City's reservoirs, increasing water quality monitoring, upgrading City-owned and non-City owned WTPs, enhancing laboratory analysis, and improving agricultural and resource management practices. Within the City, the Department has focused on various programs to improve the distribution system, by eliminating cross connections, improving valve maintenance, flushing mains, and increasing water sampling and laboratory analyses.

To aid with the enforcement of the Watershed Rules and Regulations, the City hired 70 new watershed police officers during the past year. Presently these officers are divided among the City's three watersheds where they are enhancing security by guarding the reservoirs and aqueducts from potential polluters.

The Croton system did not receive a waiver from filtration and the City is under federal and state mandate to construct a water filtration plant. In July 1999, the City Council approved the selection of the Mosholu Golf Course in the Bronx for the plant location. Construction is expected to begin in 2001 and the plant will be in operation by March 2007.

The water supply flows through three aqueducts on its way to the City: the New Croton, Catskill, and Delaware systems. Water from the Catskill and Delaware Aqueducts is delivered to the Hillview Reservoir, a balancing reservoir, where it enters the City through two underground tunnels; City Tunnel Number 1 and Number 2. The water tunnels connect to a 6,000 mile underground network of water mains that carries drinking water to buildings and homes throughout the City. In July 1998 Stage One of City Tunnel Number 3 began transporting drinking water to New York City residents for the first time. Work continues on Stage Two. When complete, the Tunnel will enhance and improve the adequacy and dependability of the entire water supply system and improve service and pressure to the outlying areas of the City. It will also provide the opportunity for the Department to inspect and repair the other two tunnels, which have been in continuous service since their respective completions in 1917 and 1936.

Wastewater Treatment Initiatives

The renegotiated federal consent order governing the disposal of New York City's dewatered sludge (or biosolids) allows the City to replace its prior management program with an improved and more cost-effective program. Beginning in 1999, under the new program, DEP's biosolids disposal strategy has realized annual cost savings of approximately $45 million while obtaining greater environmental benefits through increased recycling or reuse. The Department will continue managing this successful program in 2001, with 100 percent of its dewatered sludge beneficially used at a projected cost of approximately $50 million.

According to a recent Harbor Survey issued by the Department, water quality in New York Harbor and its surrounding rivers continues to improve. The Harbor Survey has provided ongoing monitoring of water quality at 53 sampling stations throughout the Harbor since 1909. For example, coliform bacterial counts, which are indicators of sewage pollution, have continued to decline and, since 1993, compliance with New York State standards continues at the highest levels recorded by this program. Improvements have also been realized in the measure of dissolved oxygen (DO) in the City's surrounding waters. DO is a universal indicator of overall water quality in aquatic systems and its concentrations in most areas of the Harbor have been notably higher throughout the 1990s than in the prior decade. These improvements are primarily in response to the following Department initiatives: continued wastewater treatment plant (WTP) construction and upgrades throughout the City; the abatement of illegal discharges; improved surveillance and sewer maintenance; and increased capture of wet weather flows.

Customer Service and Conservation Programs

The Department services approximately 826,000 water and sewer customer accounts. Of these, approximately 680,000 are billed for water and sewer services based on metered consumption and 146,000 are billed on an annual flat-rate system. The accounts billed on a flat-rate basis include approximately 20,000 properties, which are already metered, but are being billed flat-rate during a transition period.

As required by the NYS Department of Environmental Conservation and the NYC Water Board, the number of unmetered accounts has diminished each year as the Department progresses towards its goal of universally metering all properties. The major goals of universal metering include water conservation, improved water supply system management and rate equity. While most property owners have cooperated with the metering program, others have failed to comply. Owners of unmetered properties have been notified that if they have not made arrangements to have a meter installed by June 30, 2000 they will be billed a surcharge equal to 100 percent of their annual flat-rate water and sewer charges.

DEP has made significant progress in improving the quality of its water and sewer bills. The percentage of metered bills based on estimated consumption has been reduced from 42 percent to 17 percent over the past 3.5 years. Since customers are more likely to pay bills based on actual consumption, these improvements have helped DEP in exceeding its collection targets each year.

The Department has expanded the use of private contractors to read water meters. After a successful pilot program in Staten Island the contractor, Con Edison, is now reading all 160,000 meters located in Staten Island and the Bronx.

The Department's outreach program continues to offer communities an opportunity to have local meetings during which customers can speak directly with customer service representatives about their water and sewer bills, have inspections performed and billing adjustments made, and learn about water conservation. There have been 108 meetings servicing 4,525 accounts since the outreach effort began in December of 1996. Historically, the meetings have targeted customers from particular communities. Recently, meetings have focused on the needs of groups of customers with common concerns and interests including the needs of owners and managers of multiple dwellings, co-ops, and condos and non-English speaking customers.

DEP has made efforts in improving on convenience for customers paying their water and sewer bills by entering into an agreement with privately operated Neighborhood Payment Centers (NPCs). Previously, customers could pay by check or money order at one of the Department's five borough offices or by mailing their payments to a lockbox. Now they can make payments by cash, check, or money order at NPCs. There are currently 50 NPCs processing water/sewer payments, and by the end of calendar year 2000 there will be 250 in operation.

DEP has enhanced the capabilities of its Interactive Voice Response (IVR) system. Customers now hear key information about their specific accounts, such as current balance due, description of the last payment received, and information about the last meter reading. During the first quarter of 2001, the service will be further enhanced by allowing customers to key their meter readings into the billing system, which will help to preventing bills based on estimated consumption.

The Department's conservation programs will also conduct 12,000 surveys for water leaks on customers' properties and supply low-flow showerheads and faucet aerators at no cost to its customers. Where leaks are detected and promptly corrected, customers may qualify for a "forgiveness" program that reduces increased charges caused by the leaks. The program was recently expanded to service both residential and commercial properties.

Environmental Compliance

The Bureau of Environmental Compliance responds to hazardous material emergencies, maintains a Citywide database of facilities containing hazardous materials under its Right-to-Know Program (RTK), monitors emissions and environmental impacts from alternative fuel vehicles, inspects in-progress asbestos abatements for all City-owned properties, investigates air quality and noise complaints, maintains four air monitoring stations on Staten Island, and assists environmental economic development.

In December 1996, the RTK Program was consolidated into the Division of Emergency Response & Technical Assessment (DERTA). This Division responds to hazardous material emergencies and inspects chemical facilities and locations with associated hazardous substance risks. Inspectors identify facilities, conduct investigations, and issue violations to non-compliant facilities. The Department maintains a Citywide Facility Inventory database.

The Asbestos Control Program (ACP) was created to certify asbestos handlers, provide telephone response service to contractors and the public, provide laboratory analysis of asbestos materials, and inspect asbestos remediation projects. ACP also inspects the cleanup of parks containing soil and dust contaminated by lead-based paint (LBP) from nearby bridges.

Other Services

Working with local businesses, the Department fosters economic development and environmental protection via its Environmental Economic Development Assistance Unit (EEDAU). This program promotes environmentally sound business practices and offers assistance to City businesses on issues relating to compliance and pollution prevention.

The Department continues to maintain a 24-hour complaint and emergency Help Center, which responds to infrastructure-related and quality-of-life complaints and monitors the Department's response to emergencies. Complaints are entered into the automated complaint system and electronically routed to field offices.

Capital Review

Overview

In total, the Four-Year Capital Strategy provides $6.5 billion from the following sources: $6.1 billion in Water Finance Authority Funds; $74 million in City funds; and $308 million in State funds. The major elements of the Four-Year Capital Strategy include:

- continuing construction of Stage Two of City Tunnel Number 3 for $532.6 million. Work on this stage of tunnel construction will be in Queens and Manhattan. Stage Two is expected to be operational in 2008. Stage One went into operation in July 1998.

- allocating $369.0 million for the continuation of programs upstate, including the reconstruction of dams, watershed improvements, land acquisition and programs related to the Watershed Memorandum of Agreement to enhance water quality.

- constructing an EPA-mandated concrete cover over the Hillview Reservoir ($224.0 million).

- replacing and extending trunk and distribution water mains ($421.6 million).

- beginning construction of the Croton Water Filtration Plant ($318.4 million) under the Mosholu Golf Course in the Bronx.

- replacing and constructing sewers to improve and expand the collection and transport of storm and waste water ($585.7 million).

- upgrading the Newtown Creek Wastewater Treatment Plant to provide secondary treatment ($1.2 billion).

- stabilizing in-City wastewater treatment facilities that are in need of system-wide reconstruction to ensure their continued compliance with mandated permit requirements ($907.3 million).

- retrofitting wastewater treatment facilities and other related projects to reduce the amount of nitrogen discharged into New York Harbor, Jamaica Bay, and the Long Island Sound ($112.0 million).

- reconstructing or replacing individual components at in-City wastewater treatment facilities to ensure their continuous and reliable operation ($137.8 million).

- reconstructing in-City wastewater pumping stations, regulators, tide gates, and force mains to minimize leakage or back-ups in the sewer system ($169.6 million).

- implementing initiatives that address water quality problems attributable to combined sewer overflow (CSO) discharges into the City's surrounding waterways during rainstorms ($670.2 million). These include an estimated $100.0 million in New York State funds, as part of the Clean Water/Clean Air Bond Act of 1996, for various water quality improvement projects that are included in the Four-Year Plan.

Major projects scheduled for 2001 include:

- continuing the upstate land purchase program which will protect environmentally sensitive land around the City's reservoirs ($54.0 million).

- $120.6 million for water main replacement and extension including: $18.3 million for main replacement in Crescent Street, Brooklyn; $18.0 million for main replacement in Redfern Avenue, Queens.

- construction of Hillview Chlorination Building for $42.0 million.

- continuing the construction for Tunnel #3 Stage 2 ($111.6 million).

- replacing and constructing sewers ($213.8 million).

- upgrading portions of the Newtown Creek Wastewater Treatment Plant ($775.7 million).

- retrofitting wastewater treatment facilities and other related projects to reduce the amount of nitrogen discharged into New York Harbor, Jamaica Bay, and the Long Island Sound ($36.0 million).

- reconstructing or replacing individual components at in-City water pollution control wastewater treatment facilities to ensure their continuous and reliable operation ($60.8 million).

- reconstructing in-City wastewater pumping stations, regulators, tide gates, and force mains ($71.8 million).

- remediation of closed City-owned landfills at Pennsylvania and Fountain Avenues and Brookfield Avenue ($74.1 million G.O. funds and $203.2 State funds).

- forecasting $25.0 million in New York State funds, as part of the Clean Water/Clean Air Bond Act of 1996, for water quality improvement projects that are scheduled in 2001.

The table below shows capital commitments by program area over the 1997-2002 period.

Capital Commitments

($000's)

	1999 Actual		2000 Plan		2001 Plan		2002 Plan		2003 Plan		2004 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Water Pollution	198,063	198,490	437,339	467,923	1,052,731	1,082,731	1,387,250	1,412,250	637,561	662,561	284,606	309,606
Water Mains	200,209	203,057	350,676	350,802	250,767	250,767	255,139	255,139	307,619	307,797	300,749	300,749
Sewers	185,207	185,207	265,475	265,537	216,992	216,992	164,976	164,976	105,568	105,568	98,229	98,229
Water Supply	4,236	4,236	109,286	109,286	194,100	194,100	235,814	235,814	323,530	323,530	154,000	154,000
Equipment	80,631	80,631	139,872	150,942	167,416	370,651	38,604	38,604	30,047	30,047	16,723	16,723
Total	668,346	671,621	1,302,648	1,344,490	1,882,006	2,115,241	2,081,783	2,106,783	1,404,325	1,429,503	854,307	879,307

The 2001-2004 Capital Strategy provides $6.5 billion in funding. The major elements of the Four-Year Plan are described below in the context of the four major program areas.

Water Supply

DEP provides water for consumption and fire fighting in the City, and in many upstate communities, by maintaining 18 reservoirs and three controlled lakes in three watersheds, with a storage capacity of about 550 billion gallons. A network of three aqueducts, three City water tunnels, and 103,661 hydrants, 88,633 valves and 6,181 miles of water mains are or will be used to convey water from upstate to distribute this water within the

City and to several upstate communities. Highlights of the Four-Year Capital Plan include construction on Stages One and Two of City Tunnel Number 3, the replacement and construction of water mains and improvements to the water supply system upstate.

The Stage One portion of City Tunnel Number 3 is 13 miles long and directs water south from the Hillview Reservoir in Yonkers, under Central Park Reservoir in Manhattan, east under the East River and Roosevelt Island to Long Island City in Queens. Tunnel water rises via 14 supply shafts and feeds into the distribution system. Construction of Tunnel Number 3, Stage One for the Four-Year Plan is $364.0 million and includes funds for the reconstruction of the Hillview Reservoir designed to improve both the flow and the quality of water entering City Tunnels. Additional projects under Stage 1 include: reconstruction of the chlorination building, reconstruction of chambers and the design and construction of a concrete cover over the surface of the reservoir, as mandated by the EPA. The Four-Year Plan forecasts $532.6 million for continuation of the construction of Stage Two and consists of two sections: the Brooklyn/Queens section and the Manhattan section. The Brooklyn/Queens portion of Stage Two stretches from Redhook, Brooklyn to Maspeth, Queens. The Queens portion of Stage Two is being excavated. The remaining construction work is for various Shafts in Queens and Manhattan. Stage Two is expected to go into operation in 2008.

The Four-Year Plan includes $318.4 million for the construction of the Croton Water Treatment Plant. The plant will filter water from the East-of-Hudson watershed, which furnishes ten percent of the City's total drinking water supply. The City will commence construction in September 2001 underneath the Mosholu Golf Course in the Bronx so that the plant can operate by March 2007.

The Four-Year Plan forecasts a total of $421.6 million for the replacement and extension of trunk and distribution water mains. This effort will replace chronically failing six-inch mains in Brooklyn and Queens (Manhattan and the Bronx are largely completed and six-inch replacements in Staten Island are outside the years of this Plan) and will include $50.0 million for trunk main extension to the former Jamaica Water Supply Company service area in Queens.

The Four-Year Plan provides an overall total of $253.2 million for projects in the upstate watershed and also $115.8 million for the reconstruction of various City-owned dams upstate. It earmarks approximately $20.0 million for the reconstruction of upstate City-owned roads and bridges. The City will spend an additional $117.7 million in the Four-Year Plan to acquire environmentally sensitive land in the Catskill and Delaware watershed regions, and $4.0 million to acquire land in the Croton watershed region. The City is selectively acquiring land, either through outright purchase or through conservation easements, within the watershed that contains streams, wetlands, floodplains and other areas that are critical to maintaining high water quality. In total, the City has entered into option agreements to acquire 21,070 acres in the watershed. So far, 142 parcels totaling 9,276 acres have been purchased.

Sewers

DEP operates and maintains over 6,400 miles of sanitary, storm and combined sewers. Approximately 70 percent of the existing system is composed of combined sewers that carry both storm and wastewater to the City's 14 wastewater treatment plants for treatment. The sewage collection system, which is divided into 14 drainage areas, also includes 131,243 catch basins and approximately 5,000 seepage basins to prevent flooding and sewer backups.

For the Sewer program, the Four-Year Capital Plan allocates a total of $585.7 million for the replacement, construction and expansion of the City's sewer system to improve the collection and transport of storm and wastewater. The Four-Year Capital Strategy provides $26.4 million for the programmatic replacement and reconstruction of deteriorating sewers Citywide. $52.7 million is scheduled for the replacement and augmentation of sewers to enhance capacity where required by population increases and economic development projects. As required by the State's Clean Water Act, $9.0 million is provided in 2002 for the construction of separate storm and sanitary sewers and the abatement of combined sewer overflows in the Coney Island drainage area. $295 million is allocated for the replacement of sewers experiencing chronic malfunctions that may cause flooding and potential health hazards. The System will be extended into new areas that are currently underserved, primarily in Queens and Staten Island, for $202.2 million.

Wastewater Treatment

DEP's Bureau of Wastewater Treatment operates 14 wastewater treatment plants (WTPs), one storm-overflow retention facility, 89 wastewater pumping stations, nine laboratories, eight sludge dewatering facilities and three inner-harbor sludge transport vessels. On average each day, these facilities treat approximately 1.3 billion gallons of dry-weather sewage and handle approximately 1,200 wet-tons of sludge. The Four-Year Plan for Wastewater Treatment projects is $3.5 billion, including $100.0 million of State funds.

Portions of the City's water bodies have been identified as having serious water quality problems resulting from combined sewer overflow (CSO) discharges. The Four-Year Plan provides $670.2 million for the study, design and implementation of CSO abatement projects that includes the following: Flushing Bay; Paerdegat Basin; Hunts Point; Alley Creek; Jamaica Bay (26th Ward); and the Gowanus Canal. These include $100.0 million that the Department is forecasting in State funds, as part of the Clean Water/Clean Air Bond Act of 1996, for various water quality improvement projects.

The Four-Year Plan has scheduled $907.3 million for the stabilization of wastewater treatment facilities that are in need of system-wide reconstruction to ensure their continued compliance with mandated permit requirements into the future. These facilities include the Bowery Bay, Wards Island, 26th Ward, Tallman Island, Jamaica, and Hunts Point WPCPs and the Spring Creek storm overflow retention facility.

The Four-Year Plan provides $137.8 million for the reconstruction or replacement of individual components at DEP's treatment facilities required for continued reliable operations. These components encompass valves, pumps, boilers, generators and other mechanical equipment.

The Four-Year Plan allocates $169.6 million for the reconstruction of wastewater pumping stations, regulators, tide gates, and force mains. The System's 89 pumping stations are used to convey wastewater over long distances, to drain low-lying areas, and to lift flows to WTPs.

The Four-Year Plan includes $1.4 billion for consent decree upgrading and construction projects for water pollution control facilities. The largest of these projects is $1.2 billion for the upgrade of the Newtown Creek WTP to provide full secondary treatment. The Department will also complete work at the North River, Owls Head and Coney Island WTPs.

The Long Island Sound Study (LISS) is a joint federal-state-local (the states being New York and Connecticut) program to identify the Sound's major environmental problems and to develop an appropriate management plan. The United States Environmental Protection Agency (USEPA) is the lead agency in the LISS, which has identified hypoxia, or low levels of dissolved oxygen, as the issue of greatest concern in the Long Island Sound. Hypoxia is the result of a chain reaction beginning with high levels of nutrients, largely nitrogen. In addition to natural sources, other nutrient sources include: effluent from sewage treatment plants, storm water run-off carrying lawn and agricultural fertilizers, organic materials, and air-deposited nitrate substances. The first phase of the Study has been completed and a Comprehensive Conservation and Management Plan has been adopted by the participants to reverse the adverse impacts associated with hypoxia in the Long Island Sound. The City has entered into agreements as part of its State Pollution Discharge Elimination System (SPDES) permits to undertake certain measures to control nitrogen levels. The Four-Year Plan includes $112.0 million for the Department's Biological

Nutrient Removal (BNR) program, which provides for the retrofitting of its facilities and other related projects to reduce the amount of nitrogen discharged into New York Harbor, Jamaica Bay and the Long Island Sound.

Equipment

The Four-Year Plan totals $456.0 million for this category that is funded as follows: $74.1 million in City General Obligation funding, $203.2 million in State funds, and $178.7 million in Water Authority funding. The plan includes the remediation of closed landfills, water meter installation, vehicles, computer equipment, facility purchase and the relocation of utility mains for sewer and water projects.

The Department will continue installing meters for all 826,000 residential and commercial customers and replacing 90,000 meters that were installed prior to the beginning of the Universal Metering Program in 1988 at a cost of $22.4 million in the Four-Year Plan. The meter program allows the Department to charge customers for actual usage rather than on an estimated usage based on property characteristics, thus providing more equitable billing, encouraging water conservation, and allowing better water management.

DEP will remediate three landfills previously operated by the Department of Sanitation. As a result of past illegal dumping which occurred at these sites, they have been placed on the State list of inactive hazardous waste sites. DEP will supervise the remediation of Brookfield, Pennsylvania and Fountain Avenues, which are each in the design phase for landfill caps, landfill gas collection and disposal systems and stormwater management systems. Landfill remediation qualifies for up to 75 percent cost reimbursement from the State. The Four-Year Plan allocates a total of $203.2 million in State funding and $74.1 million in City General Obligation Funds. This program is scheduled for completion by 2002.

DEPARTMENT OF TRANSPORTATION

The Department of Transportation (DOT) reconstructs, maintains and operates City bridges, maintains and resurfaces City streets and arterial highways, plans for street reconstruction, maintains and collects revenue from parking meters, manages the streetlighting system and traffic signal network, operates parking facilities, helps regulate traffic flow, coordinates transportation planning, oversees subsidized bus and private ferry operations, manages street use franchises, and operates the Staten Island Ferry.

Financial Review

The Department's 2001 Executive Budget provides for operating expenses of $469.3 million, a decrease of $41.8 million from the amount forecast for 2000. This decrease is primarily the result of Federal and State grants expiring at the end of 2000, but which are expected to be renewed during 2001. Capital commitments of almost $1.3 billion are also provided for 2001, including $330.0 million in Federal and State funding.

Revenue Forecast

The Department of Transportation collects revenue from parking meters and garages, franchises, concessions, street opening permits, and ferry vehicle fares. In 2001, it is projected that the Department will collect $150.4 million in revenue, $3.9 million less than in 2000. The decrease is attributable to higher than average parking meter revenue in 2000 due to an unseasonably mild winter.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- an allocation of $19.2 million for the maintenance of over 325,000 streetlights, citywide.
- funding of $20.0 million for the maintenance of over 11,000 signalized intersections, citywide.
- approximately $11.5 million in 2001 for the maintenance and cleaning of the City's arterial highways.
- an allocation of approximately $9.0 million to repair hazardous, or potentially hazardous safety and structural conditions on bridges, known as bridge "flags."
- approximately $1.3 million in City funds in 2001 for the planned drydocking of the American Legion, Lehman and Newhouse ferry boats.

Streamlining

- a savings of $213,000 resulting from the exchange of obsolete automotive parts for parts required to maintain current automotive equipment.
- a decrease of $144,000 in maintenance costs resulting from the installation of energy efficient Light Emitting Diodes (LED's) in Queens and Staten Island traffic signals.
- a reduction of $73,000 from the expiration of the lease for two boom trucks utilized in the Bridge program, which are now being replaced with purchased equipment.

- a decrease of $64,000 by replacing contract guard services with an alarm system at the Glen Street Maintenance and Repair facility on Staten Island.

Impact of Reducing Size of Government

- a decrease of five deckhands and $129,000 resulting from privatizing the security function on the Hart Island Ferry.

- a savings of $105,000 and the elimination of three positions resulting from program efficiencies within the Department's Communications Center.

Summary of Agency Financial Data

($000's)

	1999 Actual	2000 Forecast	2001 Preliminary Budget	2001 Executive Budget	Increase/(Decrease) 2000 Forecast	Increase/(Decrease) 2001 Preliminary Budget
Expenditures						
Personal Service	$212,243	$225,934	$204,712	$209,408	($16,526)	$4,696
Other Than Personal Service	238,058	285,203	249,083	259,890	(25,313)	10,807
Total	$450,301	$511,137	$453,795	$469,298	($41,839)	$15,503
Funding						
City	$254,748	$262,641	$259,609	$271,612	$8,971	$12,003
Other Categorical Grants	989	1,575	—	—	(1,575)	—
Capital IFA	56,434	79,138	77,701	81,201	2,063	3,500
State	67,814	66,388	37,474	37,474	(28,914)	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	27,545	33,136	10,752	10,752	(22,384)	—
Intra-City Other	42,771	68,259	68,259	68,259	—	—
Total	$450,301	$511,137	$453,795	$469,298	($41,839)	$15,503
Personnel (at fiscal year-end)						
City	2,037	2,067	1,966	1,960	(107)	(6)
Non-City						
• IFA	887	1,038	1,038	1,038	—	—
• CD	—	—	—	—	—	—
• Other	1,108	1,264	915	919	(345)	4
Total	4,032	4,369	3,919	3,917	(452)	(2)

Programmatic Review

Bridges

The Bureau of Bridges is responsible for the reconstruction, repair, maintenance and operation of 848 bridge and tunnel structures. In 2001, the Bureau of Bridges will be staffed with 829 positions and have an operating budget of $57.0 million, a decrease of $0.6 million from the amount forecast for 2000, due to the expiration of Federal grants which the City will re-apply for in 2001.

The Bridge program in the 2001 Executive Budget continues the City's commitment to preserve and maintain its infrastructure. The Bridge "Flag" Repair program corrects structural and safety deficiencies on bridges using both in-house forces and by contracting out. The Executive Budget provides $9.0 million in 2001 for the "Flag" Repair program, of which $5.0 million is provided for contracts to help reduce the backlog of "yellow" and "safety" flags and to keep current on all new occurrences of "flags", especially "red" flags. The in-house staff of over 170 positions for "flag" and corrective repair has been maintained at current levels. Flag Repair is also performed by the Department's Capital contractors doing large-scale reconstruction work on the East River Bridges. As a result of these combined strategies there is no backlog of the more serious "red" or emergency structural flags.

While the City is continuing to downsize its workforce, the preservation of its infrastructure remains a priority. The preventive maintenance program will have a workforce of over 240 positions for the oiling, sweeping, cleaning, washing, electrical maintenance and spot and salt splash zone painting of the City's bridges. Operating in conjunction with the expense-funded program, the Capital Budget also funds large-scale bridge protective coating programs.

