

The City of New York
Executive Budget
Fiscal Year 2001
Rudolph W. Giuliani, Mayor

Office of Management and Budget
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Analysis of Agency Budgets: Covered Organizations

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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.
- 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.