To complement the City's commitment to the bridge program, the Federal government will continue to pay for preventive maintenance tasks on the Manhattan, Williamsburg, Queensborough and Brooklyn Bridges while these four bridges are under capital reconstruction.

This continuing commitment to the City's bridge program, in conjunction with a Four-Year Capital Plan of over $2.8 billion, will result in an extensive bridge system in good condition, with lower capital reconstruction costs, fewer emergency repairs, and a more cost effective maintenance and repair program.

Highway Operations

The Bureau of Highway Operations is responsible for maintaining approximately 5,700 linear miles of City streets and arterial highways. In 2001, this Bureau will be staffed by 968 full time and over 230 seasonal positions with a budget totaling $88.6 million, a decrease of $5.8 million from the amount forecast for 2000. This decrease is primarily attributable to Federal and State grants which expire at the end of 2000, but which the City will re-apply for in 2001.

The City will continue to ensure that its streets remain smooth through its in-house and contract resurfacing programs, with 244.0 linear miles (811.0 lane miles) to be resurfaced in 2001. The City also intends to repair approximately 30,000 small street defects in 2001, in addition to other street defects addressed in the street resurfacing program. Currently, over 86 percent of the City's 5,700 linear miles of street surfaces are rated in good condition.

In an effort to maintain the arterial highways within the City and increase community participation, the Department will continue its successful Adopt-a-Highway Program, whereby a sponsor adopts a segment of highway and contributes funding for the cleaning and maintenance of the roadside. In conjunction with City and private funding, the Department also utilizes State aid to perform both maintenance and safety structure repair activities. Currently, the Department cleans and maintains 200 miles of arterials annually with a staff of over 200. In addition, the Department utilizes the services of over 100 Work Experience Program workers to provide supplemental cleaning on the City's highway shoulders and service areas.

Traffic Operations

The Bureau of Traffic Operations maintains and collects revenue from approximately 71,600 metered spaces, operates 61 municipal parking facilities, and installs and maintains approximately one million traffic signs, approximately 11,000 signalized intersections, and over 325,000 streetlights. The 2001 Executive Budget provides for 1,046 positions and $170.7 million, a decrease of $26.5 million from the amount forecast for 2000. As with the Highway Operations budget, this decrease is a result of Federal and State grants temporarily expiring at the end of 2000. The 2001 Executive Budget provides $39.4 million for the continued maintenance of streetlights and traffic signals.

Due to the success of the joint New York Power Authority/DOT pilot program for red Light Emitting Diodes (LED's) in Queens, the Department has decided to proceed with the installation of an additional 48,500 red and green LED's in over 3,000 signalized intersections in Queens and Staten Island. After these high-efficiency bulbs have been fully installed, the City will save approximately $1.6 million per year.

In an ongoing effort to enhance traffic safety, the City will continue the Red Light Camera program in 2001. Designed to promote safe, responsible driving by photographing and fining vehicles "running" red lights, this program became fully operational in 1994 and was quickly expanded to its current level of 30 cameras.

Transit Operations

The Bureau of Transit Operations operates and maintains the Staten Island Ferry and its terminals, regulates private ferry operations, provides school bus service for disabled pre-kindergarten children, and manages the subsidized franchise bus program. The 2001 Executive Budget provides for 540 positions and an operating budget of $106.6 million, a decrease of $4.8 million from the 2000 forecast. This decrease is a result of current Federal and State grants expiring at the end of 2000.

The Staten Island Ferry is expected to carry over 19.2 million passengers and approximately 360,000 vehicles. In addition, the Department anticipates that the Ferry program will achieve an on-time performance rate of 96 percent.

The Bureau also manages the operating contracts, provides financial management and operating assistance, and administers the capital program for the subsidized franchise bus program. The program, which includes seven bus operators, provides local and express service in areas not covered by New York City Transit's bus network. This system is expected to carry over 100 million passengers in 2001.

Since the introduction of `"One City, One Fare" on July 4, 1997, which eliminated two-fare zones and established free intermodal transfers between the subsidized franchise buses and the New York City Transit (NYCT) system, and the more recent introduction of fare discounts and fixed price transit passes, mass transit ridership has increased significantly. Ridership on the subsidized franchise buses has, on average, increased nearly seven percent annually, keeping pace with revenue from ridership on the NYCT system, which has also increased by approximately seven percent annually. The changes in fare policy have made mass transit more affordable for the riding public, and have improved the overall efficiency and usage of the City's transportation network.

The City currently owns two bus depots, located in College Point, Queens and in Southeast Brooklyn, that are equipped to fuel and maintain Compressed Natural Gas (CNG) buses. The City has committed to convert its entire bus fleet to CNG in efforts to minimize the environmental impact of diesel fuel emissions.

Capital Review

The Department's 2001-2004 Four-Year Capital Strategy totals $4.5 billion for the reconstruction of transportation infrastructure, of which approximately 84 percent is City-funded. The table below shows commitments by program area over the 2001-2004 period.

Capital Commitments

($000's)

	1999 Actual		2000 Plan		2001 Plan		2002 Plan		2003 Plan		2004 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Highways and Streets	$171,328	$184,027	$225,637	$213,937	$306,644	$328,234	$279,083	$286,842	$245,670	$272,515	$270,854	$270,854
Highway Bridges	91,829	94,396	291,715	336,892	326,113	352,883	401,017	432,991	560,147	620,398	346,627	386,627
Waterway Bridges	176,518	354,513	122,967	128,016	209,801	326,287	87,738	157,738	0	0	474,243	548,565
Traffic	27,579	36,921	30,004	60,771	43,348	87,882	26,392	41,592	24,356	28,498	32,605	33,858
Vehicles/Equipment	16,598	16,598	8,528	8,528	18,339	18,339	14,768	14,768	4,903	4,903	6,513	6,513
Ferries	5,950	11,913	47,777	52,241	70,047	83,717	62,000	94,000	8,600	8,600	4,000	4,000
Franchise Transit	1,434	1,626	13,004	52,323	22,082	129,012	2,891	28,766	2,875	28,750	0	0
Total	$491,236	$699,994	$739,632	$852,708	$996,374	$1,326,354	$873,889	$1,056,697	$846,551	$963,664	$1,134,842	$1,250,417

The highlights of the Four-Year Capital Strategy include:

- the continued reconstruction/rehabilitation of the four East River Bridges and the complete reconstruction/rehabilitation of 145 bridge structures, and a program to resurface bridge decks, replace expansion joints and other bridge components, and apply protective coating treatments to prolong the useful life of City bridges ($2.8 billion).

- the reconstruction and/or resurfacing of 987.3 linear miles (3,282.9 lane miles) of City streets to maintain and improve their condition, the installation of pedestrian ramps at 18,243 corners to increase accessibility for the handicapped, and the reconstruction of 13.8 million square feet of sidewalk ($1.2 billion).

- the modernization and computerization of the City's traffic signal network to improve traffic flow, the upgrade of the streetlighting system, and the installation of pavement markings ($191.8 million).

- the rehabilitation and replacement of three City-owned ferry boats, ferry terminal facilities, and selective slips and docks for use by private ferry operators ($190.3 million).

- the purchase of CNG-fueled buses, equipment and the rehabilitation of bus facilities for the City's subsidized franchise transit program ($185.3 million).

- the replacement of vehicles for field forces and the upgrading of computer equipment ($44.5 million).

Bridges

The Four-Year Plan for the Bureau of Bridges totals almost $2.8 billion, of which 85 percent is City-funded. The Plan includes $766.9 million for the reconstruction of the East River Bridges, including $207.7 million for the reconstruction of the Brooklyn Bridge, $379.8 million for the reconstruction of the Manhattan Bridge, $106.9 million for the reconstruction of the Williamsburg Bridge, and $72.5 million for the completion of the reconstruction of the Queensboro Bridge.

The Plan also provides $1.4 billion for the reconstruction of 11 bridge structures currently rated in "poor" condition and 92 structures rated "fair," including the Willis Avenue Bridge over the Harlem River and six Belt Parkway bridges. The Life Extension Program, designed to address the capital needs of bridges before total capital reconstruction becomes necessary, will rehabilitate 42 bridge structures and replace selective bridge components at a total cost of over $423.5 million. All bridge structures currently rated "poor" will be committed for reconstruction by the year 2003. In addition, $174.0 million is provided to apply protective coating treatments to various highway and waterway bridges to preserve and enhance their condition.

The 2001 Capital Plan for Bridges totals $679.7 million, including $57.1 million for the protective coating of the Brooklyn Bridge, $232.8 million for the rehabilitation of the East Main Span of the Manhattan Bridge, and $259.1 million for the reconstruction of 3 "poor" and 18 "fair" rated bridge structures, including the Third Avenue Bridge over the Harlem River and the Cross Bay Boulevard Bridge over Conduit Avenue in Queens.

Highways

The Four-Year Plan for the Bureau of Highways totals $1.2 billion of which 95 percent is City-funded. The Plan provides $659.4 million for street reconstruction of 117.2 linear miles (382.3 lane miles), and $295.4 million for street and arterial resurfacing of 870.1 linear miles (2,900.6 lane miles). The Plan also provides $75.9 million for the installation of pedestrian ramps at 18,243 corners in addition to the $30.0 million that will be committed in 2000 for this purpose. Another $94.1 million is allocated for the replacement of over 13.8 million square feet of sidewalks, citywide.

The 2001 Capital Plan for Highways totals $328.3 million and includes $252.1 million for the reconstruction or resurfacing of 276.3 linear miles (914.9 lane miles) of streets, including Rockaway Boulevard in Queens, Bergen Avenue in Brooklyn, and Weed Avenue in Staten Island. In addition, the City is considering the possibility of constructing a second asphalt plant in order to realize savings in asphalt purchasing contracts, as well as to avoid a portion of the costs associated with the disposal of asphalt millings produced by our in-house resurfacing crews. A second asphalt plant would also provide the environmental benefit of recycling approximately 87,000 tons of millings annually in the production of new asphalt.

Traffic

The Four-Year Plan for Traffic totals $191.8 million, of which 66 percent is City-funded. The Plan provides $77.3 million for signal installation at 600 intersections, as well as the completion of the computerization and modernization of the City's signals and controllers to improve the flow of traffic. The Plan also includes $44.1 million for the installation and replacement of approximately 4,000 lampposts and luminaries for lighting and safety, $42.6 million for signal and streetlight work associated with the highway and bridge reconstruction programs, $5.8 million for the installation of approximately 12 million linear feet of thermoplastic markings and over 34,000 reflective pavement markers for traffic control in conjunction with the in-house resurfacing program, and $10.3 million for the replacement of 123,000 linear feet of electrical distribution systems along the City's streets. In addition, the Plan includes $7.8 million for the rehabilitation of six municipal parking garages and eight parking lots.

The 2001 Capital Plan for Traffic totals $86.4 million. This includes $19.1 million for the installation of approximately 1,000 lampposts and luminaries, the installation of signals at 150 intersections, and the upgrade of 1,000 of the City's traffic signal controllers. It also provides $11.3 million for signal and lighting work done in conjunction with the Highway reconstruction program, and $2.6 million for the replacement of electrical distribution systems and pavement markings.

Transit Operations

The Four-Year Plan for Transit Operations totals $375.6 million, including $190.3 million for Ferries and $185.3 million for Franchise Transit. The Plan for Ferries, which is 76 percent City-funded, provides $56.4 million for the reconstruction of the St. George Ferry Terminal and other ferry facilities and over $120.0 million for the replacement of three Kennedy Class ferryboats. The Whitehall Ferry Terminal is also scheduled for reconstruction under the management of the Economic Development Corporation. The Plan for the Franchise Transit program, of which 14 percent is City-funded, provides $145.8 million for the purchase and inspection of 446 CNG buses, $26.6 million for the construction and improvement of bus facilities, and $12.9 million for other bus-related projects and miscellaneous equipment.

The 2001 Capital Plan for Ferries totals $83.7 million, including approximately $40.0 million for the shipyard construction of one Kennedy Class ferry boat, $26.0 million for the continuing reconstruction of the St. George Terminal, and $8.1 million for various necessary terminal improvements. The Plan also includes $3.2 million for the reconstruction of the landing for private ferry service at East 34th Street in Manhattan.

The 2001 Capital Plan for the Franchise Transit program totals $129.0 million, including $89.5 million for the scheduled purchase and inspection of over 250 CNG buses, $4.3 million for the construction of a vehicle emissions lab in Brooklyn, and $8.5 million for other necessary bus-related improvements. The Plan also includes $26.6 million for the modification of three bus facilities to make them CNG compatible, pursuant to the City's policy of reducing diesel fuel emissions from City-owned buses.

HOUSING PRESERVATION AND DEVELOPMENT

The Department of Housing Preservation and Development (HPD) is responsible for the preservation, rehabilitation and expansion of New York City's housing stock. HPD serves as a catalyst for private investment, and economic reintegration of communities with the greatest need. As reflected in the 2001 Executive Budget, the agency will spur the preservation and development of affordable housing through direct investment and the provision of loans and other forms of financial assistance. The agency will also continue to enforce compliance with housing quality standards and maximize neighborhood ownership and management of housing by soliciting local participation in its disposition and development programs. Four major divisions carry out the Department's programs.

The Office of Property Management maintains the City's in rem housing and, when necessary, privately-owned buildings. This office addresses repairs in privately-owned buildings in response to emergency violations (including lead paint) issued by code inspectors if the landlord fails to perform the repair. OPM includes the Division of Alternative Management Programs (DAMP), which administers "Building Blocks," the City's comprehensive neighborhood redevelopment initiative designed to spur neighborhood revival by returning City-owned in rem buildings to responsible private owners and providing funds for their renovation.

The Office of Housing Intervention and Resources implements the agency's PRO-Housing (Pathways to Responsible Ownership) initiative to prevent the abandonment and consequential City ownership of distressed buildings. This office also promotes the preservation of housing and community revitalization through a variety of local and City-wide initiatives.

The Office of Development promotes the construction of new homes and apartments on formerly City-owned vacant land and the sale and reconstruction of vacant and occupied buildings. It also provides loans for the preservation of private housing, supervises Mitchell-Lama housing and implements all urban renewal plans for the City.

The Office of Legal Affairs provides legal services in the Agency's pursuit of housing development and preservation. This office also includes the Division of Code Enforcement (DCE) which enforces the City's housing code and assists owners in correcting hazardous conditions and code violations.

The Office of Planning and Intergovernmental Affairs, the Office of Community Support Services and Equal Opportunity, and the Office of Administration and Technical Services provide support for the above programs.

Financial Review

The Department's 2001 Executive Budget provides for operating expenses of $402 million as compared to $445 million in 2000, a decrease of 10 percent due to one-time Federal grants. Of the total operating expenses, $115 million is for personal services and the remaining $287 million is for other than personal services. Concurrently, the Four Year Plan allocates $1.5 billion in capital to the City's housing programs over the period 2001-2004.

Revenue Forecast

HPD collects revenue from residential and commercial tenants occupying in rem buildings, from auctions, and from negotiated sales. HPD also collects fees for processing tax abatement and exemption applications, multiple dwelling registrations, document searches, administrative costs, and the management of municipal and Mitchell-Lama loans. Revenues generated by the Department will be $33 million in 2001, $28.5 million less than the amount forecast for 2000. The decrease is attributable to non-recurring revenues collected in 2000 for negotiated land sales and from fees received from the 421-a Tax Exemption Program. Additional decreases reflect reductions in in rem rental income due to disposition of in rem units to the private sector.

Expense Budget Highlights

Priorities: Providing Core Services

The agency maintains core services in in rem property management, tenant-landlord assistance, housing maintenance code enforcement, the development of new affordable housing, and the preservation of privately-owned housing.

- Funding is maintained for HPD's Emergency Repair Program (ERP) to remove hazardous conditions in private buildings where landlords have been negligent in correcting violations detrimental to the life, health or safety of tenants.

- HPD's Narcotic Control Unit will continue to combat drug activities in City-owned buildings and serve as a liaison between tenants, community groups, and law enforcement agencies in drug-related cases.

In Rem Disposition

- In an effort to reduce future management costs and to improve the quality of occupied in rem housing, $136 million is allocated in the capital budget for the Department's disposition programs in 2001. HPD has developed programmatic and financial mechanisms to accelerate the transfer of City-owned occupied buildings to tenants and neighborhood-based not-for-profit and for-profit housing organizations. These programs are Tenant Interim Lease (TIL), Neighborhood Entrepreneurs (NEP), Neighborhood Redevelopment (NRP) and Neighborhood Homes.

Summary of Agency Financial Data

($000's)

	1999 Actual	2000 Forecast	2001 Preliminary Budget	2001 Executive Budget	Increase/(Decrease) 2000 Forecast	Increase/(Decrease) 2001 Preliminary Budget
Expenditures						
Personal Service	$107,713	$113,790	$112,835	$114,948	$1,158	$2,113
Other Than Personal Service	279,060	331,004	204,558	287,517	(43,487)	82,959
Total	$386,773	$444,794	$317,393	$402,465	($42,329)	$85,072
Funding						
City	$55,669	$62,434	$49,197	$55,095	($7,339)	$5,898
Other Categorical Grants	—	3,650	—	—	(3,650)	—
Capital IFA	15,224	13,299	15,800	15,800	2,501	—
State	913	868	819	819	(49)	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	145,699	198,887	175,346	175,398	(23,489)	52
• Other	155,919	154,640	66,267	145,366	(9,274)	79,099
Intra-City Other	13,349	11,016	9,964	9,987	(1,029)	23
Total	$386,773	$444,794	$317,393	$402,465	($42,329)	$85,072
Personnel (at fiscal year-end)						
City	581	620	579	590	(30)	11
Non-City						
• IFA	276	373	373	373	—	—
• CD	1,225	1,354	1,348	1,348	(6)	—
• Other	466	406	403	403	(3)	—
Total	2,548	2,753	2,703	2,714	(39)	11

HPD's budgeted headcount of 2,714 positions is funded at $115 million, $27 million of which is City funds. Funding for other than personal services amounts to $287 million, $28 million of which is City funds.

Programmatic Review

Property Management

The Office of Property Management's (OPM) Division of Property Management (DPM) will maintain an average of 11,957 City-owned in rem residential units in occupied multiple dwellings and in occupied one- and two-family homes in 2001. The workload is expected to decline by approximately 1,064 units during 2001 through disposition initiatives and other outtake mechanisms. DPM also relocates households and businesses pursuant to approved urban renewal plans.

The Division of Alternative Management Programs (DAMP) within the Office of Property Management promotes the rehabilitation, management, and ownership of occupied City-owned buildings by tenant, not-for-profit, and for-profit housing organizations. New emphasis has been placed on the privatization of City-owned housing units through a variety of sales and management mechanisms.

The OPM's Division of Maintenance (DOM) enforces the City's housing code, assists small property owners with financial and maintenance issues, and assists owners in removing hazardous conditions. DOM enforces compliance with the City's housing code by responding to heat, hot water, and the most critical non-heat emergency complaints from tenants. Under DOM's Emergency Repair Program, the City corrects immediately hazardous conditions in private buildings where landlords have been negligent and places liens on properties for the cost of repairs, fuel deliveries, window guard installations, and lead paint abatement. Funding is provided in 2001 to respond to an estimated 63,000 emergency certifications and to issue approximately 15,205 repair orders.

Housing Intervention and Resources

The Office of Housing Intervention and Resources (OHIR) is responsible for combatting the abandonment of privately-owned housing. OHIR includes the Division of Anti-Abandonment (DAA) which, through the passage of Local Law 37, identifies, monitors and recommends treatment for distressed buildings. DAA also coordinates the third party transfer process to convey distressed tax delinquent buildings to responsible new owners.

OHIR also provides funding to upgrade privately-owned buildings and those with court-appointed 7A administrators. Its Housing Litigation Division, working closely with DOM, pursues civil penalties against negligent landlords.

Development

The Office of Development is responsible for HPD's housing production functions. Its Division of New Construction promotes the construction of new homes and apartments on formerly vacant City-owned land. Activity for 2001 includes the construction of nearly 1,500 new one- to three-family homes, multiple dwellings and mixed-use multiple dwellings. These owner-occupied housing units will be built on City-owned land with City capital subsidies for construction and associated costs. Through the Alliance for Neighborhood Commerce, Home Ownership and Revitalization (ANCHOR), HPD combines retail development along targeted commercial corridors with new housing construction to generate economic activity and provide neighborhood services in revived residential communities. HPD will also continue the development of long-term, large-scale projects for both homeowners and rental tenants in selected neighborhoods in Brooklyn, the Bronx, Manhattan, and Queens over 2001-2004.

The Office of Development's Division of Housing Finance administers multi-family and small building disposition and loan programs. Through these programs, vacant City-owned buildings are rehabilitated and returned to the private housing market. This division is also responsible for the Supportive Housing program, which over 2001-2004 will implement the City's commitment for the production of at least 500 units of housing for mentally ill New Yorkers under the New York/New York II agreement.

Legal Affairs

The Office of Legal Affairs is responsible for enforcing the City's housing code and pursuing civil penalties against negligent landlords. The Division of Code Enforcement (DCE) supports housing court and the Division of Housing Litigation actions. DCE also provides emergency housing for victims of fires and other disasters. In 2001, field inspectors are projected to conduct an estimated 142,000 inspections, issue 310,000 violations (including over 10,000 lead paint violations), and reinspect 300,000 violations. In addition, DCE is budgeted at $26 million in capital and expense funds to demolish and seal vacant and unsafe buildings.

Capital Review

The 2001-2004 Four Year Capital Plan for the Department is $1.5 billion, including $1.1 billion in City funding and $361 million in non-City funds. HPD continues to use its City capital sources to leverage State and Federal funds as well as substantial private equity (which does not flow through the City's capital budget). The Four Year Plan reflects the City's continuing commitment to affordable housing by funding the creation and preservation of units in City-owned and privately-owned buildings.

Under the Four Year Plan, the City will continue to pursue the "Building Blocks" strategy: the rehabilitation and sale of City-owned in rem residential buildings to responsible private owners, including tenant cooperatives, not-for-profit organizations, and local entrepreneurs. A total of $722 million is provided to fund the occupied in rem programs under this strategy, namely TIL, NEP, NRP, and Neighborhood Homes. This allocation will promote the disposition of nearly 11,000 housing units to private owners over 2001-2004. Through the use of asset sales and the tax exemption certificate program, HPD will be able to transfer additional housing units to the private sector.

Vacant buildings seized through tax foreclosure will be returned to the private sector through the CityHome, HomeWorks and StoreWorks programs. Ninety two million dollars budgeted over the Four Year period in these three programs will produce nearly 2,000 rehabilitated owner-occupied residential, rental residential, and rental retail units.

Concurrently, the City will enhance its efforts to prevent abandonment of privately-owned buildings and forestall their entry into City ownership by investing $285 million in programs providing financial and technical assistance to private landlords. Programs such as Participation Loan (PLP), Article 7A (7A), Article 8A (8A), Small Homes Private (SHP), Home Improvement (HIP), and Senior Citizen Home Assistance (SCHAP), and provide loans for the maintenance and upgrading of privately-owned, low- and moderate-income housing.

The Four Year Plan also includes funds for new construction projects to promote homeownership to families at various income levels. New Homes (NYC Housing Partnership) and Nehemiah provide for the construction of one- to three-family homes. Along with ANCHOR, these programs form the basis for the new construction projects being built in conjunction with large-scale neighborhood redevelopment programs in Brooklyn, The Bronx, Manhattan, and Queens.

The $1.5 billion Four Year Plan emphasizes the following goals:

- Treatment and disposition of occupied, City-owned buildings — rehabilitation begins for approximately 2,300 units in 2001 through the privatization initiatives ($136 million); 10,900 units will be rehabilitated in the 2001-2004 period ($722 million).

- Reconstruction of vacant buildings — treatment in the 2001-2004 period of 1,950 City-owned vacant units under the CityHome, HomeWorks and StoreWorks programs ($92 million).

- Assistance to private owners — the PLP, 8A, 7A, SHP, HIP and SCHAP programs will allow the rehabilitation of 17,700 units in the private sector in the 2001-2004 period ($285 million).

- Construction of new units — funding for the production of over 5,270 homeownership and rental units in the 2001-2004 period ($175 million) under the new construction homeownership programs, including the large scale neighborhood projects.

- Production of supportive housing — funding for the creation of 1,150 units for homeless and low-income single adults and persons with AIDS in the 2001-2004 period ($109 million). This includes funds for the second round of the jointly sponsored (City-State) New York/New York program, which provides single room occupancy supportive housing for homeless mentally ill individuals.

The table below shows capital commitments by Ten Year Plan category over the 2000-2004 period, including actual commitments for 1999.

Capital Commitments
($000's)

	1999 Actual		2000 Plan		2001 Plan		2002 Plan		2003 Plan		2004 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Occupied *In-Rem* Rehab/ Privatization	$71,721	$156,371	$96,213	$173,260	$66,455	$144,945	$169,759	$242,474	$106,236	$179,066	$124,351	$190,588
Vacant *In-Rem* Rehab	7,836	7,726	7,106	7,106	15,392	15,392	27,933	27,933	24,021	24,021	24,850	24,850
New Construction	15,337	15,337	37,078	37,078	29,555	29,555	15,510	15,510	10,025	10,025	8,600	8,600
Neighb. Initiatives	7,220	7,220	18,375	18,375	18,532	18,532	13,838	13,838	50,585	50,585	10,970	10,970
Assistance to Private Owners	33,616	47,132	75,452	128,825	90,667	114,994	102,319	115,062	89,967	105,119	71,963	90,346
Other Housing Support Investment	25,554	25,554	47,316	47,956	25,912	25,912	19,752	19,752	20,919	20,919	15,468	15,468
Total	$161,284	$259,340	$281,540	$412,600	$246,513	$349,330	$349,111	$434,569	$301,753	$389,735	$256,202	$340,822

DEPARTMENT OF CITYWIDE ADMINISTRATIVE SERVICES

The Department of Citywide Administrative Services (DCAS) was created in 1996 to consolidate and streamline the central administrative functions of the former Departments of General Services and Personnel. DCAS provides City agencies with various support services, including personnel services, real estate services, facilities management, and municipal supply services.

The Department's personnel services include personnel development and training; civil service administration; the classification of positions and salary levels; and the formulation and administration of civil service examinations and license tests. DCAS is also responsible for the administration of the citywide internship and fellowship programs; and the oversight of the Citywide Equal Employment Opportunity program.

Furthermore, the Department provides facilities management and maintenance services for 49 City owned buildings, including court facilities and City owned piers. The Division of Real Estate Services (DRES) is responsible for property enforcement functions and the management of the City's portfolio of leased properties, including the acquisition, leasing and sale of non-residential real property.

The Department provides municipal supply services to agencies, citywide. Municipal supply services include the acquisition, testing, and distribution of supplies and equipment; and citywide vehicle fleet administration. DCAS is also responsible for the management and oversight of citywide energy conservation programs. Additionally, the Department manages the CityStore bookstore and publishes the City Record, the Green Book and other official City publications.

Financial Review

The 2001 Executive Budget for the Department of Citywide Administrative Services provides $589.4 million, an increase of $16.8 million above the amount forecasted for 2000. This increase is primarily attributed to increases and adjustments in intra-city sales and one-time savings achieved in 2000. The $243.9 million DCAS Capital Commitment Plan for 2001 includes $226.7 million for the Public Buildings program and $17.1 million for the Real Property program.

Revenue Forecast

In 2001, DCAS will collect $75.7 million in revenue, $13.6 million less than the amount forecasted in 2000. The decrease is attributable to non-recurring revenues collected in 2000 for property sales and rents. The Division of Real Estate Services (DRES), the largest revenue generating component of DCAS, will collect $56.6 million from land sales, rentals, and mortgages to qualified purchasers of City owned property at City auctions. DRES will sell these mortgages to a qualified financial institution through a competitive offering in 2001.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- The Department's 2001 Executive Budget provides a total funded budget of $589.4 million. This includes $404.6 million for goods and services that agencies purchase from DCAS through intra-city agreements for utilities, municipal supplies, etc.

- The Department's 2001 Executive Budget provides a total of $492.4 million for the Division of Facilities Management and Construction (DFMC). DFMC maintains and operates 49 public buildings, including court facilities, and provides citywide energy management services. Included in the $492.4 million is

$14.8 million in State funding, an increase of $1.8 million from 2000, to provide cleaning services for court facilities.

- The Department's 2001 Executive Budget provides a total of $13.6 million for the Division of Real Estate Services (DRES). DRES is continuing the Department's program of space consolidation for City agencies.

- DCAS is responsible for the provision of security services for its managed facilities. The 2001 Executive Budget provides $0.5 million in 2001 for improved security services for DCAS managed properties and offices, citywide.

Summary of Agency Financial Data

($000's)

			2001		Increase/(Decrease)	
	1999 Actual	2000 Forecast	Preliminary Budget	Executive Budget	2000 Forecast	2001 Preliminary Budget
Expenditures						
Personal Service	$76,422	$80,819	$76,795	$80,868	$49	$4,073
Other Than Personal Service	441,357	491,798	480,048	508,547	16,749	28,499
Total	$517,779	$572,617	$556,843	$589,415	$16,798	$32,572
Funding						
City	$98,020	$117,232	$111,129	$115,835	($1,397)	$4,706
Other Categorical Grants	41,695	45,373	44,900	46,158	785	1,258
Capital IFA	5,492	5,944	5,679	5,944	—	265
State	14,188	13,028	10,562	14,839	1,811	4,277
Federal						
• JTPA	85	—	—	—	—	—
• CD	37	313	—	—	(313)	—
• Other	2,180	2,417	2,000	2,000	(417)	—
Intra-City Other	356,081	388,310	382,573	404,639	16,329	22,066
Total	$517,779	$572,617	$556,843	$589,415	$16,798	$32,572
Personnel (at fiscal year-end)						
City	1,176	1,153	1,153	1,117	(36)	(36)
Non-City						
• IFA	105	121	121	121	—	—
• CD	—	—	—	—	—	—
• Other	232	278	278	314	36	36
Total	1,513	1,552	1,552	1,552	—	—

The Department is divided into the following major program divisions: the Division of Citywide Personnel Services (DCPS) and the Office of Citywide Equal Employment Opportunity (OCEEO), the Division of Municipal Supply Services (DMSS), the Division of Facilities Management and Construction (DFMC), the Division of Real Estate Services (DRES), and the Division of Financial and Administrative Services.

Division of Citywide Personnel Management Services

The Division of Citywide Personnel Services (DCPS) is responsible for the classification of positions and salaries, civil service administration, personnel development and training, citywide redeployment, and other special programs such as the Employee Blood Program, the Urban Corps, Public Service Corps and Leadership Institute programs. DCPS also offers Work Experience Program (WEP) participants the opportunity to learn clerical and office skills.

In order to simplify civil service job titles and streamline exam administration, DCPS is continuing its strategy to consolidate, reclassify, and broadband titles with overlapping functions. The Division continues its efforts to reduce, eliminate or combine civil service examinations for titles that require similar knowledge and skills. DCPS eliminated 19 competitive civil service titles thus far in 2000. In addition, the number of provisional employees Citywide has dropped from 35,937 in January 1994 to the current level of 25,082 - a reduction of 30 percent. Examinations are administered by DCPS for City and non-City entities such as the Metropolitan Transportation Authority and the New York City Housing Authority. The preliminary plan for examinations in 2001 includes 95 civil service examinations and 30 license examinations. As of March, 86 civil service and 19 license exams were administered in 2000.

The Office of Citywide Equal Employment Opportunity, an office within DCPS, monitors compliance with the Citywide Equal Employment Opportunity (EEO) policy. The EEO policy requires agencies to conduct specialized training programs and document workforce composition. City agencies are required to report annually to OCEEO on compliance with the EEO policy. OCEEO carries out its monitoring function through training initiatives, agency site visits, and interviewing City personnel.

Division of Real Estate Services

The Division of Real Estate Services (DRES) offers real property services including broker services, site searches, lease services, and property acquisition for client agencies. This division also provides architectural design and project management services for client agencies in both DCAS managed and privately owned space. The Division manages and oversees approximately 20 City leases as well as the leasing of City owned commercial properties. DRES manages and disposes of City owned commercial properties acquired through tax foreclosure, condemnation, and the transfer or surrender of City surplus properties.

In addition, the Division uses Tenant Broker Representatives to help locate space and negotiate leases with landlords. Tenant representatives have been successful in securing favorable real estate contracts for difficult to accommodate city tenants. DRES effectuated leases for space consolidations for the Department of Homeless Services at 60 Broad Street and the Human Resources Administration at 250 Church Street in 2000. Currently, DRES is coordinating the final stage of the space consolidation for the Department of Finance Manhattan Business Center, which will be completed by the end of 2001.

The Division also provides lease auditing for various client agencies to ensure proper lease billing and management. Over $8.2 million in recoveries and credits from the Lease Audit Program have been realized since 1993.

Facilities Management and Construction

The Division of Facilities Management and Construction (DFMC) is responsible for maintaining and operating 49 City owned public buildings. This division provides technical engineering, architectural, and construction management services in order to provide facilities management, operation, and construction services. DFMC manages a program of over 2,380 WEP participants performing a variety of valuable tasks. The division provides many of the WEP participants the opportunity to learn various building custodial skills. This division also coordinates with the State Office of Court Administration to ensure proper maintenance of court facilities within the City.

The Office of Energy Conservation (OEC), an office within DFMC, is the City's primary energy management entity. This office develops and reports on the City's annual energy budget. OEC coordinates with utility companies and processes payments for the City's electric, gas and steam bills. In addition, OEC establishes, coordinates, and oversees energy conservation guidelines and programs. The Office participates in and administers the High Efficiency Lighting Program (HELP), the Energy Cost Reduction Program (ENCORE), and the Cafeteria Lighting Program (CLP).

Division of Municipal Supply Services

The Division of Municipal Supply Services (DMSS) is the City's chief procurement entity. DMSS procures, warehouses, and distributes supplies necessary for City agencies to fulfill their missions. Centralized contracting enables the City to utilize economies of scale to purchase various commodities at the most favorable market price. This division ensures the quality of goods purchased through inspections and operates the Central Storehouse which warehouses over 2,200 different items. This division is also responsible for the salvaging of surplus property through redistribution to other City agencies and auction.

Additionally, DMSS manages the Direct Delivery Program for office supplies for various client agencies. This program delivers office supplies from the vendor directly to City agencies, thereby reducing the waiting period for the receipt of goods and associated overhead costs. A program for the direct delivery of automotive parts will continue to maintain reduced levels of stock inventories and reduce vehicle downtime in 2001.

The Office of Fleet Administration (OFA), an office within DMSS, oversees citywide vehicle procurement, the alternative fuel vehicle program, and fleet maintenance for client agencies. Maintenance services are provided by contracts which have reduced costs by approximately sixty percent. A new fleet management system, the Maintenance Control and Management System (MCMS), will be completed in 2001 with the inclusion of the Department of Sanitation. The system will assist OFA and its client agencies with citywide fleet management.

Division of Financial and Administrative Services

The Division of Financial and Administrative Services is responsible for providing the Department with the necessary central leadership, management and coordination to carry out its mandate. This division includes the Executive Office, General Counsel's Office, Division of Financial Services including; budget control, audit and accounts, and State Court reimbursement, Internal Audit, Division of Management and Operations, and Management and Information Systems.

The Department is currently developing the Citywide Automated Personnel System (NYCAPS). NYCAPS will store personnel data, including information integrated from the Citywide Human Resources Management System (CHRMS), in a central location. The system will permit oversight agencies and agency personnel divisions, citywide, to share and access data easily. This will simplify workflow and system management resulting in more accurate personnel-related information. The Department has selected a software product and expects to complete the first phase by June 2001.

Office of External Affairs and Communications

The Office of External Affairs and Communications is responsible for the agency's public relations. The Office oversees the City Publishing Center and the CityStore. The City Publishing Center produces and publishes The City Record, The Green Book and other official City publications. CityStore is the City's bookstore and gift shop. The CityStore operates booths in both the Manhattan Municipal Building and the Times Square Visitor Center, as well as having an on-line store accessible through the City's website.

The Department is currently developing internet applications in order to provide the Green Book and The City Record through the City's website. The Department plans to have the Green Book and City Record on-line by the end of 2001.

Capital Review

The 2001-2004 Four-Year Capital Commitment Plan for the Department is $468.9 million, with $243.9 million provided in 2001. These amounts include State funding of $3.6 million in the Four-Year Plan, all of which is scheduled for commitment in 2001.

The Department is responsible for capital improvements to all DCAS and client agency managed public buildings including office space, warehouses and courts; oversight and improvements to City leased properties; the sale, lease and acquisition of City owned non-residential waterfront and non-waterfront properties. The capital program responsibilities include compliance work for public safety and legal mandates; renovation, rehabilitation, construction, design and outfitting of various sites, including the purchase of furniture. The Department also purchases vehicles and various communications and technological equipment.

The table below shows capital commitments by program area over the 1999-2004 period.

Capital Commitments

($000's)

	1999 Actual		2000 Plan		2001 Plan		2002 Plan		2003 Plan		2004 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Legal Mandates and Correction of Unsafe Conditions	$11,927	$11,927	$28,217	$28,217	$79,152	$79,152	$36,260	$36,260	$18,280	$18,280	$36,495	$36,495
Renovation of Other City-owned Facilities	1,164	1,164	9,081	9,081	4,250	4,250	1,058	1,058	0	0	0	0
Renovation of Leased Space	2,953	2,953	17,802	18,292	38,549	38,608	3,071	3,071	17,750	17,750	824	824
Board of Elections	494	494	2,143	2,143	0	0	0	0	0	0	0	0
Communications Equipment	3,933	3,933	1,804	1,804	1,925	1,925	1,500	1,500	500	500	0	0
Rehabilitation of Court Facility System	1,010	3,219	3,984	5,081	1,042	4,542	0	0	0	0	0	0
Rehabilitation of City-Owned Office Space	40,897	40,897	61,280	61,280	97,915	97,915	35,982	35,982	24,041	24,041	26,110	26,110
Equipment and Interagency Services	2,670	2,670	9,711	9,711	339	339	300	300	300	300	300	300
Rehabilitation of Waterfront & Non-Waterfront Properties	7,574	7,574	8,586	8,586	17,125	17,125	8,420	8,420	8,420	8,420	5,420	5,420
TOTAL	$72,622	$74,831	$142,608	$144,195	$240,297	$243,856	$86,591	$86,591	$69,291	$69,291	$69,149	$69,149

The Four-Year Plan provides a total of $468.9 million, including $429.5 million for the renovation, reconstruction and outfitting of Public Buildings and $39.4 million for Real Property.

Highlights of the Four-Year Plan include:

- reconstruction and rehabilitation of public buildings and City owned office space with the focus on the replacement of mechanical, electrical, plumbing and structural systems ($184.0 million); including the construction of a Visitor Center and code compliance work at the Tweed Courthouse ($45.8 million), reconstruction of the Brooklyn Municipal Building ($28.4 million), renovation of Queens Borough Hall ($13.6 million), Manhattan Municipal Building tenant alterations and electrical upgrade ($11.5 million), initial outfitting of space at 280 Broadway ($7.5 million), and the Manhattan Civic Center ($5.1 million).

- rehabilitation of court facilities ($4.5 million); which consists of the exterior reconstruction at 27 Madison Avenue ($3.5 million in State funds).

- legal mandates ($170.2 million); including vapor control and leak detection programs for fuel and heating oil tanks ($92.2 million), lead and asbestos abatement ($32.8 million), compliance with the Americans with Disabilities Act ($20.6 million), fire safety improvements ($6.0 million).

- construction of leased space ($60.3 million); including the Manhattan Finance Business Center ($16.3 million), renovation of various facilities for the Department of Probation ($3.9 million) and the renovation of City Council offices ($2.5 million).

- reconstruction of waterfront properties ($6.6 million), including various pier improvements.

- reconstruction of non-waterfront properties ($32.8 million); including reconstruction of the Kingsbridge Armory ($20.0 million) and various real property improvements ($8.7 million).

The 2001 Plan provides $243.9 million and includes:

- reconstruction of public buildings and City owned office space ($97.9 million); including the construction of a Visitor Center and code compliance work at the Tweed Courthouse ($45.8 million), reconstruction at Queens Borough Hall ($9.1 million), renovation of the Brooklyn Municipal Building ($7.9 million), interior and exterior renovations at 49-51 Chambers Street ($6.2 million), tenant alterations and renovations at the Manhattan Municipal Building ($5.6 million), and interior reconstruction and elevator upgrades at 346 Broadway ($3.4 million).

- legal mandates ($79.2 million); including vapor control and leak detection equipment for petroleum underground storage tanks ($53.7 million), lead and asbestos abatement ($14.3 million), compliance with the Americans with Disabilities Act ($1.6 million), and fire safety improvements ($0.8 million).

- construction of leased space ($38.6 million), including the construction of the Manhattan Finance Business Center at 66 John Street ($16.3 million), and the renovation of City Council offices ($2.5 million).

- reconstruction of waterfront properties ($3.4 million) and non-waterfront properties ($13.7 million); including reconstruction of the Kingsbridge Armory ($5.0 million).

ECONOMIC DEVELOPMENT

Since 1992, two organizations, the Department of Business Services (DBS) and the Economic Development Corporation (EDC), have administered the City's economic development programs. DBS also provides administrative support to the Mayor's Office of Film, Theater, and Broadcasting (Film Office). City funds for EDC and the Film Office flow through the budget of DBS. In order to facilitate comprehensive service delivery to businesses, DBS and EDC are both located at 110 William Street, while the Film Office is located in the Midtown Entertainment District to be closer to the businesses it supports.

DBS provides services primarily to small businesses in New York City through technical assistance in procurement, contracting and local community development. DBS also assists small businesses in their interaction with other City agencies in order to ease the business development process. EDC, funded through a contract with DBS, serves as the City's corporate attraction and retention arm. In addition, EDC undertakes financing initiatives and develops and funds commercial and industrial projects. Waterfront, maritime and intermodal transportation development is also under EDC's purview.

Financial Review

The 2001 Executive Budget for Economic Development provides for operating expenses of $113 million. More than half of this amount, $66 million, represents revenues that EDC generates and uses to cover its operating expenses. The remainder, $47 million, represents DBS's total expense budget. The DBS budget is divided between Federal funds of $5 million and City funds of $42 million. The total 2001 budget for DBS represents a $7 million decrease from the 2000 forecast. The 2000 budget includes a one-time roll of unspent 1999 Empowerment Zone funds and funds for the Gambling Control Commission (GCC). The GCC will be moved to the Trade and Waste Commission at the end of 2000. City funded capital commitments of $751 million are also forecast in the 2001-2004 capital plan. This amount represents an increase of $195 million over the amount forecast in the 2000-2003 plan, due primarily to funds relating to the stabilization and redevelopment of New York's waterfront and port properties.

Revenue Forecast

The Department of Business Services collects revenues from the rental and sales of commercial, industrial, maritime and market properties administered by EDC, and other miscellaneous fees. Collected revenues are net of EDC operating expenses. DBS's 2001 revenue estimate for Economic Development is $23 million.

Expense Budget Highlights

Priorities: Assistance to Small Businesses and New Business Development

- The DBS Vendor Initiative Division relocates unlicensed street vendors into City established alternative markets, provides free courses on business basics, offers free technical assistance, and enforces code regulations that decrease incidents of illegal vending along busy thoroughfares and congested business strips. The Division also operates a Storefront Relocation Program that matches interested micro-entrepreneurs with vacant storefronts in need of renovation. The Executive Budget includes $210,000 in additional funds to enable the Division to expand its Storefront Relocation Program and Business Basics Program.

- The City Business Assistance Program (CBAP) provides technical assistance and ombudsman services to businesses in their interactions with other City agencies. CBAP agents visit commercial areas citywide to advise business owners on City rules and procedures governing stoopline and sidewalk laws, sidewalk cleaning, and outside vending. CBAP represents DBS on the Mayor's Anti-Graffiti Task Force assisting local merchant associations with applications for graffiti removal material.

- The Emergency Response Unit (ERU) of CBAP works directly with the Mayor's Office of Emergency Management to respond to businesses affected by disasters occurring in the five boroughs. The ERU provides businesses with timely updates on building reopenings, facilitates the resolution of matters affecting day-to-day business operations, and compiles evidence to support business claims for assistance due to economic injury. During 2000, the ERU provided critical assistance to businesses affected by the blackout in Washington Heights, a sewer break in SoHo, and Hurricane Floyd. The unit also responded to a building collapse in Far Rockaway.

- In January of 1995, portions of Upper Manhattan and the South Bronx were designated an Empowerment Zone by the Federal government, entitling the City to an additional $100 million in Federal aid over ten years. Both the City and New York State have committed funds matching this investment. These funds facilitate a variety of economic development initiatives by local development corporations and community-based organizations.

Improving New York's Competitiveness

- In 1999 the Staten Island Yankees completed their first season at the interim baseball facility located at the College of Staten Island. Attendance averaged approximately 3,100 baseball fans. In December 1999 the Uniform Land Use Review Procedure (ULURP) was completed, and plans for construction of the permanent stadium located in St. George, Staten Island, are on schedule for the facility to be open for the 2001 season. The required ULURP process has been completed for the proposed Mets minor league stadium located at Steeplechase Park in Brooklyn.

- In August 1999, the last development site of the College Point Corporate Park was opened, which consists of three major retailers, including two clothing stores, and one sporting goods store. The development of the retail sites created approximately 520 construction jobs and 1,000 permanent jobs. EDC also facilitated the construction of a parking garage for Jamaica Center, a proposed a mixed-use retail, office and entertainment project located in Queens.

- EDC continues its waterfront revitalization and stabilization efforts, including the redevelopment and expansion of the Midtown Ferry Terminal located at West 39th Street. The project will include a new ferry terminal, six new slips, public walkways, seating and viewing areas.

Summary of Agency Financial Data

($000's)

	1999 Actual	2000 Forecast	2001 Preliminary Budget	2001 Executive Budget	Increase/(Decrease) 2000 Forecast	Increase/(Decrease) 2001 Preliminary Budget
Expenditures						
Personal Service	$6,824	$7,360	$6,789	$6,801	($559)	$12
Other Than Personal Service	26,130	46,923	33,280	40,083	(6,840)	6,803
Total	$32,954	$54,283	$40,069	$46,884	($7,399)	$6,815
Funding						
City	$27,688	$48,666	$34,936	$41,539	($7,127)	$6,603
Other Categorical Grants	142	146	—	—	(146)	—
Capital IFA	—	—	—	—	—	—
State	—	—	—	—	—	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	4,978	5,290	5,123	5,335	45	212
• Other	147	171	—	—	(171)	—
Intra-City Other	—	10	10	10	—	—
Total	$32,954	$54,283	$40,069	$46,884	($7,399)	$6,815
Personnel (at fiscal year-end)						
City	148	153	148	148	(5)	—
Non-City						
• JTPA	—	—	—	—	—	—
• CD	11	12	12	12	—	—
• Other	3	3	—	—	(3)	—
Total	162	168	160	160	(8)	—

Programmatic Review

Staffing Reductions

DBS will reduce its headcount in 2001 to 160 from its projected 2000 year-end level of 168. DBS will achieve a two-position reduction by transferring the Gambling Control Commission to the Trade and Waste Commission. The remaining decrease in headcount represents positions with grant funding that are not carried in the baseline.

Department of Business Services

The Department of Business Services (DBS) is responsible for providing direct services to New York City's business community. These services include technical assistance, neighborhood development, and guidance through the governmental contracting process. DBS is also responsible for facilitating legal and efficient activity at the City's wholesale markets. DBS supplies administrative support to both the Film Office and the federally designated Empowerment Zone, which promotes economic development in Harlem and the South Bronx.

- The Business Relocation Assistance Corporation, BRAC, continues to serve small and mid-size businesses by administering the Industrial Relocation Grant Program (IRG), which uses BRAC reserve funds. The IRG reimburses qualifying manufacturing firms up to $30,000 for costs incurred in moving within the City. This assistance has already enabled the City to retain 1040 jobs.

- The Security and Enforcement Division is responsible for providing security, supervision and enforcement at the Fulton Fish Market and the Hunt's Point Market. The Division registers wholesalers at both markets and monitors two unions and a security firm. To date this year, the Division has registered 44 wholesalers at the Fulton Fish Market and 54 wholesalers at Hunts Point.

- The Lower Manhattan Energy Program, a portion of the Commercial Revitalization Program for Lower Manhattan, continues to process applications from buildings that anticipate offering prospective tenants lower energy costs. More large buildings have applied for participation in this program, including new office towers this year that represent over 41 million square feet of commercial space.

New York City Economic Development Corporation

The financing arm of EDC includes several small business lending, guarantee and bond issuance programs. The purpose of these programs is to create jobs and retain businesses through financial assistance offered at market or below market rates. EDC also contracts with the New York City Industrial Development Agency (IDA) to provide financing for larger industrial and marketing projects. The major programs are summarized below.

- Corporate Attraction and Retention: Since July 1, 1999, EDC has recruited 49 firms and has helped seven firms to expand within the City. These recruitment and retention efforts have generated 1,279 new jobs and $7 million in City tax revenues. Through its Corporate Retention Unit, EDC has also retained 16 companies, including Quick & Reilly and International Masters Publishing, Inc. The Unit also recruited two other companies adding another 274 jobs. In total, EDC's activities have saved 9,469 jobs. Related employment growth is estimated at 22,031 jobs; related future City tax revenue is $113 million.

- Small Business Financing Programs: Since July 1, 1999, EDC's small business financing programs assisted 33 firms with $118 million in bond and other financing for expansion, renovation and new construction.

- Air Terminals: In order to maintain and to promote air passenger use of JFK Airport, the IDA issued $1.3 billion in financing in December 1999 for an American Airlines terminal at the airport.

- Printer Relocations: The Executive Budget includes a total of $8 million over 2000 and 2001 for activities associated with the relocation of printers from the west side of Manhattan to other areas in the five boroughs.

DBS contracts with EDC to administer the City's waterfront planning and development program, to market and sell City-owned land, and to act as managing agent for City-sponsored projects. Projects are divided into two main categories: Economic Development and Port Development. These projects are funded primarily through the capital budget, as described below.

Capital Review

The primary goal of the Four Year Capital Plan is to encourage development in order to create and retain jobs for New Yorkers and bolster the City's tax base. The 2001-2004 Four Year Plan totals $751 million.

The following chart shows Capital commitments by major function over the 2001-2004 period:

Capital Commitments

($000's)

	1999 Actual		2000 Plan		2001 Plan		2002 Plan		2003 Plan		2004 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Commercial Development	$ 8,042	$ 8,042	$99,134	$99,134	$235,847	$235,847	$118,788	$118,788	$33,400	$33,400	$5,139	$5,139
Industrial Development . . .	26,157	26,157	39,737	40,443	40,553	40,553	17,623	17,623	10,403	10,403	9,643	9,643
Market Development	564	564	39,372	39,372	988	988	1,012	1,012	2,294	2,294	1,568	1,568
Neighborhood Revitaliz'n .	2,565	2,565	9,045	9,445	2,750	2,750	1,945	1,945	0	0	0	0
Port Development	4,021	4,021	59,842	115,782	33,223	44,278	6,210	16,390	11,954	18,284	2,169	2,499
Rail Development	120	5,284	1,376	12,897	8,000	8,000	6,000	6,000	6,500	6,500	1,000	1,000
Waterfront Development . .	10,929	11,003	25,460	36,097	24,750	46,050	12,500	20,500	23,535	23,615	22,563	22,563
Aviation	218	218	1,612	6,987	3,500	5,300	0	0	0	0	0	0
Miscellaneous	1,044	1,044	12,893	14,608	30,180	32,080	8,700	8,700	7,000	7,000	0	0
Total	$ 53,660	$ 58,898	$288,471	$374,765	$379,791	$415,846	$172,778	$190,958	$95,086	$101,496	$42,082	$42,412

Highlights of the 2001-2004 Four Year Capital Plan are:

Economic and Port Development

- retention agreement for the New York Stock Exchange ($240M).
- development of two minor league stadiums in Brooklyn and Staten Island ($60.5M).
- infrastructure improvements and development at the Brooklyn Navy Yard ($32M)
- citywide waterfront improvements ($112M).
- reconstruction of the Whitehall Ferry Terminal ($129M - $47M in Non-City funds).
- reconstruction of the St. George Ferry Terminal ($85M - $20M in Non-City funds).
- redevelopment of Governors Island ($15M).
- reconstruction of the Brooklyn Army Terminal Phase IV ($15M).

LIBRARIES

The City of New York funds three independently operated public library systems, each administered by a distinct and separate board of trustees. The New York Public Library manages a three-borough library system: the Bronx with 34 branches, Manhattan with 37 branches and Staten Island with 12 branches. In addition, the New York Public Library oversees four Research Libraries: the Humanities and Social Sciences Library at 42nd Street and 5th Avenue (formerly the Central Research Library), the Library for the Performing Arts at Lincoln Center, the Schomburg Center for Research in Black Culture, and the Science, Industry, and Business Library. The Brooklyn Public Library oversees the operation of 58 branches, a Business Library and a Central Library and the Queens Borough Public Library encompasses 62 branches and a Central Library

Financial Review

The 2001 Executive Budget for Libraries provides total operating funds, including energy costs, of $231.1 million, a decrease of $.200 million in City funds from the 2000 forecast. The Executive Budget also provides for City funded capital commitments of $60.2 million in 2001.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- The highest level of funding for public libraries in any Executive Budget is included in this year's budget. This demonstrates the Administration's strong commitment to public libraries and the services they provide.

- the Executive Budget maintains a high and stable level of funding. In 2001, there will be an operating subsidy of $88.3 million to New York Public Library, $14.5 million to New York Research Libraries, $66.2 million to Brooklyn Public Library and $62.1 million to Queens Borough Public Library.

- funding for the highest level of branch library service since 1947 has resulted in record levels of usage and book and material circulation.

- the regular operating subsidies in FY 2001 include an additional $3.4 million for fringe benefit adjustments and longevity payments.

Streamlining and Public/Private Competition

- maintaining a high level of library service while encouraging efficiencies is part of the Administration's commitment to providing citywide educational services and centers. The City provides over 80 percent of the funding for the New York, Brooklyn, and Queens Libraries and approximately 20 percent of the funding for the New York Research Libraries.

Summary of Agency Financial Data

($000's)

	1999 Actual	2000 Forecast	2001 Preliminary Budget	2001 Executive Budget	Increase/(Decrease) 2000 Forecast	Increase/(Decrease) 2001 Preliminary Budget
Expenditures						
Personal Service	$—	$—	$—	$—	$—	$—
Other Than Personal Service	212,243	231,336	185,503	231,098	(238)	45,595
Total	$212,243	$231,336	$185,503	$231,098	($238)	$45,595
Funding						
City	$212,243	$231,336	$185,503	$231,098	($238)	$45,595
Other Categorical Grants	—	—	—	—	—	—
Capital IFA	—	—	—	—	—	—
State	—	—	—	—	—	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	—	—	—	—	—	—
Intra-City Other	—	—	—	—	—	—
Total	$212,243	$231,336	$185,503	$231,098	($238)	$45,595
Personnel (at fiscal year-end)						
City	—	—	—	—	—	—
Non-City						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	—	—	—	—	—	—
Total	—	—	—	—	—	—

Programmatic Review

- the Libraries provide major services through the Connecting Libraries And Students Program (CLASP) and the Adult Literacy Initiatives. CLASP makes reading and books an integral part of the lives of schoolchildren through a series of programs that create new links among teachers, librarians, and parents. The Adult Literacy initiatives provide literacy instruction for adults 16 years and older.

- currently, the three library systems provide at least six-day a week service at all branches. Attendance and use at all systems is at record levels.

- the Libraries received $7.8 million in increased funding for CLASP and $1.6 million in increased funding for summer reading programs in FY 2000.

- all three library systems have well-developed computer systems. Brooklyn Public Library's On-line Public Access Catalog (OPAC) system delivers a range of services to their users. From any personal computer with Internet access, at home or in the branches, patrons can search the catalogue, place or cancel reserves on materials, renew materials, identify items currently on loan, and determine fines owed. New York Public Library's Library Entrance On-Line (LEO) system and Queens Borough Public Library's OPAC system provide similar services.

Capital Review

The Libraries 2001-2004 Four Year Capital Strategy totals $77.9 million in City funds. The table below shows capital commitments by program area over the 1999-2004 period.

Capital Commitments

($000's)

	1999 Actual		2000 Plan		2001 Plan		2002 Plan		2003 Plan		2004 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
New York Research Library	335	335	15,052	15,052	23,213	23,213	4,088	4,088	771	771	0	0
New York Public Library	6,088	6,088	55,059	55,059	16,581	16,581	1,896	1,896	1,523	1,523	1,078	1,078
Brooklyn Public Library	7,312	7,312	19,543	19,543	11,300	11,300	2,032	2,032	1,648	1,648	2,621	2,621
Queens Public Library	4,134	4,134	7,995	7,995	9,109	9,109	745	745	957	957	351	351
Total	17,869	17,869	97,649	97,649	60,203	60,203	8,761	8,761	4,899	4,899	4,050	4,050

Major Highlights of the Libraries Four Year Strategy include:

- renovations at the Humanities and Social Services Library at 42nd Street ($12.6 million) which include: $1.5 million for renovations to the Map Division, $3.4 million for creation of the Center for Scholars and Writers, $2.6 million for renovation work at the U.S. History, Local History and Genealogy Division; $1.8 million for construction of a Rare Books Room; and, $2.7 million for renovation work to office and administrative space.

- redesign and renovations at the Library for the Performing Arts ($18.7 million). The total estimated cost of this public-private partnership project is $30 million.

- construction of the new Bronx Borough Center ($10.4 million). Approximately $1.5 million is for site acquisition.

- construction of a new Columbia Branch Library in Manhattan ($3.5 million). This is a public-private partnership project between the New York Public Library, the City and Columbia University. This effort is a collaboration to build a multi-purpose building, residence hall and library.

- extensive renovation at the Williamsburg branch ($3.2 million).

- renovations at the Brooklyn Public Library's Central Branch ($2.5 million) which include: $1.5 million for renovation of the entrance and $1 million toward the installation of a sprinkler system for the Central Branch's book storage facility at Grand Army Plaza.

- system-wide roof replacement programs at the Brooklyn Public Library ($1.2 million) and at the Queens Borough Public Library ($1.3 million).

- construction of a new Kensington Library in Brooklyn ($2.4 million).

- expansion of the computerized On-Line Public Access Catalog (OPAC) at the Brooklyn Public Library ($0.5 million).

- replacement of heating systems at the Queens Borough Public Library ($1.6 million).

- creation of a new Long Island City branch ($3.5 million).

- construction of a new Cambria Heights branch ($3.4 million).

THE DEPARTMENT OF CULTURAL AFFAIRS

The Department of Cultural Affairs (DCA) is responsible for sustaining and promoting the cultural quality of life throughout the City. DCA achieves these goals by administering a variety of financial, legal, capital construction, and managerial support services while monitoring functions essential to promoting efficient operations at the 34 City cultural institutions. The City cultural institutions include world-renowned organizations such as the Metropolitan Museum of Art; the Wildlife Conservation Society; the American Museum of Natural History; the Joseph Papp Public Theater/New York Shakespeare Festival; the Studio Museum in Harlem; the Brooklyn Museum of Art; and, the New York Botanical Garden. The City's institutions also include prominent regional institutions such as the Brooklyn Botanic Garden; the Staten Island Historical Society; the Queens Botanical Garden; the Bronx Museum of the Arts; the New York Hall of Science; El Museo del Barrio; and, the Brooklyn Children's Museum. Furthermore, DCA supports capital construction and improvement projects at distinguished cultural institutions, such as the Museum of Modern Art, the Center for Jewish History and the Roundabout Theater Company.

DCA is also instrumental in supporting arts organizations and cultural activities in all five boroughs through a variety of grants and support services. DCA provides grants to over 450 arts-related organizations citywide, including such widely diverse recipients as the Metropolitan Opera; the Children's Museum of Manhattan; the Alvin Ailey Dance Company; the Isamu Noguchi Garden; Ballet Hispanico of New York; the Boys Choir of Harlem; Aaron Davis Hall; Hostos Performing Arts Center; Staten Island Symphony; the Brooklyn Philharmonic; Dance Theater of Harlem; and, the Queens Council on the Arts. Finally, DCA administers a citywide Cultural Challenge Program that awards operating funds to cultural institutions and arts-related organizations. The Cultural Challenge Program bolsters the award recipients' programmatic capabilities and financial security by requiring them to leverage private matching funds.

Financial Review

The Department of Cultural Affairs 2001 Executive Budget provides for operating expenses, including energy costs, of $99.7 million, a decrease of $14.8 million in City funds from the 2000 forecast. It also provides for City funded capital commitments of $148.5 million in 2001.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- the City's 34 cultural institutions will receive operating support of $87.3 million, including energy subsidies. The Executive Budget maintains the high level of funding established in 2000, thus demonstrating the Administration's commitment to the City's many cultural assets.

- the Executive Budget contains an increase of $2.5 million in energy subsidies and leases.

- the Executive Budget allocates $5 million as a City funds match for the Cultural Challenge Program.

- various cultural organizations citywide will receive program grants totaling $3.9 million.

- the Executive Budget contains $3 million in operating funds for the Department of Cultural Affairs.

Public/Private Competition

- the Executive Budget includes $5 million in City funds as a match for the Cultural Challenge Program. The $5 million in City funds combined with the matching additional private "Challenge" funding will help offset the reduction to cultural programs by selectively adding City funds for the approved applicant proposals and strengthening grant recipients' leveraging power.

- the reductions to the cultural program groups will require these organizations to diversify and strengthen their funding streams. In the process of raising additional private funds, these organizations will become stronger by becoming more self-reliant.

Summary of Agency Financial Data

($000's)

			2001		Increase/(Decrease)	
					2000	2001
	1999 Actual	2000 Forecast	Preliminary Budget	Executive Budget	Forecast	Preliminary Budget
Expenditures						
Personal Service	$1,910	$2,042	$1,951	$1,981	($61)	$30
Other Than Personal Service	103,283	117,497	85,317	99,257	(18,240)	13,940
Total	$105,193	$119,539	$87,268	$101,238	($18,301)	$13,970
Funding						
City	$101,152	$114,514	$85,692	$99,662	($14,852)	$13,970
Other Categorical Grants	—	384	66	66	(318)	—
Capital IFA	43	41	41	41	—	—
State	—	—	—	—	—	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	255	545	225	225	(320)	—
• Other	—	—	—	—	—	—
Intra-City Other	3,744	4,055	1,244	1,244	(2,811)	—
Total	$105,193	$119,539	$87,268	$101,238	($18,301)	$13,970
Personnel (at fiscal year-end)						
City	30	32	32	32	—	—
Non-City						
• IFA	1	1	1	1	—	—
• CD	2	2	2	2	—	—
• Other	—	—	—	—	—	—
Total	33	35	35	35	—	—

Programmatic Review

Support for Cultural Programs and Institutions

In 2000, the DCA, through its major funding divisions - Cultural Institutions, Capital Projects, and Program Services - supported many different activities and projects throughout the New York City cultural community.

- the Rose Center for Earth and Space, the new, "cutting edge" planetarium at the American Museum of Natural History, opened in February, 2000. The City contributed $45 million to this project.

- the Police Museum, an institution dedicated to the history of the Police Department and the field of law enforcement, opened in January, 2000. The City contributed $1 million to the $3.2 million project.

- the Congo Gorilla Forest, a spacious home of six and one half acres, for gorillas, okapi, red river hogs, and hundreds of other animals opened at the Bronx Zoo. The City contributed $22.8 million to the $43 million project.

- the renovated Flushing Town Hall opened in October, 1999 with a theater, gallery space, classroom, and studio in the historic building.

Capital Commitments

($000's)

	1999 Actual		2000 Plan		2001 Plan		2002 Plan		2003 Plan		2004 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Department of Cultural Affairs	62,512	64,149	237,973	249,430	148,543	152,465	76,513	76,513	43,262	43,262	37,340	37,340
Total	62,512	64,149	237,973	249,430	148,543	152,465	76,513	76,513	43,262	43,262	37,340	37,340

Capital Review

The Department's 2001-2004 Four-Year Capital Strategy totals $305.6 million in City funds.

Major Highlights of the Four-Year Strategy:

- a Master Plan including extensive renovations and expansions at Lincoln Center for the Performing Arts ($96 million). The overall Master Plan will cost approximately $1.5 billion and take approximately 10 years to complete. The City will provide additional financial support beyond the Four-Year Plan period.

- major renovation and expansion of the Museum of Modern Art ($30 million as well as $35 million in 2000). A key feature will be an entire building dedicated to education and research. In addition, gallery space will be doubled, the Abby Aldrich Rockefeller Sculpture Garden will be renovated and restored, stores and restaurants will be expanded, and a state-of-the-art storage and study facility will be constructed.

- comprehensive reconstruction and expansion at the Metropolitan Museum of Art ($20 million as well as $5 million in 2000). Projects include, but are not limited to, the renovation of the Great Hall & the Fifth

Avenue Plaza, construction of a new Education Center, expansion of the Museum's Library, and reconstruction work in the Italian Sculpture, Egyptian, and Decorative Arts Galleries. The Master Plan for the Museum, including private funds, amounts to $250 million.

- creation of a new wing for the Museum of Jewish Heritage ($16 million as well as $6 million in prior years). The $22 million City contribution will be matched by $22 million in private funds. The new building will contain a theater, special exhibition galleries, a Family History Center, classrooms, offices, a kosher dining facility, and a garden.

- infrastructure improvements at New York Botanical Garden ($12.5 million in addition to the $5 million in 2000) as part of a long-term $300 million capital campaign. Projects in the Master Plan include, but are not limited to, the reconstruction of a new Visitors' Center, renovations to the Museum Building Interior, as well as garden-wide irrigation, the restoration of the Fountain of Life, expanded parking, road repairs, and night illumination.

- continual building improvements at the New York Hall of Science, including stabilization construction at the Rocket Park ($32 million).

- expansion and improvements at the Center for Jewish History ($7 million as well as $3 million in 2000) as part of a $50 million renovation project.

- construction of a new entrance at the Brooklyn Museum of Art ($17.8 million as well as $15.8 in 2000).

- capital improvements at the Children's Museum of Manhattan ($0.9 million).

- construction of a permanent facility at the former Coliseum site for Jazz at Lincoln Center ($3 million, as well as $15 million in previous years) as part of a $96.7 million project.

- construction of the Third Stage Theater, a mid-sized theater with an innovative stage and seating design, at Carnegie Hall ($4.8 million, in addition to $7.5 million in 2000). The total project cost, including private funds, is estimated to be $62 million.

PENSIONS AND OTHER FRINGE BENEFITS

Pension Overview

The Executive Budget for 2001 provides for $937 million in City pension contributions, an increase of $190 million from the amount forecast for 2000. Of the total amount, $888 million represents contributions to the City's five main actuarial retirement systems, $27 million represents contributions to actuarial systems covering certain non-City employees of the City University, the library system, day care centers, and certain cultural institutions, and $22 million represents "pay as you go" contributions to non-actuarial systems that are no longer open to active City employees.

Pension Expenditures and Funding Sources

($000's)

			2001		Increase/(Decrease)	
	1999 Actual	2000 Forecast	Preliminary Budget	Executive Budget	2000 Forecast	Preliminary Budget
Expenditures						
Personal Service						
• City Actuarial	$1,385,455	$702,327	$888,716	$888,716	$186,389	—
• Non-City Actuarial	19,892	23,147	27,012	27,012	3,865	—
• Non Actuarial	20,623	21,691	21,691	21,691	-	—
Total	$1,425,970	$747,165	$937,419	$937,419	$190,254	—
Funding						
City	$1,311,364	$640,782	$831,036	$831,036	$190,254	—
State	28,525	19,853	19,853	19,853	—	—
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	2,525	2,525	2,525	2,525	—	—
Intra-City Other	83,556	84,005	84,005	84,005	—	—
Total	$1,425,970	$747,165	$937,419	$937,419	$190,254	—

The City's five main retirement systems include the New York City Employees' Retirement System, the New York City Teachers' Retirement System, the New York City Police Pension Fund, Subchapter Two, the New York City Fire Pension Fund, Subchapter Two, and the Board of Education Retirement System. These systems, as of June 30, 1998 data, cover approximately 564,000 employees, retirees and beneficiaries of the City, the Board of Education, and certain independent agencies.

Each of the five systems is managed by a board of trustees and functions in accordance with State and City laws. Pension liabilities and required contributions are actuarially determined and conform to Generally Accepted Accounting Principles (GAAP).

In connection with an independent actuarial audit performed by Watson Wyatt and Company, the Chief Actuary of the City has formulated a revised set of funding assumptions for estimating liabilities and determining contributions for the five City Systems. Together with the implementation of revised assumptions, commencing in fiscal year 2000, the Actuary intends to perform a market value restart. The City's budget and financial plan are reflective of these revised assumptions as prepared by the Actuary. The Actuary has submitted his funding recommendations to the Trustees of the City's Pension Systems. Certain elements contained in the Actuary's recommendations require approval by the Trustees; other elements require State legislation.

Membership in any of the City's main retirement systems is grouped into certain categories, or "Tiers", which vary according to a member's entry-date into a system. Tier I members are employees who joined a City pension system prior to July, 1973. In general, other than the uniformed forces, Tier I members with 25 years of service may retire at age 55 and receive a benefit which is 55 percent of final year's salary. Members of the uniformed forces under Tier I are eligible to retire after 20 years of service on a half-pay retirement allowance.

Tier II covers all employees who joined City pension systems between July, 1973 and June, 1976. Tier II benefits are generally lower than Tier I benefits. For example, a member's benefit is calculated using a three-year average salary, rather than earnings over the twelve months preceding retirement.

Tier III legislation was enacted statewide in 1976 to cover employees joining pension systems on and after July 1, 1976, excluding uniformed police officers and firefighters, who continue to be members of Tier II. Tier III benefits are also based on a three-year average salary and include a Social Security offset to the benefit calculation.

Tier IV was enacted under Article 15 of the Laws of 1983, to supersede Tier III. All Tier III members with the exception of uniformed police, fire and correction employees were transferred to Tier IV effective September 1, 1983. The Tier IV plan is more costly than Tier III, predominantly because it eliminated the Social Security offset feature of Tier III. To partially offset the employer cost of this change, the Tier IV legislation, as compared to Tier III, provided for reduced death benefits, eliminated automatic cost-of-living adjustments to retirees, and eliminated the right to retire between ages 55 and 62 at reduced benefits. Tier IV also removed the immediate refund feature under Tier III for individuals who separated from City service. Tier IV requires such individuals to wait until age 62 (or death) to receive refunds of contributions.

On June 29, 1984, the New York Court of Appeals held that the provisions of the Tier IV legislation which eliminated the immediate refunding of terminated employees' contributions and reduced death benefits, could not be applied to Tier IV members who held membership in the Tier III plan before September 1, 1983. Subsequent court decisions indicate that Tier IV members who were former Tier III members have rights in certain cases to elect to receive benefits (which they may deem more favorable) originally provided under Tier III. In 1986, State legislation was enacted which further enhanced benefits to Tier IV plan participants. Specifically, ordinary death benefits were amended to become nearly identical to those received by Tier II members. It should be noted that this legislation is a reversal of reductions in these death benefits that were intended to partially offset the employer cost of the removal of the Social Security offset.

State legislation enacted in 1985 enables teachers hired since July, 1976 to retire with no reduction in benefits at age 55 provided they have 30 years of service. Similarly, in 1988, State legislation was enacted which entitles uniformed sanitation workers hired since July, 1976 to retire with no reduction in benefits at age 55 provided they have 30 years of service. An improved retirement plan for correction officers and sanitation workers was approved in 1990 and 1991, respectively. This plan allows correction officers and sanitation workers to retire with 20 years of service at half pay, with the provision that the members pay for the enhanced benefit through increased payroll deductions. Other improvements include State legislation enacted in 1989 and effective July 1, 1990, which allows non-vested Tier IV members who leave City service to withdraw their contributions upon termination of employment. And, in 1990, the State passed into law the ability for Tier III and Tier IV members to take loans on their pension contributions. In 1993, the State enacted legislation which extended the 1990 correction officers improved retirement plan, discussed above, to correction captains. Similar to the previous plan, the correction captains are now eligible to retire with 20 years of service at half pay with the provision that members pay for the enhanced benefit through increased payroll deductions.

Pursuant to an agreement between the City and the Municipal Labor Coalition, Chapter 96 of the Laws of 1995 was enacted to allow Tier II, III and IV civilian employees to purchase improved pension and health insurance benefits through increased payroll deductions. Participants must contribute an additional 4.35 percent of salary for all service rendered through the beginning of January 1998, and as a result of Chapter 422 of the laws of 1997, 2.85 percent thereafter. Chapter 96 granted existing pension members the option of joining an improved plan to receive pension payability upon attaining age 55 and 25 years of service. New employees are mandated into a separate plan that provides pension payability at age 57 with a 10 year minimum vesting requirement. In addition, eligible participants in physically taxing titles can retire at age 50 with 25 years of service for an additional 6.33 percent of salary as provided under Chapter 96, and 4.83 percent of salary as provided under Chapter 422.

State legislation enacted in 1998 under Chapters 389 and 266 provided for further improvements for Tier III and IV members of TRS, and certain civilian members of NYCERS and BERS. Chapter 389 provided for five year vesting and Chapter 266 provided members with a two percent service fraction for 20 or more years of service. Additional legislation passed into law granted a pre-retirement death benefit for Tier II, III and IV members.

Other Fringe Benefits

The City provides a number of fringe benefits to its employees, retirees and eligible dependents. Contribution levels and terms of coverage are governed by various contractual, legal and collective bargaining provisions.

The City's basic health insurance program provides comprehensive major medical and hospitalization benefits to its members. City payments on behalf of active employees and non-Medicare retirees are benchmarked to the HIP/HMO rate; while payments on behalf of Medicare eligible participants are benchmarked to the GHI Senior Care rate. In addition, the City makes annual contributions to union-administered Welfare Funds, which typically provide supplemental health insurance benefits for their members. Annual contribution levels conform with collective bargaining and labor agreements, including the payment in 2000 of certain monies deferred from 1996.

The City also participates in federal Social Security and makes the required employer contributions on behalf of covered employees. Under Worker's Compensation, the City provides statutory wage-replacement and medical benefits to employees who sustain on the job injuries, and under Unemployment Benefits, provides up to 26 weeks of wage-replacement benefits, up to state law maximum levels. The City also provides medical benefits to uniformed employees of the Police, Fire and Sanitation Departments who are injured in the line of duty.

In general, the City's Miscellaneous Budget contains the fringe benefit appropriations on behalf of employees and retirees of the mayoral agencies. Separate allocations are included in the Board of Education, the City University system, the Health and Hospitals Corporation, various other covered organizations, libraries and cultural institutions, for the fringe benefit costs of their active and retired employees.

The following table sets forth the fringe benefit amount carried in the Miscellaneous Budget.

Fringe Benefits

($ 000's)

	2000 Forecast	2001 Executive	Increase/ (Decrease)
Workers' Compensation	$80,432	$ 91,921	$ 11,489
Health Insurance Plans	1,015,473	1,131,763	116,290
Social Security Contributions	580,272	594,099	13,827
Unemployment Insurance Benefits	10,423	11,007	584
Supplementary Employee Welfare Benefits	355,723	335,925	(19,798)
Workers' Compensation - Other	30,308	33,141	2,833
Total	$2,072,631	$2,197,856	$125,225
Funding			
City	$1,947,847	$2,074,185	$ 126,338
Other Categorical	—	—	—
State	43,989	42,989	(1,000)
Interfund Agreements	2,450	2,450	—
Federal			
• CD	19,908	20,795	887
• Other	58,437	57,437	(1,000)
Total	$2,072,631	$2,197,856	$ 125,225

JUDGMENTS AND CLAIMS

The Executive Budget for 2001 provides an appropriation of $442 million for Judgments and Claims. These expenditures represent the City's costs for tort and contract liability and are projected to reach $508 million by 2004. Tort expenditures cover both personal injury and property damage claims, and account for approximately 97 percent of total costs.

The Office of Management and Budget (OMB) employs various statistical methods and financial models to estimate annual claim costs. Historical claim data contained on the Comptroller's Omnibus Automated Image Storage and Information System (OAISIS) are analyzed to determine both annual settlement volumes and average claim costs. Total costs are the product of both the volume and average cost projections.

In addition, OMB consults the Law Department to provide cost estimates for cases that are expected to settle for $1 million or greater. These are mainly serious personal injury cases that have been in litigation or on appeal for a considerable period of time. These cases represent about 30 percent of total tort costs, but their relatively small volumes do not lend themselves to statistical analysis.

Annual claim costs have grown dramatically over the last 10 years, from $179 million in 1990 to $420 million in 1999. This growth has been fueled by an increasing volume of claims filed against the City combined with higher jury awards.

In an effort to curb the growth in costs, the City is seeking Tort-Reform legislation that would include monetary caps and medical expense thresholds to limit recovery amounts. In addition, the City proposes that the Court of Claims have jurisdiction over City cases whereby it is expected that this venue would remove the costs of excessive jury verdicts while maintaining fair settlement amounts in an efficient manner. Currently, the City has adopted certain recommendations from an independent consultant to aggressively investigate and dispose of claims in their early stages with the expectation that long-term savings should materialize from improved coordination and defense of claims, identification of fraud, third party insurers and claims without liability.

Analysis of Agency Budgets: Covered Organizations

BOARD OF EDUCATION

The New York City Board of Education provides primary and secondary education for over one million school age children. Through a network of more than 800 elementary, junior high and intermediate schools, more than 200 high schools, and 60 special education schools, the Board provides basic instructional services and offers students special and bilingual education, and vocational training. Support services include free and subsidized transportation, breakfast and lunch services, and the operation and maintenance of over 1,100 school facilities.

Financial Review

The Board of Education's 2001 Executive Budget is $10,714.3 million, a $90.6 million or 0.8 percent decrease from the 2000 forecast. In addition, education-related pension and debt service costs of $588.8 million, or $38.6 million below 2000, are budgeted in separate agencies. City funds excluding pensions and debt service will support $4,716.5 million of the Board of Education's expense budget in 2001, an increase of $14.4 million, or 0.3 percent, from 2000. Excluding one-time resources for pay-as-you-go capital of $197.0 million in 2000 and $85.0 million in 2001, City funds for operating expenses rise by $126.4 million in 2001. State funds will support $4,934.9 million or 43.7 percent of the education budget in 2001. This appropriation level is subject to change after the State budget is finalized. The balance of the education budget is supported by $1,043.2 million in Federal aid (down from $1,154.7 million in 2000), $7.5 million in intra-city funds and $15.3 million in other categorical funds. Including those funds budgeted centrally, total funds budgeted on behalf of the Board will decrease from $11,449.0 million in the 2000 forecast to $11,319.9 million in the 2001 Executive Budget. The Board's share of the City's overall budget will grow from 29.8 percent to 30.3 percent.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- an additional $8.5 million to expand the successful Truancy Reduction Alliance to Contact Kids (TRACK), which reduces truancy and ensures that truants and their families receive the assistance they need to consistently maintain attendance.

- an additional $29.6 million to hire new school safety agents, maintain staffing levels through more frequent attrition replacement and purchase equipment.

- an increase of $34.1 million for the cost of transportation for general and special education students and Project Read students in after school programs.

- an additional $20.0 million to finance a comprehensive health and physical education curriculum and replace and repair sports equipment, bringing total City funding for the program to $35 million.

- an additional $9.0 million in matching funds for Take the Field, Inc., a non-profit private sector effort to rehabilitate school athletic fields, gymnasiums and swimming pools.

- an additional $46.0 million to bring those schools under State registration review to levels of achievement that meet or surpass State standards.

- an additional $55.0 million to increase the number of summer school slots for students not meeting standards.

- an additional $18.0 million for Eight Plus Schools, which will provide more intensive instruction in separate facilities to those eighth grade students unable to meet promotional standards.

- an additional $2.2 million for custodial services, fringe benefits, and non-capital equipment associated with facilities created by construction, leases, modular additions, and transportable classrooms.

- an additional $2.0 million for Borough Young Adult Centers, which offer rigorous evening instruction, GED participation, school-to-career training, and job placement and guidance support services until 10PM for students who have not earned their diplomas after five years of high school, bringing total City funding for the program to $11.0 million.

- an additional $1.5 million to develop a system-wide school bus routing and student tracking program that will ensure that each student eligible to ride the school bus has a seat.

- an additional $1.3 million to comply with a court order to ensure that Riker's Island inmates under the age of 21 receive the educational services to which they are entitled.

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- an additional $7.0 million for scanning equipment in schools, improving safety for all public school students and staff.

- continuation of the $1.5 million increase to expand infant care and support services at schools so that teen mothers can continue to attend and complete their high school education.

- funding of $26.9 million for charter school enrollment.

Streamlining

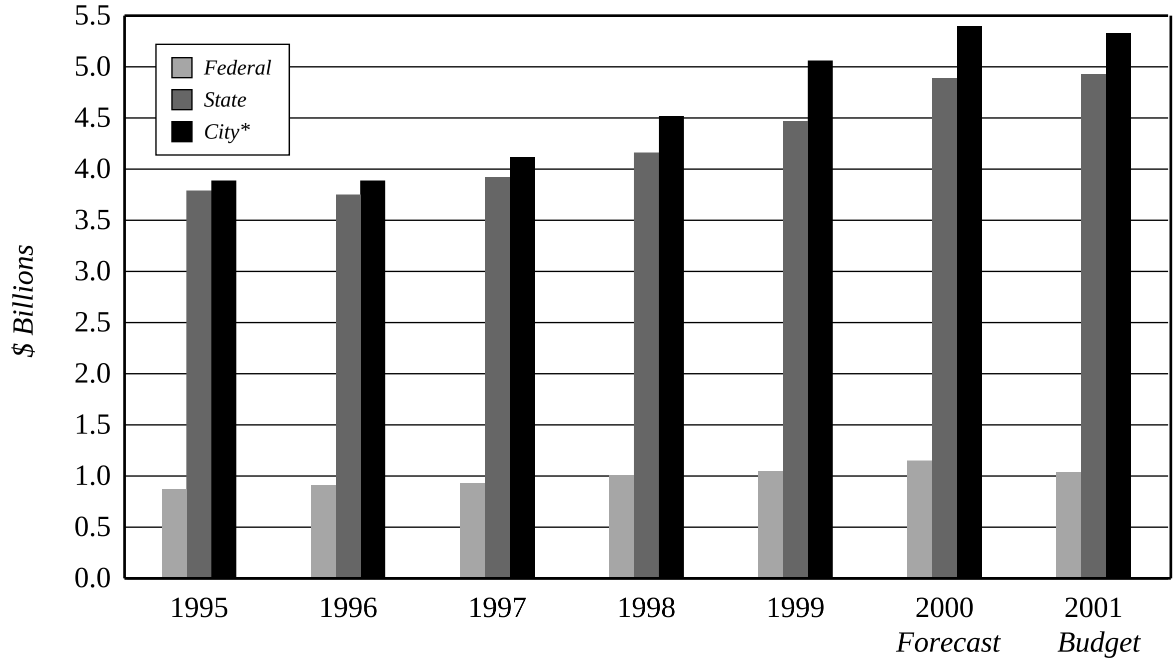
Despite pressures to make reductions in an area that represents 30.3 percent of the City's budget, the Board of Education has been exempted from any reduction target for 2001. This continues an exemption that started in October 1996, when additional reduction targets were issued to other agencies in order to maintain a balanced budget condition.

Summary of Agency Financial Data

($000's)

			2001		Increase/(Decrease)	
	1999 Actual	2000 Forecast	Preliminary Budget	Executive Budget	2000 Forecast	2001 Preliminary Budget
Expenditures						
Personal Service	$7,309,327	$7,856,043	$7,928,259	$7,901,403	$45,360	($26,856)
Other Than Personal Service	2,317,070	2,948,811	2,712,798	2,812,912	(135,899)	100,114
Total	$9,626,397	$10,804,854	$10,641,057	$10,714,315	($90,539)	$73,258
Funding						
City	$4,064,991	$4,702,136	$4,651,389	$4,716,533	$14,397	$65,144
Other Categorical Grants	34,205	56,234	15,318	15,318	(40,916)	—
Capital IFA	—	—	—	—	—	—
State	4,466,158	4,881,899	4,929,692	4,931,718	49,819	2,026
Federal						
• JTPA	—	—	—	—	—	—
• CD	—	5,000	—	5,000	—	5,000
• Other	1,053,880	1,149,714	1,036,749	1,038,249	(111,465)	1,500
Intra-City Other	7,163	9,871	7,909	7,497	(2,374)	(412)
Total	$9,626,397	$10,804,854	$10,641,057	$10,714,315	($90,539)	$73,258
Personnel (at fiscal year-end)						
City	82,157	83,471	82,861	83,538	67	677
Non-City						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	14,773	17,933	17,933	17,933	—	—
Total	96,930	101,404	100,794	101,471	67	677

FUNDING SOURCES 1995-2001



** City funds include debt service, pensions, other categorical, capital IFA, but not intra-city.*

Total Board of Education Expenses*
1996-2001
($ millions)

	1996 Amount	1997 Amount	1997 Change from 1996	1998 Amount	1998 Change from 1997	1999 Amount	1999 Change from 1998	2000 Forecast Amount	2000 Forecast Change from 1999	2001 Executive Budget Amount	2001 Executive Budget Change from 2000 Forecast	1996–2001 Change from 1996
Total Expenditures . . .	$8,561	$8,975	$414	$9,695	$720	$10,589	$894	$11,449	$860	$11,319	$(130)	$2,758
Funding												
City	$3,857	$4,082	$225	$4,479	$397	$5,025	$546	$5,343	$318	$5,319	$(24)	$1,462
Other Categorical . . .	34	38	4	40	2	34	(6)	56	22	15	(41)	(19)
State	3,754	3,915	161	4,155	240	4,469	314	4,885	416	4,935	50	1,181
Federal	909	933	24	1,014	81	1,054	40	1,155	101	1,043	(112)	134
Intra-City	7	7	0	7	0	7	0	10	3	7	(3)	0

* The amounts shown for 1996 through 1999 represent actual expenditures including pensions and debt service funds, as reported in the Comptroller's year-end audited financial statements. The 2000 amounts represent the latest forecast as per the 2001 Executive Budget.

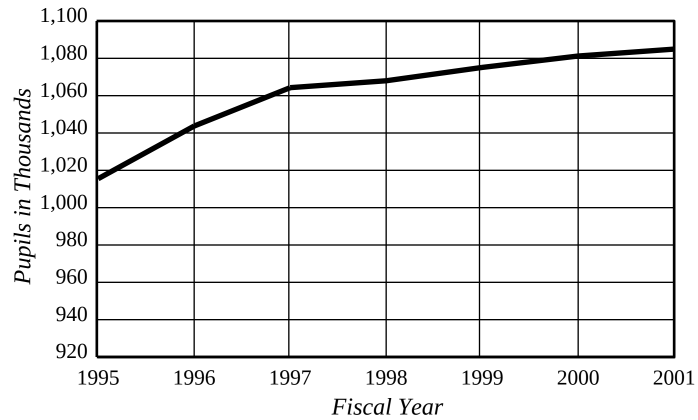
Programmatic Review

The Student Population

Total public school enrollment, including pre-kindergarten and charter school students, will increase 6.8 percent from 1,015,506 in 1995 to a projected 1,084,101 in 2001. For the coming fiscal year the City projects that general education public school enrollment for kindergarten through twelfth grade will be 967,345, which is higher than the October 1999 registers by 479. Of these students, 963,015 are expected to attend schools run by the Board of Education, and 4,330 are expected to attend charter schools. High School enrollment decreased 1.1 percent in 2000 and is expected to decrease by 0.5 percent in 2001. In 2000 the increase in elementary and middle school enrollment was lower than projected by 37, while high school enrollment was higher than projected by 652.

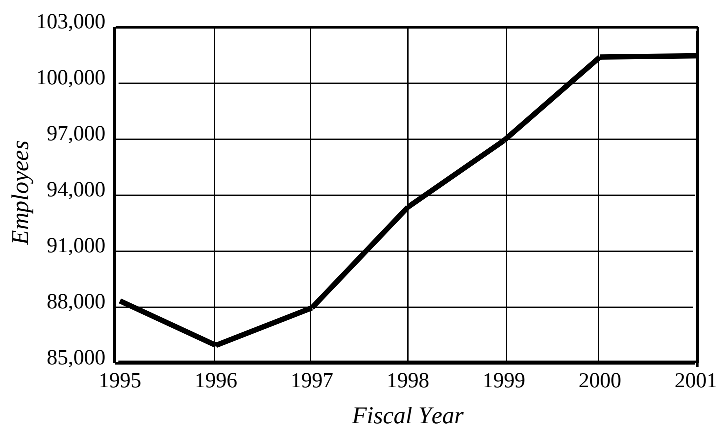
In 2001, the number of students receiving some form of special education service at Board facilities is projected to reach 131,600, or 12.5 percent of public school enrollment for kindergarten through twelfth grade. Of these students, 82,319 are expected to receive full-time special education services — 41 students higher than in 2000 — and the remaining 49,281 students will receive part-time special education services. This part-time enrollment is 24 students higher than 2000. The total special education population also includes approximately 20,000 pre-kindergarten students and 4,500 school age students who attend specialized private facilities paid for through the Board's budget.

NYC PUBLIC SCHOOL ENROLLMENT 1995-2001

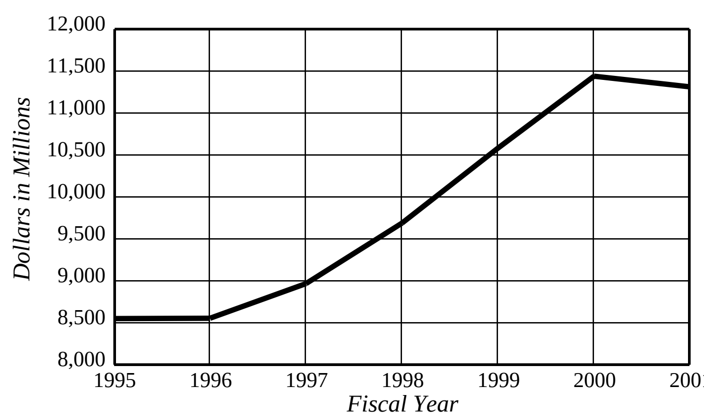


Excludes LTA's and Special Ed Pre-K

FULL TIME BOARD OF EDUCATION EMPLOYEES 1995-2001



TOTAL BOARD OF EDUCATION EXPENDITURES 1995-2001*



** Total BOE expenditures include pensions, debt service and labor reserve amounts and exclude Intra-City funds.*

Ending Social Promotion and Meeting Higher Standards

Raising standards in the classroom is on the agenda of every major school system and has been the driving force behind recent changes in the New York State Regents Exam requirements. The 2001 budget supports numerous efforts to elevate the performance of the City's public school students, each tailored to meet the needs of a special population. The Eight Plus Program will provide more intensive instruction separate from middle schools to students unable to pass the eighth grade. Rather than be promoted to high school, these students will go to school at specially designated Eight Plus sites. At these facilities, they will be taught in smaller classes and receive additional hours of instruction and counseling. This focused attention should provide them with the help they need to meet Regents standards and move on to high school. Removing these older students from the middle school environment will also allow middle schools to refocus their attention on sixth, seventh and eighth graders at grade level rather than on the special problems of older students having difficulty keeping up with their peers. The performance of Eight Plus students will be reassessed each semester, and those who have demonstrated that they are ready to perform high school level work will be promoted.

The 2001 Summer School Program is designed to help all students at risk of failing to meet promotional criteria at every level of the school system. This summer the Board hopes to serve the 250,000 students estimated to be at risk of failing to meet the promotional standards for their grade. To help students in grades three through eight meet literacy and math standards before the beginning of the next academic year, the Board will provide at least 100 hours of additional instruction in classes of 12 to 15 students. This year, the Board of Education will also focus on high school students who have failed core subjects and/or one or more Regents exams. These programs, which include the Core Model Program; Global History, Math & English Language Arts Academies; and the Borough Summer Study Centers, provide Regents preparation and subject immersion. At the end of the summer attendees will be re-tested and promoted to the next grade if they meet established standards. This is an expansion of the 2000 program, which focused primarily on third, sixth, and eighth graders whose Citywide reading and/or mathematics scores fell below promotion criteria.

In addition to addressing social promotion and standards by providing services to individual students, in 2001 the Board will intensify its effort to improve those Schools Under State Registration Review (SURR). The SURR School Turnaround Strategy is designed to remove all schools from the SURR list within two years by improving school-wide student achievement. The initiative requires SURR schools to follow a mandated instructional model with a proven track record in raising student performance. The strategy includes a number of instructional modifications including smaller class size, on-site embedded professional development and an extended school day for students. The model also incorporates Success for All, a literacy program developed by John Hopkins University and already successfully used in the Chancellor's District elementary schools.

As a long-term strategy for ending social promotion and improving overall student achievement throughout the system, the Board has also expanded the State funded Universal Pre-Kindergarten program. The focus of this program is to enhance academic achievement through intensive early reading preparation, parental involvement, and the coordination of various support services. Universal Pre-Kindergarten also provides instruction to non-English speaking children when they are most able to acquire a new language. This year the program served 25,300 children in elementary schools and community-based organizations in classes with a maximum of 20 children, up from 14,000 students last year. Over 60 percent of these students receive instruction in Board facilities.

Early Grade Class Size Reduction responds to recent studies indicating that students attending small classes in early grades make faster educational gains. The program is expected to reduce the average number of students in a class to a maximum of 20, allowing for more personalized instruction. With the assistance of both State and Federal support 1,600 new teachers have been hired, improving teacher to student ratios in approximately 40 percent of kindergarten through third grade classes.

Creating a Safer School Environment

The New York City Police Department has had great success in reducing major crime in the last five years, making New York City the safest large city in America. Nonetheless, youth remain among the City's most vulnerable citizens. In a continued effort to ensure a safe learning, teaching and working environment in the City's schools, the City will provide an additional $36.6 million for school safety personnel and scanning equipment in 2001. These additional funds will help the City build on the successful transfer of oversight for school safety from the Board to the Police Department that occurred in 1999. An additional 584 school safety agents will staff scanning points, provide security for new schools and enhance staffing at existing schools with higher than average incident rates. These funds will also enable the school safety program to fill vacancies throughout the year rather than annually.

In addition to the $36.6 million added for school safety, $8.5 million will support TRACK (Truancy Reduction Alliance to Contact Kids), a partnership between the NYPD and other City agencies that seeks to reduce truancy by addressing the needs of the students and their families. Originally a pilot project in Brooklyn, TRACK has been expanded to include 27 sites, 135 school safety agents and 81 counselors and educators who will operate programs to reduce truancy, daytime crime and youth victimization.

Introducing Competition and Incentives to the System

Recognizing the importance of recruiting and retaining good teachers and administrators, the 2001 budget contains a number of initiatives that focus on recognizing and compensating qualified and committed educators. A collective bargaining agreement with the Council of Supervisors and Administrators encourages greater accountability by increasing compensation for principals and assistant principals in exchange for the abolition of principal tenure and the modification of promotional procedures for assistant principals. The agreement also provides merit pay to the top 25 percent of principals, assistant principals, supervisors and administrators who will receive pay increases ranging from $2,750 to $15,000 based upon performance. Principals and assistant principals will work a greater number of days per year and an increased number of hours per day, and those working in low-performing and large schools will receive increased pay. This agreement is most significant because employee compensation is being linked to performance for the first time in the public school system. In an effort to extend this linkage to teachers, the 2001 budget sets aside funds for a two-year collective bargaining agreement to provide teacher merit pay.

The introduction of charter schools has increased competition within the New York City public school system. Although charter schools operate using public funds, they are free from the many state and local educational regulations that public schools must follow. Charter schools are converted public schools or new schools formed by for-profit and not-for-profit organizations. Fifteen additional charter schools are expected to open in 2001, bringing the total number of charters in operation to 19. These schools, which are located in four of the five boroughs, include a dual language program, as well as a partnership with the Bronx Museum of Art.

Private management of SURR schools is an initiative that provides financial incentives to firms that are successful in removing schools from the SURR list. In order to facilitate contracting with private firms to run SURR schools, the 2001 budget has set aside 20 percent of all SURR funding, or $60.8 million, for contracts with private firms. Of the 97 schools currently on the SURR list, many have been failing for more than 10 years. Throughout the country, private management has shown excellent results in improving school performance and could help to permanently remove New York's schools from the SURR list.

While increased competition and incentives will help to improve the public education system, greater efficiency is also needed to minimize bureaucracy and increase educational achievement. The transfer of approximately 75 percent of the Board's central administration resources to decentralized community school districts will enable those services and resources that are directly linked to educational performance to move closer to the children that they are intended to serve. As a direct result of the transfer, an additional $88.0 million will be redirected to support the classroom in 2001.

Capital Review

The City's Four-Year Plan for school construction anticipates spending $5.5 billion and represents the years 2001-2004 of the Board's Five-Year Plan for 2000-2004. The Four-Year Plan provides $4.9 billion for proposed solutions to overcrowding, maintenance and restoration of the system to a state of good repair through life cycle replacement of assets and preventive maintenance. The Plan also provides $275.0 million in funding for increased emphasis on the rehabilitation of schools for 2001. This is the last year of an initiative by the Mayor and City Council begun in 1997, which provided $1.4 billion of funding for rehabilitation work. In addition, over the four years the Board of Education's expense budget reserves $320.0 million for pay-as-you-go capital funding.

The table below shows the capital commitments by program area over the 1999-2004 period.

Capital Commitments

($000's)

	1999 Actual		2000 Plan		2001 Plan		2002 Plan		2003 Plan		2004 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
New Construction	$512,387	$512,387	$437,203	$537,673	$602,366	$635,856	$435,216	$464,766	$519,455	$550,975	$473,244	$504,764
School Modernizations	9,478	9,478	45,496	55,951	62,683	66,168	45,289	48,364	54,055	57,335	49,246	52,526
Replacement and/or Rehabilitation of Roofs, Windows, etc	744,741	744,741	444,971	547,226	613,068	647,153	442,949	473,024	528,683	560,763	481,652	513,732
Vocational Education Improvements	9,622	9,622	—	—	—	—	—	—	—	—	—	—
Miscellaneous Improvements	116,895	116,895	119,843	147,383	165,116	174,296	119,298	127,398	142,388	151,028	129,722	138,362
Administrative Facility Improvements	19,961	19,961	16,645	20,470	22,933	24,208	16,569	17,694	19,776	20,976	18,017	19,217
Federal, State, and Local Mandates	15,653	15,653	25,522	31,387	35,164	37,119	25,406	27,131	30,323	32,163	27,626	29,466
Rehabilitation of Playgrounds and Athletic Fields	7,324	7,324	19,974	24,564	27,519	29,049	19,883	21,233	23,731	25,171	21,620	23,060
Total	$1,436,061	$1,436,061	$1,109,654	$1,364,654	$1,528,849	$1,613,849	$1,104,610	$1,179,610	$1,318,411	$1,398,411	$1,201,127	$1,281,127

Table includes all budget lines

Capital Highlights

The Board of Education's 2001-2004 Plan features the following initiatives:

- $320.0 million of pay-as-you-go financing.
- installation of air-conditioning units in 7,700 classrooms.
- conversion of the remaining 179 schools heated with coal fired burners by 2003.
- initiation of construction of 38 new schools by 2003.
- $23.0 million for the rehabilitation and construction of science labs.

Capital Commitments

The 2001-2004 Plan provides $5.5 billion to construct and modernize school buildings. Based on historical experience, the proposed funding may include the following elements, although the actual level of funding for each type of work is determined by the Board of Education:

- replacement of roofs, windows and other building systems.
- construction of new schools and additions.
- technology and miscellaneous improvements.
- modernization of schools.
- funding the administration of the School Construction Authority.
- compliance with Federal and State mandates.
- rehabilitation of physical education facilities such as playgrounds and athletic fields.

CITY UNIVERSITY OF NEW YORK

The City University of New York (CUNY) includes ten senior colleges, six community colleges, one technical school, the Graduate Center, a law school, and an affiliated medical school. CUNY also sponsors Hunter Campus Schools. The CUNY colleges, some of which date back to the nineteenth century, were federated in 1961. The University is governed by a 17-member Board of Trustees, ten of whom are appointed by the Governor with the advice and consent of the New York State Senate, five are appointed by the Mayor, and two, the chairpersons of the Faculty and Student Senates, serve as ex-officio members.

CUNY is the largest municipal university system in the United States and ranks third in number of students among the public university systems in the nation. It is estimated that in 2000 CUNY will serve approximately 191,000 students in degree programs with approximately 130,000 in the senior colleges and 61,000 in the community colleges. In addition, CUNY will serve approximately 165,000 non-degree students. Similar levels of enrollment are anticipated in 2001.

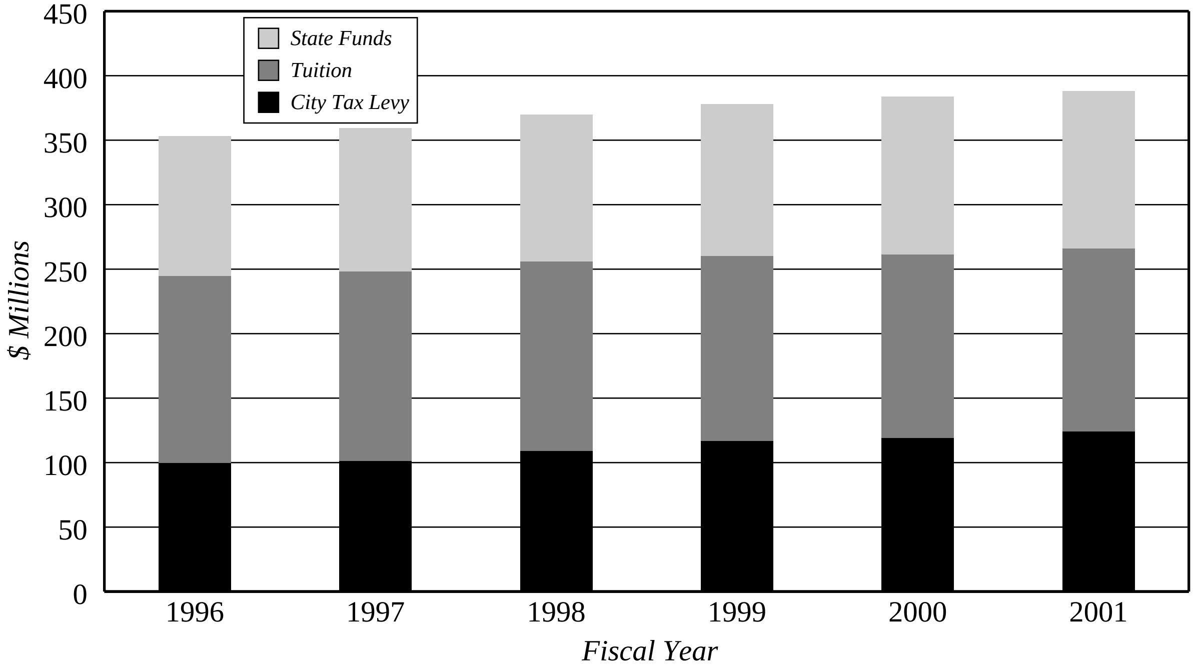
Financial Review

The City University of New York's 2001 Executive Budget is $427.7 million, a net decrease of $6.6 million from the 2000 forecast of $434.3 million. This decrease is primarily due to reductions of $4.0 million in Intra-City accounts, $800,000 in Federal funding and approximately $200,000 in State categorical funds. The community college budget increased by approximately $700,000 from $381.7 million to $382.4 million. The funds provided for the prefunding of the senior colleges and for the Hunter Campus Schools have remained relatively unchanged, decreasing from $35.5 million to $35.0 million and from $10.0 million to $9.9 million respectively. Due to delays in finalizing the State budget, all State allocations for the 2000-2001 school year contained in these figures are estimates based on 2000's State aid levels.

Revenue Forecast

The CUNY Expense Budget is funded by four major sources of revenue: State aid; tuition, fees and miscellaneous income; City tax levy funds; and other categorical grants. The 2001 Executive Budget appropriates $122.5 million in State aid for the community colleges, approximately $200,000 below the amount of $122.7 million projected for 2000. This level is subject to change when the State budget is approved. The other major source of 2001 revenue, namely tuition, fees and miscellaneous income, is projected at $136.9 million. This is the same as the 2000 forecast level. The City's tax levy funds in the 2001 Executive Budget, inclusive of pension contributions budgeted separately in the Pension Agency, are $133.2 million. This is approximately $2.6 million lower than the 2000 forecast level of $135.8 million. Other categorical funds amount to $5.0 million in both 2000 and 2001 and consist of non-governmental grants. These funds were previously included in City funds along with tuition and miscellaneous fees.

COMMUNITY COLLEGE FUNDING 1996-2001



* *Funding which supports senior college and Hunter Campus Schools activities is not included here. City tax levy includes pension contributions which are budgeted in the Pension Agency. Tuition includes Tuition and Fees, Miscellaneous Revenues, Adult Continuing Education fees and Other Categorical funds. The 2000 amounts are as per the Executive forecast.*

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- an increase of $5.0 million in tax levy funds for the College Now program.
- a reduction of $2.1 million in tax levy funds for mandated costs such as fringe benefits and pensions.

The following table compares the 2001 Executive Budget with the 2001 Preliminary Budget.

Summary of Agency Financial Data

($000's)

			2001		Increase/(Decrease)	
	1999 Actual	2000 Forecast	Preliminary Budget	Executive Budget	2000 Forecast	2001 Preliminary Budget
Expenditures						
Personal Service	$285,293	$282,515	$276,217	$276,217	($6,298)	$—
Other Than Personal Service	102,174	151,739	146,480	151,504	(235)	5,024
Total	$387,467	$434,254	$422,697	$427,721	($6,533)	$5,024
Funding						
City	$253,431	$255,819	$249,217	$254,241	($1,578)	$5,024
Other Categorical Grants	5,356	5,000	5,000	5,000	—	—
Capital IFA	—	—	—	—	—	—
State	118,856	158,969	158,819	158,819	(150)	—
Federal						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	574	794	—	—	(794)	—
Intra-City Other	9,250	13,672	9,661	9,661	(4,011)	—
Total	$387,467	$434,254	$422,697	$427,721	($6,533)	$5,024
Personnel (at fiscal year-end)						
City	3,761	3,540	3,540	3,540	—	—
Non-City						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	20	47	47	47	—	—
Total	3,781	3,587	3,587	3,587	—	—

Programmatic Review

As part of the goal to increase accountability for all publicly supported entities the Administration has stressed the importance of raising CUNY community college standards. Most incoming community college students are unprepared for college level work and once accepted to CUNY community colleges, they fail to rapidly move out of the remedial education program. In addition, over time the graduation rate has declined. Over the past fiscal year, CUNY adopted a program to phase out remedial education in its senior colleges in order to enhance academic performance and standards. With the help of a $5.0 million City enhanced College Now/College Tomorrow program CUNY will continue to improve the preparedness and success of its students in 2001.

CUNY has embarked on a five-year effort — Standards, Opportunity, Service and Accountability — to improve current programs and develop new ones to enhance programmatic excellence and boost standards. CUNY is strengthening liberal arts curricula, improving writing skills by teaching writing in courses across the curriculum, recruiting more full-time faculty and upgrading the instructional infrastructure. To maintain and expand existing opportunities CUNY offers a wide range of programs. These efforts include collaborative programs with the Board of Education such as the College Preparatory Initiative to better prepare prospective new students, English language immersion programs for non-native speakers of English and outreach programs for adult students. Service, the third objective of the University's five-year program, refers to its efforts to contribute to New York City's economic development through commercially relevant research, the identification of workforce skills needed in the private sector, and the development of courses of study to respond to these needs. Finally, the University's five-year program incorporates performance measures that link expectations with actual outcomes.

Program Highlights

CUNY is expected to engage in numerous independent and collaborative programs, including:

- CUNY/Board of Education Partnership - CUNY maintains a number of successful collaborative programs with the Board of Education. The College Now/College Tomorrow program, which served 13,000 students in 2000, will expand to 28,000 students in all City public high schools. This program instructs high school students at high schools and in the colleges, helping twelfth graders acquire skills necessary to graduate, pass Regents and college entrance examinations, and ultimately succeed in college. The Middle College High School Program, which operates at Brooklyn and Medgar Evers colleges, Hostos, Bronx, LaGuardia, and Kingsborough community colleges, operates alternative high schools within college settings for students identified as being at high risk of dropping out. The College Preparatory Initiative (CPI), launched in 1992, brings together the New York Public Schools and the University to improve academic preparation for college.

- Language Immersion Program - This program provides up to 900 hours of classroom work over three or four annual cycles to immigrant students who require better knowledge of English to be more effective and efficient students. The program serves over 2,500 immigrants at eight locations.

- Workforce Development Initiative (WDI) - This program promotes and supports small businesses by retraining and upgrading employee skills, meeting qualified teacher shortages, preparing undergraduates for skill-shortage occupations, creating jobs, providing for economic development, and performing labor market research, planning and coordination.

- Adult Literacy Program - This program is budgeted at $3.0 million in 2000 and for an equal amount in 2001. It will help approximately 7,000 students meet program and employment requirements in the labor market, including English-as-a-Second-Language education.

- Child Care - This program provides child care in 16 centers throughout CUNY. The program serves approximately 1,600 children and provides early child care, infant/toddler care, training for families and a learning environment for early childhood education.

Capital Review

The City University of New York's Four-Year Capital Plan totals $31.2 million, including $19.1 million in City funds and $12.1 million in State funds. The table below shows capital commitments by program area over the 1999-2004 period.

Capital Commitments

($000's)

	1999 Actual		2000 Plan		2001 Plan		2002 Plan		2003 Plan		2004 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Replacement/Rehabilitation of Roofs, Windows, etc.	$ 2,721	$ 3,877	$15,119	$19,669	$4,598	$ 5,978	$1,450	$2,773	$1,124	$2,248	$2,151	$4,302
Purchase & Installation of EDP and Other Equipment . .	7,666	7,702	14,809	16,765	-	-	-	-	-	-	-	-
Plant Upgradings	740	944	1,276	1,796	952	1,604	845	1,410	659	1,318	1,197	2,394
Federal, State and Local Mandates	201	346	448	842	327	357	100	200	300	600	509	1,018
Other Projects	628	846	7,653	11,142	2,842	3,684	1,398	2,104	563	1,126	71	142
Total	$11,956	$13,715	$39,305	$50,214	$8,719	$11,623	$3,793	$6,487	$2,646	$5,292	$3,928	$7,856

The 2001-2004 Plan includes $31.2 million to upgrade and maintain the community colleges' physical plant. The major elements of the program include:

- rehabilitation of roofs, windows, doors and structural elements ($15.3 million).
- plant upgrading of electrical/mechanical systems ($6.7 million).
- security projects, including video surveillance systems ($4.1 million).

In addition, the City approves funding for major community college projects which are financed through the sale of bonds by the New York State Dormitory Authority in conjunction with the City University Construction Fund. The City and State fund these community college projects equally. The 2001 plan provides for seawall reconstruction and building of the Academic Village at Kingsborough Community College, and completion of Fiterman Hall renovations at the Borough of Manhattan Community College. In the recent past, these bonds financed the acquisition of Centers 3 and 4 of the International Design Center of New York and an adjacent parcel at LaGuardia Community College.

HEALTH AND HOSPITALS CORPORATION

The New York City Health and Hospitals Corporation (HHC) provides comprehensive medical, mental health, substance abuse, and dental services to New York City residents regardless of their ability to pay. HHC operates, through regional health care networks, 11 acute care hospitals, five long-term care facilities, six comprehensive diagnostic and treatment centers, six certified home health agencies, and a large number of neighborhood-based community health clinics. These include 39 Child Health Clinics, seven Communicare centers, and oral health services for children throughout the five boroughs. In addition, HHC provides services in the family courts and City correctional health facilities.

In 1999, HHC facilities served 20 percent of all New Yorkers: 1.5 million people. Of that number, 495,000 were uninsured.

HHC operates a health maintenance organization (HMO), MetroPlus, which is the third largest Medicaid managed care plan in New York City, with the capacity to enroll 147,000 Medicaid managed care enrollees.

New York City is one of the fastest growing managed care markets in the country. This has been spurred by regulatory changes that ended nearly two decades of hospital rate regulation, the establishment of a voluntary Medicaid managed care program, and the implementation of New York State's 1115 Waiver for mandatory Medicaid managed care. The impact of these changes is reflected in the increased number of Medicaid clients enrolled in managed care plans, reduced hospital lengths of stay, lower inpatient census, and steep competition for patients covered by insurance, including Medicaid.

Changes in health care financing and welfare reform have diminished HHC's traditional funding streams. Consequently, HHC has implemented strategies to improve its competitive position and to increase cost effectiveness while ensuring the provision of quality care to its patients.

For the fourth consecutive year, HHC has ended its fiscal year with a positive balance. The Corporation posted a positive accrued balance of $16.2 million for 1999. HHC's financial success, combined with its facilities' receipt of high scores from the Joint Commission on the Accreditation of Healthcare Organizations, has enabled HHC to obtain the competitive bond ratings necessary to modernize its hospitals.

Financial Review

HHC's operating expenses in the 2001 Executive Budget total $3.51 billion. The income derived from third party payors is $2.96 billion. HHC will also receive $195.3 million through intra-city payments and other contractual agreements with the City. The City will provide $52.6 million for treatment of prisoners and uniformed services at HHC facilities and $11.8 million for other City services. The City's total payment of $791.4 million in 2001 also includes $648.1 million to cover the City's share of HHC's projected Medicaid collections and bad debt and charity care pool contributions.

In lieu of a general support payment, the City has established a Purchase of Services Agreement with HHC which covers the costs of providing care to the City's inmates and uniformed services personnel, as well as expenses associated with the City's morgues and other services. The City's payments to HHC have been adjusted to reflect this agreement.

HHC has continued initiatives begun last year, which will lead to another year of solid financial performance. From July 1998 through June 1999, the Corporation decreased its non-resident workforce by 412 full-time equivalents (FTEs), while the number of residents decreased by 133 FTEs, for a total decrease of 545 FTEs.

Revenue Forecast

The Corporation's 2001 revenue collections from third party payors, including appeals and the bad debt and charity care pools, are projected to be $2.96 billion. The Corporation projects that the Federal Balanced Budget Act, welfare and immigration reform, and the implementation of mandatory Medicaid managed care will result in revenue decreases.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- to cope with projected revenue declines and to make HHC more competitive, HHC has proposed a series of personnel actions over the next two years. Additional reductions will be made in affiliation contracts and other than personal services (OTPS) spending.

- revenue enhancement strategies will be undertaken for services provided to the uninsured through the disproportionate share program and the bad debt and charity care pools.

- HHC continues to strengthen its position in the managed care environment through its HMO, MetroPlus, and contracts with other managed care plans. As of February 2000, MetroPlus had 49,695 enrollees and 15,633 Child Health Plus enrollees. HHC facilities have implemented 122 Medicaid managed care contracts with 14 managed care plans for a total of 65,950 enrollees, of which 41,304 are for Child Health Plus.

Streamlining

- the Brooklyn/Staten Island Family Health Network completed installation of the SMART TALK system in February 2000. This system provides appointment reminders for Kings County Hospital Center, East New York Diagnostic & Treatment Center, and the Flatbush Avenue Health Center. The automated voice system uses scheduling information from Shared Medical Systems (SMS), HHC's financial and patient management system, to remind patients of their appointment 48 hours before their scheduled visits. Reminders are in four languages—English, Spanish, French, and Haitian Creole.

- the North Brooklyn Health Network consolidated medical records operations across the network in 1999. This consolidation will facilitate proper archiving of records, improve continuity of patient care, enhance follow-up reporting mechanisms for regulatory review, and enable standardization of medical records across the network.

- Harlem Hospital laboratory services are provided at Bellevue Hospital Center effective January 2000. Since January 1999, the laboratories of Coler/Goldwater, Lincoln, Belvis, Morrisania, Metropolitan and Lincoln have all been consolidated at Bellevue. The workload performed at Bellevue will increase from one million to four million tests per year. This 400 percent increase in workload will be accomplished with fewer resources than had been spent by the other facilities when each had its own discrete laboratory operations.

- for the first time in over 20 years, the Brooklyn/Staten Island Family Health Network opened an off-site primary care facility in September 1999. This facility has the capacity to handle 32,000 visits per year. The new site is more convenient for many of Kings County Hospital Center's patients and will help the hospital to reduce significantly the number of visits on its main campus. Additionally, the new facility will attract new patients.

- the Generations + Northern Manhattan Health Network opened a new Express Care Center at Metropolitan Hospital Center in February 2000. The Center "fast tracks" non-urgent patients who come to the emergency room for care. The Center is staffed by primary care providers who treat non-urgent patients and engage these patients to become their primary care physicians. The Express Care Center treats approximately 50 patients per day.

- the Generations + Northern Manhattan Health Network renovated and reorganized the Adult Emergency Room at Harlem Hospital Center in October 1999. This project is part of a $4.7 million capital initiative to consolidate and modernize emergency services at Harlem Hospital Center.

- in the July 1999 issue of U.S. News and World Report, Harlem Hospital Center was ranked among the top 50 hospitals in the country for its geriatric care programs. Of 62,999 hospitals assessed, Harlem was singled out for its special approach to treating the elderly, which includes providing comprehensive medical, psychological, and spiritual care, as well as in-depth rehabilitation and activity therapy. The magazine recognized Harlem's geriatric program for excellence in inpatient care, outpatient community services, and follow-up care.

- the North Brooklyn Health Network's Breast Health Center at Cumberland Diagnostic & Treatment Center opened in October 1999. The Center is devoted to the diagnosis and treatment of diseases of the breast, as well as the promotion of breast health. The Center is working with the New York State Breast Health Partnership to enable the Center to bill for comprehensive cancer screening for uninsured patients.

- the Queens Health Network opened a new Women's Medical Center in January 2000. This 5,120 square-foot community medical center provides comprehensive health care for women, by women, in a modern and comfortable environment designed to resemble a private physician's office. The project is a joint venture with Pediatric Specialties of Queens.

- the Queens Health Network has installed a Picture Archiving and Communications System (PACS) at Elmhurst Hospital Center. This film-less radiology system enables any authorized user to access and view film from remote computers located away from the hospital, i.e. in physicians' offices, clinics, or other hospitals.

- in September 1999, the Queens Health Network opened the Senior Care Center at Elmhurst Hospital Center, its third clinical area dedicated to seniors aged 65 and over. The Center emphasizes the importance of preventive care. A dedicated group of attending primary care physicians from the Mount Sinai affiliate staffs the Center.

- the North Bronx Health Care Network dedicated its new state-of-the-art Anatomic Pathology Laboratory at Jacobi Medical Center in January 2000. The new laboratory, which is located on the basement level of the Jacobi building, contains approximately 14,000 square feet of both new construction and renovated space. Designed for the future, this laboratory accommodates the processing and diagnosis of all surgical and cytology pathology specimens and the performance of autopsies. The laboratory has been outfitted with the most modern microscopes and histopathology equipment available.

Programmatic Review

Major Corporate Initiatives

The Community Health Partnership

The Community Health Partnership (CHP) is a program funded by the New York State Department of Health from savings to be generated through the implementation of the 1115 Medicaid Waiver. When fully funded, HHC will receive approximately $100 million per year for five years. Through this program, the Corporation will retrain and restructure its workforce, expand primary care capacity, and increase readiness for managed care through technology improvements, community outreach, and health promotion. CHP is one of HHC's primary vehicles for positioning itself to succeed in a mandatory managed care environment.

A contract between HHC and the State regarding the expenditures of these funds was signed in July 1998 for a start date retroactive to October 1, 1997. To date, 80 percent of the total allocation for the first year of the CHP program has been received. This lag in cash flow results from delays in the implementation of mandatory Medicaid managed care in New York City. As a result, progress on CHP projects has been incremental and limited to those that are of most critical importance to the Corporation's strategic direction and managed care transition. Some of these projects include:

- implementation of Corporate-wide projects to install Health Data Sciences (HDS), HHC's clinical information system, and Shared Medical Systems (SMS), HHC's financial and patient management system. To support these and other computer systems, the health care networks are completing installations of local area networks (LANs) and wide area networks (WANs) and are replacing older systems. Network-specific technology projects that are part of the transition to managed care are also being implemented. For example, the Brooklyn/Staten Island Family Health Network is completing the installation of a comprehensive upgrade to its medical records coding and flow chart system. The South Manhattan Network has installed a pharmacy outpatient dispensing and on-line billing system at all outpatient pharmacy locations throughout Bellevue.

- implementation of the Small Business Health Insurance Initiative for uninsured employees of small businesses in North Brooklyn, East Harlem, and the South Bronx. The collaboration between HHC's Generations + and North Brooklyn Health Networks and Group Health Incorporated (GHI) enables small businesses with 50 or fewer workers to offer affordable health insurance to their employees. As of April 1, 2000, 20 businesses and 176 small business health insurance members were enrolled.

- development of centralized appointment offices throughout the networks/facilities. The South Manhattan and Northern Manhattan Networks have established Patient Management Systems, the Queens Network has begun installation of an appointment scheduling system, and the North Brooklyn Network has installed a telephone triage/call center management system to decrease inappropriate emergency room usage and increase appointment availability.

- expansion of primary care capacity through longer operating hours, renovations of existing clinics, and development of new primary care clinics. Coney Island Hospital, together with local community organizations, opened an extension clinic for primary care services to serve new immigrant communities. Generations + relocated the Lenox Avenue Health Center. The Queens Health Network began development of new clinics in three neighborhoods. The North Brooklyn Network developed a new site in northwest Bronx.

- collaboration between HHC health care networks and community-based health and mental health providers to enhance patients' access to primary care and other health services. The North Bronx Network collaborated with Federation and Guidance Services (FEGS) to provide primary care at its mental health services site, and the Queens and Brooklyn/Staten Island Networks expanded their community-based provider networks.

- improvement of physical plants and expansion of services at several Child Health Clinic (CHC) and Family Health Service (FHS) sites formerly run by the Department of Health (DOH) and now integrated within the HHC networks. Both the Queens Health Network and the North Brooklyn Network have renovated five CHC sites each, and the North Bronx Healthcare Network has increased hours at its FHS site. Throughout the Corporation, substantial progress has been made in extending HHC's WAN to include the FHS sites and replacing outmoded video display terminals with networked personal computers.

- implementation of Corporate-wide retraining programs in areas such as customer relations, technology-related skills, managed care readiness, behavioral health, and medical/billing documentation.

Affiliation

In 1999, HHC spent approximately $441.2 million on contracts with its affiliates, including medical schools and voluntary hospitals, for the provision of all or partial medical staff and services at 16 facilities. In 2000, HHC anticipates that it will spend $465 million on affiliate contracts. The projected increase in costs between 1999 and 2000 is the result of several factors: cost of living adjustments, adjustments for grants, reimbursement for improved provider activity, development of new programs, and expansion of services. Affiliation contract costs are budgeted at $470 million in 2001.

In 1995, the Corporation spent approximately $534 million on affiliate contracts. Expenses associated with these types of contracts have since decreased. This is a result of the implementation of a performance-based productivity contract model that more closely links provider payment to performance. These agreements contain measurable indicators that allow the Corporation to monitor the quality of services and the quality of providers — important tools for maintaining and improving the Corporation's high standard of service delivery.

Graduate Medical Education

HHC hospitals, like many others in New York State, are re-evaluating their participation in the Health Care Financing Administration (HCFA) demonstration project, which was created to assist teaching hospitals in testing new strategies for restructuring Graduate Medical Education (GME). The initial program provided incentive payments to teaching hospitals in New York State to reduce the number of residents trained by at least 20 percent while maintaining or increasing the number of primary care residents. Subsequent passage of the Federal Balanced Budget Act (BBA) provided more advantageous financial incentives on a nation-wide basis to hospitals that reach similar goals. As a result of the new option, only six HHC hospitals decided to remain in the demonstration program. Harlem, Metropolitan, North Central Bronx, Jacobi, Lincoln, and Queens Hospitals all continue to receive the scheduled reimbursement for GME while reducing the number of residency slots at their hospitals as part of the HCFA demonstration project.

The Corporation will continue, for a third year, its participation in the New York State initiative coordinated by the Council on Graduate Medical Education (COGME). This initiative, the New York State Professional Education Supplemental Incentive Pool, provides financial inducements for the restructuring of GME to achieve the State's priorities for postgraduate medical training. The program has been renewed under the Health Care Reform Act (HCRA) 2000. HHC facilities received $12.8 million from the State for their participation in the second year of this program, for a two-year aggregate of approximately $23.5 million.

Quality Improvements

Full Accreditation

In an increasingly competitive marketplace, a healthcare facility's viability depends on the quality of care that it provides. HHC's commitment to service excellence is confirmed by the receipt of full accreditation from the Joint Commission on the Accreditation of Healthcare Organizations (JCAHO). During the fall of 1999, five HHC facilities were successfully reviewed by JCAHO, achieving full accreditation: Bellevue, Coler/Goldwater Memorial, Harlem, Woodhull, and North Central Bronx Hospitals.

Women's Health Quality Indicators

The Corporation seeks to increase the percentage of women entering its facilities for prenatal care during their first trimester of pregnancy. In 1999, HHC succeeded in serving 64 percent of women in prenatal care during their first trimester, exceeding its goal of 53 percent.

Family planning visits were provided within five days in 1998, compared with seven days during 1997. In 1999, the Corporate-wide average waiting time for mammography screening appointments was four days, compared with five days during 1998. Actual waiting time for gynecology appointments was ten days in 1998 and decreased to eight days in 1999.

These accomplishments were achieved by restructuring the patient appointment system, increasing staff training, and expanding the capacity to accept walk-in clients.

System Restructuring

Substance Abuse Treatment

In late 1997, in response to welfare reform and in preparation for the implementation of Medicaid managed care, HHC began to review the operations of its substance abuse treatment programs with an eye towards restructuring. This review emphasized the development and support of drug-free lifestyle and abstinence from illicit drug use, a focus on self-sufficiency and job skills development, and the involvement of clients in work activities. The result is an ongoing effort by HHC to re-focus its substance abuse treatment services on clearly defined outcomes. These outcomes are centered on recovery, self-sufficiency, and employment. HHC continues to work closely with the New York State Office of Alcoholism and Substance Abuse Services (OASAS), the New York City Department of Mental Health, Mental Retardation and Alcoholism Services (DMH), and other City agencies.

Key elements of HHC's efforts include:

- consolidation of inpatient alcohol, inpatient drug detoxification, and residential alcohol treatment services into comprehensive chemical dependency programs to improve access to services, standardize care, and increase emphasis on discharge planning.

- enhancement of existing outpatient substance abuse programs to improve coordination of care for clients who may be resistant to treatment and/or fail to follow through with accessing needed services.

- overhaul of the methadone treatment programs to ensure the existence of an appropriate organizational structure, adequate resources, and enhanced services. Emphasis has also been given to developing policies and procedures which are focused on the goals of abstinence, self-sufficiency, and employment and which provide for ongoing assessment, monitoring of progress, and timely and effective clinical interventions.

Staff-client ratios have been reduced, and state-of-the-art computerized liquid methadone dispensing systems have been established for working patients. Human Resources Administration (HRA) workers are also located on-site.

- development of an innovative partnership between a community-based organization and Kings County Hospital to provide services for methadone patients who require the structure and support of residential treatment to assist them in tapering off of methadone.

- encouragement of the use of a comprehensive care management approach which seeks to coordinate and integrate substance abuse treatment with primary health care, mental health, and social services and provides enhanced support and assistance to those patients who are severely disabled due to their substance abuse.

- development of an integrated model of vocational services within all treatment programs. Vocational rehabilitation staff was hired to ensure the availability of adequate resources and the establishment of a strong vocational focus within programs. Enhancements, which include employability assessments, work readiness training, and education and skills training opportunities, have also been implemented, and a contract for job placement services has been established.

- revision of clinical policies, procedures, and protocols through the identification and development of best practice guidelines and service bulletins.

- provision of ongoing training opportunities to ensure that staff has the knowledge and skills required for implementation of new program initiatives.

Ambulatory and Non-Acute Care Service Capacity

Expansion of primary care and other ambulatory care services is essential for competing within a managed care environment. To meet this goal, HHC continues to increase ambulatory care capacity through primary care and related specialty services, home health care, and ambulatory surgery services. For example, in 1999, when compared to 1995, HHC facilities provided 15.6 percent more primary care visits, 19.1 percent more ambulatory surgery procedures, 0.3 percent more clinic visits, and 103.3 percent more home care visits.

Conversely, the average daily census at HHC's acute hospitals declined by 36.2 percent, and acute care lengths of stay declined by 24.7 percent. Emergency room visits totaled 823,914 in 1999 compared with 865,963 in 1995, a 4.9 percent decline.

Child Health

In December 1997, the 39 Child Health Clinics (CHC) and several Communicare sites providing pediatric and adult services, previously managed by DOH, were fully integrated into HHC's health care networks. The CHCs provide a full range of primary care and preventive health care services, which include care for common, chronic, and acute illnesses. The age eligibility for registration ranges from birth to 12 years of age, with some clinics providing adolescent services. More clinics are providing comprehensive care for adolescents subsequent to their integration into HHC's networks.

Children seeking care at the CHCs have access to comprehensive pediatric care, as well as a wide range of public health programs. Referrals for health problems requiring the professional services of other providers are made whenever necessary. With the integration of the CHCs into the HHC health care networks, children and their families have had greater access to network specialty care as well as emergency and inpatient services. In 1999, the CHCs provided 162,666 primary care visits.

Capital Review

The HHC Capital Plan focuses on rehabilitating its network of acute care, long-term care, and ambulatory care facilities. Health care delivery and financing changes, which have resulted in declines in inpatient utilization at HHC's acute care hospitals and concurrent increases in outpatient utilization and demand for ambulatory care services, as well as an imperative to remain competitive for Medicaid and other insured patients, drive the Corporation's capital strategy.

The HHC Capital Plan includes three major projects. The first is the reconstruction of Kings County Hospital Center. Phase I of this project involves the construction of a new 340-bed inpatient hospital scheduled to open by January 2002 at a cost of $90 million. Phase II of this project, which is estimated to cost $129 million, includes the construction of a new diagnostic, treatment, and emergency/trauma services facility scheduled to open in 2004. This structure will also house the hospital's modern operating rooms, comprehensive radiology unit, labor and delivery suite, and laboratories. Phase II also includes a major renovation of an existing building to accommodate medical ambulatory care clinics currently scattered in nine locations.

The second major project is the reconstruction of Queens Hospital Center. This project involves the construction of a full-service, replacement 200-bed acute care hospital scheduled for completion in March 2002 at a cost of $149 million. This 360,000 square foot facility will also include Centers of Excellence in women's health and cancer care services.

The third major project is the modernization of Bellevue Hospital Center, which is estimated to cost $159 million. The primary component of this project is the construction of a new ambulatory care building to provide general care, specialty care, mental health, substance abuse, ambulatory surgery, dental, and dialysis services. This project also includes the consolidation of six intensive care units onto one floor, the conversion of four-bedded inpatient hospital rooms in the medical/surgical units to one- or two-bedded rooms, the upgrading of 30-year-old heating, ventilation, and air conditioning (HVAC) systems, and other infrastructure improvements.

The HHC Capital Plan also includes the following projects:

- modernization of Jacobi and Coney Island Hospitals.
- purchase and installation of a system-wide computerized radiology archive and communication system, scheduled for full implementation by early 2001.
- upgrade of Women's Health Services facilities at Bellevue, Lincoln, and North Central Bronx Hospitals.
- expansion of primary care service capacity in up to ten new locations.
- continued installation and enhancements to HHC's computerized patient information system and ancillary services systems.

NEW YORK CITY TRANSIT

New York City Transit (NYCT) operates the most extensive public transportation system in the nation, serving nearly 2.0 billion subway and bus passengers annually, with 1.3 billion riding the subway system.

The subway system operates on 722 miles of track extending over 238 directional route-miles, serving 468 stations throughout the Bronx, Brooklyn, Manhattan, and Queens. The bus system consists of a fleet of over 4,300 buses on approximately 230 local and express routes in all five boroughs.

New York City Transit has been an affiliate of the Metropolitan Transportation Authority (MTA) since the inception of the MTA in 1968. The MTA is a New York State public authority responsible for coordinating and implementing a mass transportation program for New York City and the seven adjacent counties. The MTA Board also oversees the development of NYCT's operating budget and coordinates its capital expenditures. NYCT is divided into several operating departments, most notably the Department of Subways and the Department of Buses.

The Staten Island Railway (SIR) is also a subsidiary of the MTA. SIR operates a 14-mile rapid transit line which links 22 communities on Staten Island and provides a vital and convenient connection to the Staten Island Ferry. SIR serves approximately 5 million passengers per year.

The introduction of the City's successful "One City, One Fare" initiative, as well as increased employment and tourism, has resulted in a 19 percent increase in subway and bus ridership since July 1997, reaching its highest level in over twenty-five years. This increase is a result in part from the introduction of free intermodal transfers in July 1997, the introduction of the 10 percent bonus program in January 1998, the 25 percent reduction in express bus fares in March 1998, and the introduction of the unlimited ride program in July 1998.

Financial Review

New York City Transit's Financial Plan for calendar years (CY) 2000 through 2004 will be submitted to the Financial Control Board following the presentation of the 2001 Executive Budget. The plan for CY 2000 incorporates the following key elements:

- CY 2000 fare revenue is projected to be $2,002.6 million, a 6.0 percent increase from CY 1999, mostly due to the increasing use of the various and recently introduced fare discounts that have stimulated ridership. This higher-than-expected increase in fare revenue is associated with a 7.0 percent increase in ridership during CY 1999.

- Tax revenues dedicated for NYCT's use are projected to total $759.1 million; $372.9 million from the regional Metropolitan Mass Transportation Operating Assistance Account (MMTOA), $230.0 million from the State "Locked Box" Petroleum Business Tax, and $156.2 million from the Urban Mass Transportation Operating Assistance Account (Urban Account).

- The City's contribution to NYCT's operating budget for CY 2000 totals $233.1 million, including $158.0 million in operating assistance, $45.0 million for student fare discounts, $13.8 million for elderly and disabled fare discounts, and $11.9 million for the Paratransit program.

Despite a $39.1 million surplus in CY 1999, NYCT is projecting a possible budget shortfall for CY 2000. Furthermore, the MTA is also projecting possible budget shortfalls totaling $2.6 billion for the CY 2001-04 period. It is the MTA's obligation to propose gap-closing measures where necessary in order to bring the financial plan into balance.

New York City Transit Financial Plan

($ in millions)

	Calendar Years				
	2000	2001	2002	2003	2004
REVENUES					
Subway / Bus Fare Revenue	$2,002.6	$2,022.6	$2,042.9	$2,063.3	$2,083.9
Other Operating Revenue	56.9	50.8	54.6	57.4	59.1
Transit Tax Revenue	759.1	890.5	915.5	933.0	949.9
City Subsidies	233.1	235.5	238.4	241.9	246.0
State Subsidies	203.0	203.0	203.0	203.0	203.0
TBTA Surplus Transfer	137.7	161.6	164.8	163.1	159.8
Miscellaneous Revenue	630.5	633.0	637.7	644.4	651.0
TOTAL REVENUE	$4022.9	$4,197.0	$4,256.9	$4,306.1	$4,352.7
EXPENSES					
Salaries & Wages	$2,150.8	$2,198.4	$2,271.8	$2,324.3	$2,406.4
Fringes	613.7	642.3	661.1	677.4	705.7
OTPS	530.0	689.9	708.3	731.6	750.6
Paratransit Expenses	93.0	92.9	90.1	93.8	101.0
Transit Police	4.4	4.4	4.5	4.5	4.5
Capital Expenses	630.5	633.0	637.7	644.4	651.0
Debt Service	229.1	464.3	542.6	610.5	688.4
TOTAL EXPENSES	$4,251.5	$4,725.2	$4,916.1	$5,086.5	$5,307.6
Balance before Adjustments	($228.6)	($528.2)	($659.2)	($780.4)	($954.9)
Cash Flow Adjustments	70.9	61.8	37.7	61.1	124.6
Net Cash from Prior Year	39.1	0.0	0.0	0.0	0.0
Net Surplus / (Deficit)	(118.6)	(466.4)	(621.5)	(719.3)	(830.3)
• Actions Available to Offset Outyear Budget Gaps, Including Increased Ridership Revenue, Increased State Subsidies, Use of Cash Reserve and Expenditure Reductions……………………….	118.6	466.4	621.5	719.3	830.3
Surplus / (Deficit)	$0.0	$0.0	$0.0	$0.0	$0.0

City Subsidies

The City's contribution to New York City Transit's operating budget for CY 2000 will total $233.1 million. The City continues to provide a $45.0 million subsidy to transport school children (one-third of the total estimated program costs), while also subsidizing the elderly and disabled reduced-fare program ($13.8 million) and the paratransit program ($11.9 million). In addition, the local match of State 18b operating assistance, in the amount of $158.0 million, supports a portion of NYCT's overall operating costs. The City also provides over $63.0 million directly to the MTA to maintain Long Island Railroad and Metro-North Commuter Railroad stations in the five boroughs and for operating assistance for the commuter railroads.

The following chart summarizes the City's subsidies to NYCT for CY 2000:

City Payments to the NYCT, CY 2000
($ in millions)

• Elderly and Disabled Subsidy	$13.8
• School Fare Subsidy	$45.0
• Operating Assistance	$158.0
• Police Reimbursement	$4.4
• Paratransit	$11.9
TOTAL	$233.1

Capital Review

The City's four-year Capital Plan for FY2001 through 2004 totals $771.5 million: $767.5 million for NYCT and an additional $4 million for Staten Island Railway. These funds will be used to help provide for NYCT's most essential work: to help bring the entire mass transit system to a state of good repair, to maintain that level on a normal replacement cycle, and to help expand the transit system to include subway access to both the LaGuardia Airport and the Javits Convention Center. City capital funds are used in conjunction with other sources (Federal, State, and Private) towards NYCT's Capital Program. The Plan includes an additional $345 million of funding for Mass Transit as a result of the planned sale of the New York Coliseum site. Through a Memorandum of Agreement between the MTA and the City, all sale proceeds of the Coliseum site will be paid to the City's General Fund, and an equal amount of funds will be allocated to the NYCT capital plan.

The City's 2001-2004 four-year Plan for NYCT and SIR includes the following key elements:

- Funds to help provide for various NYCT infrastructure improvements including subway access to both the LaGuardia Airport and the Javits Convention Center, $260.0 million

- Funds as a result of the sale of the New York Coliseum, also dedicated for infrastructure improvements, $345.0 million

- Funds for NYCT trackwork, $140.0 million

- Funding for the NYCT rapid and surface transit revolving funds, $20.0 million

- Funds for the reconstruction of the Victor Moore Arcade Intermodal Transit Facility, $2.0 million, in addition to $5.0 million in 2000.

- Funds for SIR's track replacement and infrastructure programs, $4.0 million

The table below outlines the City's Capital Commitments to NYCT and SIR for the 1999-2004 period:

Capital Commitments

($000's)

	1999 Actual		2000 Plan		2001 Plan		2002 Plan		2003 Plan		2004 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Coliseum Funds	0	0	0	0	0	0	173,000	173,000	172,000	172,000	0	0
Infrastructure	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000
Trackwork	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000
Revolving Fund	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
SIRTOA	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Miscellaneous	10,800	10,800	7,400	7,400	2,000	2,000	0	0	0	0	0	0
Total	$116,800	$116,800	$113,400	$113,400	$108,000	$108,000	$279,000	$279,000	$278,000	$278,000	$106,000	$106,000

Appendix

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EXHIBIT 1
EXPENDITURE ASSUMPTIONS

Personal Service

The expenditures for personal services in the Executive Budget for 2001 and the three-year projections are as follows:

($ in millions)

	2001	2002	2003	2004
Salaries and Wages	$15,051	$15,067	$15,082	$15,081
Pensions	937	884	818	756
Other Fringe Benefits	3,638	3,761	3,904	4,038
Reserve for Collective Bargaining	157	561	596	576
Total	$19,783	$20,273	$20,400	$20,451

Salaries and Wages

The baseline projections for salaries and wages reflect all personnel costs associated with current and projected headcount levels. Excluded from these projections is the cost of collective bargaining associated with the 1995-2000 round of bargaining for the less than one percent of employees who have not yet settled for that period.

Pensions and Other Fringe Benefits

The City's pension expenses on behalf of the five major retirement systems for 2001 through 2004 are based on valuation projections prepared by the Chief Actuary. These projections reflect the Actuary's proposed set of revised funding assumptions which substantially incorporate the findings of an independent actuarial audit released in 1999. In particular, the Actuary's projections are based on an 8.0 percent investment return assumption, provision for future improvements in life expectancy, and other demographic and economic adjustments including a market-value restart as of the June 30, 1999 pension asset levels. In addition to the Actuary's baseline valuation estimates, adjustments are made to reflect the projected payroll and staffing levels included in the City's financial plan.

Total pension expenses for the four years are as follows:

($ in millions)

	2001	2002	2003	2004
City Actuarial Systems	$889	$831	$764	$702
Non-City Actuarial	27	32	32	32
Non-Actuarial	21	21	22	22
Total	$937	$884	$818	$756

The base social security costs for the City are expected to increase by approximately 0.5 percent in 2002, 2003 and 2004. These projections are consistent with the most recent estimates issued by the Social Security Administration for the tax rates and maximum wage ceilings. The base unemployment insurance costs are consistent with statutory maximum weekly benefits and are projected to increase with citywide wage adjustments. Workers' compensation costs are estimated to reflect growth in the payroll and projected increases in medical care costs. Health insurance costs are based on current levels of individual and family contracts with carriers who provide major medical and hospitalization coverage.

Reserve for Collective Bargaining

The Labor Reserve contains funding for the cost of a merit pay plan which provides for salary increases based on merit as measured by performance evaluations. The reserve also reflects a partial offset to these costs through anticipated productivity savings or fringe benefit cost containment that are to be part of any future collective bargaining agreement. In addition, the reserve contains funding for the cost of labor settlements with unions which remain unsettled for the round of bargaining covering 1995 through 2000.

Other Than Personal Service

The following items are included in this category:

($ in millions)

	2001	2002	2003	2004
Administrative OTPS	$9,327	$9,376	$9,471	$9,538
Public Assistance	2,233	2,083	2,011	2,011
Medical Assistance	2,549	2,695	2,855	3,027
Health & Hospitals Corporation	791	812	832	853
Covered Agency Support & Other Subsidies	1,659	1,926	2,058	1,814
City and MAC Debt Service	1,962	2,876	3,509	4,112
General Reserve	200	200	200	200
Total	$18,721	$19,968	$20,936	$21,555

Administrative OTPS

Administrative OTPS costs in each agency's baseline four-year financial plan includes the ongoing cost of existing programs, planned increases or decreases from PEG initiatives and other adjustments. For 2002 through 2004 the financial plan includes a Citywide appropriation to provide for an increase in OTPS costs resulting from inflation. The inflation adjustment represents a 2.6 percent increase in 2002, a 2.6 percent increase in 2003, and a 2.8 percent increase in 2004.

Energy

The cost of energy is budgeted at a constant level in each agency for 2001 through 2004, with the exception of HPD's In-Rem Program which includes price and usage changes in their agency's four-year plan. As reflected in the following table, energy costs have risen significantly in the last year, mainly due to mid-year oil price increases.

Energy Cost Comparison
($ in millions)

Estimate as of:	2000	2001	2002	2003
2000 Adopted Budget	$482	$488	$492	$499
2001 Executive Budget	508	525	519	514
Difference	$(26)	$(37)	$(27)	$(15)

The cost of gasoline, fuel oil and heat, light and power is assumed to be constant for 2001 and 2002. Marginal inflation adjustments of $0.2 million and $0.6 million are assumed for 2003 and 2004.

The annual cost projections are as follows:

Energy Costs

($ in millions)

	2000	2001	2002	2003	2004
Gasoline	$28	$31	$31	$31	$31
Fuel Oil	49	47	47	47	47
HPD-In Rem	18	15	9	4	1
HPD-Emergency Repair	4	4	4	4	4
Heat, Light and Power	409	428	428	428	428
Total	$508	$525	$519	$514	$511

Leases

In each agency the cost of leases is budgeted at a constant level from 2001 through 2004. A citywide adjustment for 2002 through 2004 provides for the increasing cost of leases based on a three percent annual inflator and the annualization of 2001 adjustments, as well as known future leases, where applicable.

In total the four-year plan includes $439 million for leases in 2001, $459 million in 2002, $471 million in 2003 and $486 million in 2004. Of these amounts the citywide adjustment is $20 million, $32 million, and $47 million respectively in 2002 through 2004.

Public Assistance

The average annual public assistance caseload is projected to be 620,191 persons in 2000, declining by 55,648 to an average of 564,543 in 2001. Family Assistance recipients are expected to decline by 46,815 persons to 474,571 in 2001 and Safety Net recipients will decline by 8,833 to 89,972.

Medical Assistance

The financial plan for Medical Assistance assumes a 4.1 percent increase in expenditures in 2001 (excluding expenditures for the Health and Hospitals Corporation, the Department of Health and Administration). Expenditure growth is expected to be 6.2 percent in 2002 and 6.3 percent in 2003 and 2004. The primary contributions to out-year growth are the hospital and pharmacy categories of service.

Health and Hospitals Corporation

Revenue and expenditure projections for 2001 through 2004 include assumptions related to actual collections experience, the impact of rates by third party payors, improved billings, and collections performance through a variety of revenue enhancement efforts. Total collections for fiscal years 2001 through 2004, excluding Medicaid rate appeals, reflect an inflator of 7.9 percent for non-Medicaid payors. Medicaid receipts (which includes fee-for-service as well as managed care) is estimated to decrease by 1.6 percent over the four years of the plan. A growth in expenditures of 3.7 percent is projected for fiscal years 2001 through 2004.

Covered Agency Support and Other Subsidies

Included in this category are the contributions made by the City to the Transit Authority, Housing Authority, Libraries, and various Cultural Institutions. Also included in this category are the estimated projections for the cost of Judgements and Claims.

General Reserve

The general reserve is projected at $200 million for 2001 through 2004 to provide for uncontrollable increases in expenditures as well as shortfalls in revenues. To allow for any further uncertainties which may occur in the future, the general reserve has been increased above the mandated amount of $100 million.

Debt Service

Debt Service projections cover payments of debt service on currently outstanding City and MAC debt and future issuances in accordance with the 2000-2004 financing program (See Financing Program). Actual debt service payments in these years will be affected by the timing of City public sales and by market conditions. Estimates of City debt service costs in debt to be issued are based on estimates of the periods of probable usefulness of the capital expenditures for which the debt will be issued.

City debt service estimates also include payments to MAC for amortization and interest on City obligations held by MAC. During 2000-2004, the City estimates that the payments to MAC will be $476 million, $0 million, $488 million, $490 million, and $489 million, respectively. MAC debt service funding is shown net of such payments. To the extent that City debt service payments to MAC are from revenues derived from the real property tax, payments to MAC have the effect of reducing MAC's funding requirement from certain State revenues otherwise available to the City for budgetary purposes.

Below are detailed the estimates for debt service for 2000-2004:

($ in millions)

	2000	2001	2002	2003	2004
Long-Term Funded Debt	$638	$565	$1,739	$2,708	$3,263
Short-Term Debt	13	23	75	75	75
Lease Purchase/City Guaranteed Debt . . .	92	154	229	236	285
Budget Stabilization Account	2,275	1,220	345	- -	- -
Total City Debt Service	$3,018	$1,962	$2,388	$3,019	$3,623
MAC Debt Service Funding	476	- -	488	490	489
Total Debt Service	$3,494	$1,962	$2,876	$3,509	$4,112

EXHIBIT 2

FISCAL YEAR 2001 EXECUTIVE BUDGET AND PROJECTIONS, FISCAL YEAR 2002 THROUGH FISCAL YEAR 2004

($ in thousands)

Dept. No.	Agency	FY 1999 Actual Expenditures	Fiscal Year 2000 Executive Budget	Fiscal Year 2000 8 Month Actuals July-Feb.	Fiscal Year 2000 Forecast	FY 2001 Executive Budget	FY 2002 Estimate	FY 2003 Estimate	FY 2004 Estimate
002	MAYORALTY	$84,558	$75,993	$62,170	$96,676	$75,957	$75,957	$75,957	$75,957
003	BOARD OF ELECTIONS	44,442	42,735	29,026	44,893	33,608	39,260	39,260	39,260
004	CAMPAIGN FINANCE BOARD.	2,810	7,945	4,128	5,949	9,940	18,510	18,510	18,510
008	OFFICE OF THE ACTUARY	2,466	3,236	1,836	3,168	3,269	3,269	3,269	3,269
010	PRESIDENT,BOROUGH OF MANHATTAN	5,198	5,229	3,418	5,396	5,254	4,928	4,928	4,928
011	PRESIDENT,BOROUGH OF THE BRONX	6,961	7,338	5,014	7,336	7,407	7,052	7,052	7,052
012	PRESIDENT,BOROUGH OF BROOKLYN	6,025	6,677	5,373	7,976	6,433	5,807	5,807	5,807
013	PRESIDENT,BOROUGH OF QUEENS	5,875	5,809	3,637	7,186	5,990	5,471	5,471	5,471
014	PRESIDENT,BOROUGH OF S.I.	4,727	4,959	3,193	5,015	4,985	4,811	4,811	4,811
015	OFFICE OF THE COMPTROLLER . . .	52,044	55,015	38,816	56,615	51,820	51,820	51,820	51,820
021	TAX COMMISSION	1,858	2,034	1,250	2,017	2,108	2,108	2,108	2,108
025	LAW DEPARTMENT.	86,578	91,236	61,595	91,622	92,507	92,520	92,520	92,520
030	DEPARTMENT OF CITY PLANNING .	16,122	16,662	11,534	19,990	16,721	16,621	16,521	16,521
032	DEPARTMENT OF INVESTIGATION .	19,104	20,087	13,508	20,943	21,816	21,576	21,576	21,576
035	N.Y.P.L.- THE RESEARCH LIBRARY .	14,051	11,494	10,320	14,660	14,450	14,450	14,450	14,450
037	NEW YORK PUBLIC LIBRARY	81,871	68,768	57,378	88,359	88,338	88,338	88,338	88,338
038	BROOKLYN PUBLIC LIBRARY	59,144	49,520	50,101	66,107	66,235	66,135	66,135	66,135
039	QUEENS BOROUGH PUBLIC LIBRARY	57,177	47,662	42,713	62,210	62,075	62,075	62,075	62,075
040	BOARD OF EDUCATION.	9,626,397	9,980,750	6,061,060	10,804,854	10,714,315	10,823,559	10,919,124	10,983,772
042	CITY UNIVERSITY.	387,467	414,235	251,523	434,254	427,721	429,178	429,297	429,297
054	CIVILIAN COMPLAINT REVIEW BD.	7,144	7,569	5,246	7,747	8,995	8,779	8,779	8,779
056	POLICE DEPARTMENT	2,902,845	3,009,507	2,046,722	3,210,882	3,167,784	3,121,828	3,106,027	3,082,015
057	FIRE DEPARTMENT.	1,028,447	1,064,723	713,509	1,077,743	1,060,182	1,061,574	1,061,370	1,061,370
068	ADMIN. FOR CHILDREN SERVICES.	2,054,811	2,089,116	1,806,508	2,239,712	2,220,433	2,203,867	2,229,645	2,231,170
069	DEPARTMENT OF SOCIAL SERVICES	5,181,251	5,013,765	4,225,473	5,471,131	5,329,804	5,391,136	5,479,869	5,651,055
071	DEPT. OF HOMELESS SERVICES . . .	392,910	420,440	337,310	443,955	447,251	447,436	448,231	448,231
072	DEPARTMENT OF CORRECTION . . .	834,550	872,417	562,189	846,564	860,366	892,014	891,772	891,790
073	BOARD OF CORRECTION	897	975	563	940	976	976	976	976
094	DEPARTMENT OF EMPLOYMENT . .	132,313	138,572	95,402	174,455	138,588	138,588	138,588	138,588
095	CITYWIDE PENSION CONTRIBUTIONS	1,425,970	1,304,337	797,075	747,165	937,419	884,361	818,117	756,191
098	MISCELLANEOUS	3,176,253	3,271,597	1,929,612	3,372,637	3,532,150	4,299,750	4,575,277	4,424,129
099	DEBT SERVICE.	3,360,414	1,604,862	458,706	3,018,498	1,962,218	2,388,364	3,018,898	3,622,741
100	M.A.C. DEBT SERVICE	385,900	—	—	475,500	—	487,900	490,300	489,200
101	PUBLIC ADVOCATE	2,534	2,497	1,684	2,672	2,525	2,525	2,525	2,525
102	CITY COUNCIL.	34,542	41,710	25,274	42,704	44,982	35,103	35,103	35,103
103	CITY CLERK	2,313	2,352	1,592	2,467	2,417	2,417	2,417	2,417
125	DEPARTMENT FOR THE AGING	191,674	190,091	183,900	225,568	207,869	207,793	207,793	207,793
126	DEPARTMENT OF CULTURAL AFFAIRS	105,194	82,234	79,877	119,539	101,238	101,154	100,996	100,996
127	FINANCIAL INFO. SERV. AGENCY . .	24,775	26,361	19,465	26,913	26,816	27,815	27,728	27,728
130	DEPARTMENT OF JUVENILE JUSTICE	99,382	99,965	48,340	102,610	100,972	100,399	100,602	100,602
131	OFFICE OF PAYROLL ADMIN.	4,947	6,336	3,699	6,118	7,528	8,601	8,554	8,554
132	INDEPENDENT BUDGET OFFICE . . .	2,367	2,707	1,474	2,753	2,763	2,753	2,753	2,753
133	EQUAL EMPLOYMENT PRACTICES COM	341	581	291	516	581	581	581	581
134	CIVIL SERVICE COMMISSION	498	430	289	455	657	657	657	657
136	LANDMARKS PRESERVATION COMM.	2,934	3,014	2,237	3,479	3,074	3,074	3,074	3,074

EXHIBIT 2

FISCAL YEAR 2001 EXECUTIVE BUDGET AND PROJECTIONS, FISCAL YEAR 2002 THROUGH FISCAL YEAR 2004

($ in thousands)

Dept. No.	Agency	FY 1999 Actual Expenditures	Fiscal Year 2000 Executive Budget	Fiscal Year 2000 8 Month Actuals July-Feb.	Fiscal Year 2000 Forecast	FY 2001 Executive Budget	FY 2002 Estimate	FY 2003 Estimate	FY 2004 Estimate
156	TAXI & LIMOUSINE COMMISSION .	20,366	21,185	14,332	21,866	23,717	21,284	21,284	21,284
226	COMMISSION ON HUMAN RIGHTS.	6,692	6,833	5,043	7,405	6,924	6,924	6,924	6,924
260	YOUTH & COMMUNITY DEVELOPMENT	113,518	98,334	90,485	143,158	110,639	110,639	110,639	110,639
312	CONFLICTS OF INTEREST BOARD .	1,290	1,423	852	1,442	1,502	1,502	1,502	1,502
313	OFFICE OF COLLECTIVE BARG. . . .	1,255	1,325	1,007	1,374	1,414	1,414	1,414	1,414
499	COMMUNITY BOARDS (ALL)	9,871	10,772	6,894	10,994	11,098	11,098	11,098	11,098
781	DEPARTMENT OF PROBATION	76,319	75,854	56,077	85,507	84,174	83,870	83,870	83,870
801	DEPT. OF BUSINESS SERVICES.	32,954	153,821	64,010	54,283	46,884	43,944	33,944	33,944
806	HOUSING PRESERVATION & DEV. . .	386,773	393,495	265,641	444,794	402,465	340,223	340,223	340,223
810	DEPARTMENT OF BUILDINGS	39,568	40,678	29,641	43,379	44,933	41,998	37,871	37,796
816	DEPARTMENT OF HEALTH	502,364	709,604	367,641	821,867	814,279	797,787	798,208	798,629
817	DEPT OF MENTAL HEALTH	439,041	268,449	401,106	539,973	545,055	529,530	529,530	529,530
819	HEALTH AND HOSPITALS CORP. . . .	784,479	753,516	599,750	775,844	791,367	811,716	831,562	853,025
826	DEPT OF ENVIRONMENTAL PROT. .	571,560	654,361	433,562	642,040	666,250	641,015	640,288	640,288
827	DEPARTMENT OF SANITATION	715,628	785,856	603,818	839,505	973,857	1,003,530	1,015,671	1,015,496
829	TRADE WASTE COMMISSION.	2,485	2,359	1,463	2,409	2,849	2,849	2,849	2,849
836	DEPARTMENT OF FINANCE	164,116	165,513	118,008	169,902	196,141	205,067	201,032	200,217
841	DEPARTMENT OF TRANSPORTATION	450,301	461,547	355,615	511,137	469,298	461,160	461,160	461,160
846	DEPT OF PARKS AND RECREATION	186,301	175,468	132,273	192,812	184,625	183,285	183,285	183,285
850	DEPT. OF DESIGN & CONSTRUCTION	71,265	77,160	51,279	78,794	82,302	80,468	80,468	80,468
856	DEPT OF CITYWIDE ADMIN SRVCES	517,779	559,143	432,317	572,617	589,415	590,993	595,325	595,325
858	D.O.I.T.T.	166,384	147,602	138,546	165,227	141,245	141,113	141,113	141,113
860	DEPT OF RECORDS & INFO SERV. . .	3,791	3,597	2,641	4,079	3,685	3,685	3,685	3,685
866	DEPARTMENT OF CONSUMER AFFAIRS	11,928	12,266	8,449	13,317	12,924	12,763	12,763	12,763
901	DISTRICT ATTORNEY - N.Y..	70,254	63,064	48,159	75,287	64,056	62,754	62,754	62,754
902	DISTRICT ATTORNEY - BRONX	39,208	36,836	26,274	40,418	37,643	36,828	36,828	36,828
903	DISTRICT ATTORNEY - KINGS	64,246	61,672	45,437	66,637	62,864	61,679	61,679	61,679
904	DISTRICT ATTORNEY - QUEENS . . .	34,145	31,417	24,487	37,037	32,125	31,370	31,370	31,370
905	DISTRICT ATTORNEY - RICHMOND	6,097	5,555	4,190	6,606	5,720	5,560	5,560	5,560
906	OFF. OF PROSEC. & SPEC. NARC.. . .	14,408	12,906	9,851	15,003	13,264	13,189	13,189	13,189
941	PUBLIC ADMINISTRATOR - N.Y.. . . .	634	769	471	774	924	924	924	924
942	PUBLIC ADMINISTRATOR - BRONX	296	325	207	330	330	330	330	330
943	PUBLIC ADMINISTRATOR- BROOKLYN	374	438	269	443	443	443	443	443
944	PUBLIC ADMINISTRATOR - QUEENS	325	339	221	344	344	344	344	344
945	PUBLIC ADMINISTRATOR -RICHMOND	174	188	111	176	176	176	176	176
	PRIOR PAYABLE ADJUSTMENT	—	—	—	(325,000)	—	—	—	—
	GENERAL RESERVE	—	200,000	—	45,017	200,000	200,000	200,000	200,000
	ENERGY ADJUSTMENT	—	—	—	5,600	—	—	194	584
	LEASE ADJUSTMENT	—	—	—	—	—	19,669	32,194	46,719
	OTPS INFLATION ADJUSTMENT . . .	—	—	—	—	—	27,118	54,943	85,687
	TOTAL EXPENDITURES	$37,426,270	$36,167,212	$24,404,157	$39,580,346	$38,503,468	$40,241,131	$41,336,297	$42,005,809
	LESS: INTRA-CITY EXPENDITURES	779,992	840,213	320,688	1,190,143	1,168,923	1,196,770	1,152,422	1,108,073
	NET TOTAL EXPENDITURES.	$36,646,278	$35,326,999	$24,083,469	$38,390,203	$37,334,545	$39,044,361	$40,183,875	$40,897,736
		=========	========	========	========	========	=========	========	========

EXHIBIT 3
ACTUAL REVENUE

	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	Fiscal Year 1999
Taxes:				
Real Property	$7,100	$7,291	$7,239	$7,631
Personal Income	3,908	4,361	5,118	5,378
General Corporation	1,209	1,478	1,551	1,423
Banking Corporation	361	360	515	388
Unincorporated Business	496	561	671	657
Sales and Use	2,714	2,912	3,052	3,192
Commercial Rent	531	374	358	333
Real Property Transfer	175	215	288	424
Mortgage Recording	147	185	232	408
Utility	214	215	223	222
Stock Transfer	114	114	114	114
All Other	514	581	591	584
Tax Audit Revenue	657	651	458	536
Total Taxes	18,140	19,298	20,410	21,290
Miscellaneous Revenues:				
Licenses, Franchises, Etc.	237	245	273	291
Interest Income	112	160	199	182
Charges for Services	415	428	435	440
Water and Sewer Charges	731	775	823	778
Rental Income	139	143	151	114
Fines and Forfeitures	417	491	468	479
Miscellaneous	683	807	486	408
Intra-City Revenue	644	683	705	780
Total Miscellaneous	3,378	3,732	3,540	3,472
Unrestricted Intergovernmental Aid:				
Federal Revenue Sharing	-	-	-	-
N.Y. State Per Capita Aid	369	322	327	328
Other Federal and State Aid	252	332	295	324
Total Unrestricted Intergovernmental Aid	621	654	622	652
Other Categorical Grants	343	379	412	367
Transfers from Capital Fund:				
Inter Fund Agreements	244	245	251	249
Provision for Disallowance of Categorical Grants	(40)	(36)	(14)	(39)
Less Intra-City Revenue	(644)	(683)	(705)	(780)
Total City Funds	22,042	23,589	24,516	25,211
Federal Categorical Grants:				
CETA/JTPA	105	95	90	116
Community Development	279	264	255	239
Welfare	2,241	2,284	2,344	2,183
Education	887	929	1,014	1,043
Other	682	561	589	681
Total Federal Grants	4,194	4,133	4,292	4,262
State Categorical Grants:				
Welfare	1,720	1,672	1,580	1,442
Education	3,746	3,908	4,155	4,413
Higher Education	118	121	125	128
Health and Mental Health	241	254	269	323
Other	254	309	243	333
Total State Grants	6,079	6,264	6,372	6,639
Total Revenues	$32,315	$33,986	$35,180	$36,112

EXHIBIT 4

REVENUE ESTIMATES

($ in Millions)

	Fiscal Year 1999 8 Months Actual	Fiscal Year 2000 Forecast	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004
Taxes:						
Real Property	7,310	7,771	7,956	8,467	8,916	9,365
Personal Income	3,608	5,144	4,840	4,726	5,076	5,407
General Corporation	756	1,690	1,498	1,418	1,468	1,492
Banking Corporation	178	351	399	419	431	450
Unincorporated Business	373	759	745	745	795	851
Sale and Use	2,219	3,407	3,395	3,524	3,683	3,853
Commercial Rent	165	333	351	370	390	411
Real Property Transfer	315	473	461	459	506	542
Mortgage Recording	276	412	364	356	392	417
Utility	146	243	231	214	212	222
Stock Transfer	0	114	114	114	114	114
All Other	331	633	600	629	645	654
Tax Audit Revenue	165	378	412	425	425	425
Tax Reduction Program	0	0	(364)	(678)	(816)	(1,073)
State Tax Relief Program	160	260	494	701	726	750
Total Taxes	16,002	21,968	21,496	21,889	22,963	23,880
Miscellaneous Revenue:						
Licenses, Franchises, Etc.	215	317	296	293	293	293
Interest Income	82	156	131	140	138	139
Charges for Services	228	429	417	412	412	412
Water and Sewer Charges	596	820	843	797	802	821
Rental Income	73	145	112	442	292	222
Fines and Forfeitures	298	465	490	485	484	484
Miscellaneous	330	680	799	403	357	312
Intra-City Revenue	245	1,190	1,169	1,197	1,152	1,108
Total Miscellaneous	2,067	4,202	4,257	4,169	3,930	3,791
Unrestricted Intergovernmental Aid:						
N.Y. State Per Capita Aid	0	369	352	352	352	352
Other Federal and State Aid	65	247	237	237	237	237
Total Unrestricted Intergovernmental Aid:	65	616	589	589	589	589
Other Categorical	65	443	347	364	357	347
Inter Fund Agreements	0	281	290	285	285	285
Reserve for Disallowance of Categorical Grants	0	(15)	(15)	(15)	(15)	(15)
Less: Intra-City Revenue	(245)	(1,190)	(1,169)	(1,197)	(1,152)	(1,108)
Total City Funds	17,954	26,305	25,795	26,084	26,957	27,769

REVENUE ESTIMATES

($ in Millions)

	Fiscal Year 1999 8 Months Actual	Fiscal Year 2000 Forecast	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004
Federal Categorical Grants:						
JTPA	0	153	123	123	123	123
Community Development .	104	318	266	258	258	258
Welfare	1,089	2,523	2,411	2,270	2,221	2,222
Education	229	1,150	1,038	1,038	1,038	1,038
Other	276	650	446	254	248	234
Total Federal Grants	1,698	4,794	4,284	3,943	3,888	3,875
State Categorical Grants:						
Welfare	697	1,535	1,520	1,517	1,501	1,501
Education	2,079	4,885	4,935	5,053	5,115	5,127
Higher Education	31	159	159	159	159	159
Health and Mental Health .	115	364	372	346	346	346
Other	295	348	270	263	268	277
Total State Grants	3,217	7,291	7,256	7,338	7,389	7,410
TOTAL REVENUE . . .	22,869	38,390	37,335	37,365	38,234	39,054

EXHIBIT 5

FULL-TIME EMPLOYEES

		2/29/00 Actual		6/30/01 Executive Budget	
		Total	City	Total	City
MAYORAL AGENCIES:					
Uniformed Forces:					
Police	-Uniform	39,286	39,286	40,211	40,211
	-Civilian	9,040	8,408	8,513	8,439
Fire	-Uniform	11,660	11,653	11,196	11,188
	-Civilian	4,407	4,404	4,536	4,528
Sanitation	-Uniform	7,346	7,216	8,806	8,665
	-Civilian	2,177	2,011	2,119	1,909
Correction	-Uniform	10,784	10,041	10,970	10,227
	-Civilian	1,513	1,398	1,817	1,702
Health and Welfare:					
Social Services		13,224	10,724	13,034	9,532
Admin. for Children's Services		7,002	6,921	7,535	7,373
Homeless Services		1,721	1,701	1,711	1,711
Health		3,058	2,050	3,323	2,479
Mental Health		223	137	229	159
Other Mayoral:					
Housing Preservation and Development		2,480	554	2,714	590
Environmental Protection		5,658	270	5,998	286
Finance		2,175	2,175	2,205	2,193
Transportation		3,975	1,902	3,917	1,960
Parks		2,060	1,788	2,049	1,677
Citywide Administrative Services		1,466	1,085	1,552	1,117
All Other Mayoral		9,335	6,379	9,850	6,660
COVERED ORGANIZATIONS:					
Board of Education	-Pedagogical	92,608	76,744	93,633	77,725
	-Non-Pedagogical	7,841	5,735	7,838	5,813
City University	-Pedagogical	2,202	2,182	2,202	2,164
	-Non-Pedagogical	1,558	1,557	1,385	1,376
ELECTED OFFICIALS:					
Mayoralty		908	847	1,092	1,017
All Other Elected		5,720	5,252	5,379	5,059
Total		249,427	212,420	253,814	215,760

EXHIBIT 5A

FULL-TIME EMPLOYEES CITY FUNDS

	Actual		Executive Budget
	12/31/93	2/29/00	6/30/01
MAYORAL AGENCIES:			
Uniformed Forces:			
Police -Uniform [1]	36,340	39,286	40,211
-Civilian [1]	10,082	8,408	8,439
Fire -Uniform	11,241	11,653	11,188
-Civilian [1]	4,636	4,404	4,528
Sanitation -Uniform	7,756	7,216	8,665
-Civilian	2,812	2,011	1,909
Correction -Uniform	11,077	10,041	10,227
-Civilian	2,133	1,398	1,702
Health and Welfare:			
Social Services [2]	15,616	10,724	9,532
Admin. for Children's Services [2]	8,215	6,921	7,373
Homeless Services	3,202	1,701	1,711
Health	3,161	2,050	2,479
Mental Health	248	137	159
Other Mayoral:			
Housing Preservation and Development	1,296	554	590
Environmental Protection [1]	437	270	286
Finance [3]	2,816	2,175	2,193
Transportation [1,3]	2,837	1,902	1,960
Parks	2,899	1,788	1,677
Citywide Administrative Services [4]	2,281	1,085	1,117
All Other Mayoral	8,145	6,379	6,660
COVERED ORGANIZATIONS:			
Board of Education-Pedagogical	69,002	76,744	77,725
-Non-Pedagogical	6,093	5,735	5,813
City University -Pedagogical	2,422	2,182	2,164
-Non-Pedagogical	1,420	1,557	1,376
ELECTED OFFICIALS:			
Mayoralty	1,274	847	1,017
All Other Elected	5,395	5,252	5,059
Total	222,836	212,420	215,760

1. The 12/93 actual has been adjusted to reflect HAPD and TAPD mergers, the Traffic Enforcement transfer and the EMS transfer. The 12/93 actual for DEP has been adjusted to reflect the reclassification of Water and Sewer positions.
2. The 12/93 actual has been restated to include the portion of HRA that transferred to Social Services and Social Services has been adjusted for the estimated number of employees which transferred to Admin. for Children's Services.
3. The 12/93 actual for DOF has been restated to reflect the PVB and City Sheriff transfers and DOT actual has been restated to reflect the transfer of PVB and Traffic Enforcement.
4. Previously Dept. of General Services. Restated to include Dept. of Personnel.

EXHIBIT 6

FY 2001 EXECUTIVE BUDGET
CITY GAP CLOSING PROGRAM - 5 YEAR VALUE
(City $ in 000's)

	2000	2001	2002	2003	2004
MAYORAL AGENCIES:					
Uniformed Forces:					
Police	$31,505	$33,196	$16,578	$16,908	$16,908
Fire	6,028	7,327	6,341	6,372	6,347
Correction	61,285	37,287	2,405	2,405	2,405
Sanitation	12,941	41,863	52,587	52,587	52,587
Health and Welfare:					
Admin. for Children Services	19,848	38,994	33,411	33,411	33,411
Social Services	6,402	24,548	24,814	19,787	19,787
Homeless Services	4,305	11,032	2,856	2,856	2,856
Health	8,037	8,864	8,864	8,864	8,864
Mental Health	—	3,050	3,050	3,050	3,050
Other Mayoral:					
Cultural Affairs	—	7,334	7,334	7,334	7,334
Housing Preservation & Dev.	15,668	26,208	4,208	4,208	4,208
Environmental Protection	1,332	60	60	60	60
Finance	30,386	38,695	4,308	5,120	5,120
Transportation	33,341	18,981	7,410	7,144	7,144
Parks	8,440	20,836	15,378	15,258	15,108
Citywide Admin. Services	15,170	33,219	7,133	2,801	2,801
Other	111,950	77,300	37,936	47,267	47,167
COVERED ORGANIZATIONS:					
Board of Education	—	4,986	4,986	4,986	4,986
Health and Hospitals Corp.	—	2,853	2,853	2,853	2,853
OTHER:					
Miscellaneous Budget	3,657	4,837	5,204	5,251	5,301
Procurement Savings	—	24,799	24,799	24,799	24,799
Subtotal Agency Programs	**$370,295**	**$466,269**	**$272,515**	**$273,321**	**$273,096**
CITYWIDE INITIATIVES:					
Federal & State Actions	—	100,000	100,000	100,000	100,000
Labor Productivity Plan	—	250,000	265,000	280,000	300,000
Total Program	**$370,295**	**$816,269**	**$637,515**	**$653,321**	**$673,096**

Technical Note:

Gap closing program includes initiatives from the November 19, 1999 and the January 27, 2000 Financial Plans and the April 18, 2000 Executive Budget.

EXHIBIT 6A

FY 2001 EXECUTIVE BUDGET
CITY GAP CLOSING PROGRAM - 5 YEAR VALUE
(City $ in 000's)

	2000	2001	2002	2003	2004
OTHER:					
Mayoralty	$36,767	$31,141	$1,141	$1,141	$1,141
Board of Elections	1,000	156	313	313	313
Campaign Finance Board	1,472	—	—	—	—
Office of the Actuary	75	—	—	—	—
Tax Commission	25	—	—	—	—
Law	2,500	1,550	100	100	100
Investigation	209	240	480	480	480
City University	—	6,500	6,500	6,500	6,500
Civilian Complaint Rev. Bd.	350	—	—	—	—
Board of Correction	35	—	—	—	—
FISA	1,246	2,366	1,078	824	824
Juvenile Justice	819	1,188	349	247	247
Payroll Admin.	491	1,390	13	—	—
Independent Budget Office	—	191	—	—	—
Equal Employment Comm.	65	—	—	—	—
Civil Service Commission	25	—	—	—	—
Taxi & Limo	8,525	2,337	2,337	2,337	2,337
Youth & Community Development	857	14,536	14,536	14,536	14,536
Conflicts of Interest	10	—	—	—	—
Office of Collective Bargaining	20	—	—	—	—
Probation	799	1,343	1,343	1,343	1,343
Dept. of Business Services	20,525	(8,077)	(8,077)	1,923	1,923
Buildings	5,850	7,076	4,100	3,800	3,700
Trade Waste Commission	80	180	80	80	80
DOITT	29,780	9,658	8,258	8,258	8,258
DORIS	35	—	—	—	—
Consumer Affairs	390	359	219	219	219
Subtotal	$111,950	$72,134	$32,770	$42,101	$42,001
OTHER ELECTED:					
BP - Brooklyn	—	305	305	305	305
Comptroller	—	4,861	4,861	4,861	4,861
Subtotal	—	$5,166	$5,166	$5,166	$5,166
Total Other	**$111,950**	**$77,300**	**$37,936**	**$47,267**	**$47,167**

Technical Note:

Gap closing program includes initiatives from the November 19, 1999 and the January 27, 2000 Financial Plans and the April 18, 2000 Executive Budget.

EXHIBIT 6B

FY 2001 EXECUTIVE BUDGET
CITY GAP CLOSING PROGRAM - BY EXPENSE AND REVENUE

(City $ in 000's)

	Expense	Revenue	Total
MAYORAL AGENCIES:			
Uniformed Forces:			
Police	$28,144	$5,052	$33,196
Fire	7,327	—	7,327
Correction	37,287	—	37,287
Sanitation	40,588	1,275	41,863
Health and Welfare:			
Admin. for Children Services	38,994	—	38,994
Social Services	24,548	—	24,548
Homeless Services	11,032	—	11,032
Health	8,864	—	8,864
Mental Health	3,050	—	3,050
Other Mayoral:			
Cultural Affairs	7,334	—	7,334
Housing Preservation & Dev.	26,208	—	26,208
Environmental Protection	(540)	600	60
Finance	695	38,000	38,695
Transportation	15,351	3,630	18,981
Parks	11,701	9,135	20,836
Citywide Admin. Services	11,779	21,440	33,219
Other	26,870	50,430	77,300
COVERED ORGANIZATIONS:			
Board of Education	4,986	—	4,986
Health and Hospitals Corp.	2,853	—	2,853
OTHER:			
Miscellaneous Budget	4,837	—	4,837
Procurement OTPS Savings	24,799	—	24,799
Subtotal Agency Programs	**$336,707**	**$129,562**	**$466,269**
CITYWIDE INITIATIVES:			
Federal & State Actions	75,000	25,000	100,000
Labor Productivity Plan	250,000	—	250,000
Total Program	**$661,707**	**$154,562**	**$816,269**

Technical Note:

Gap closing program includes initiatives from the November 19, 1999 and the January 27, 2000 Financial Plans and the April 18, 2000 Executive Budget.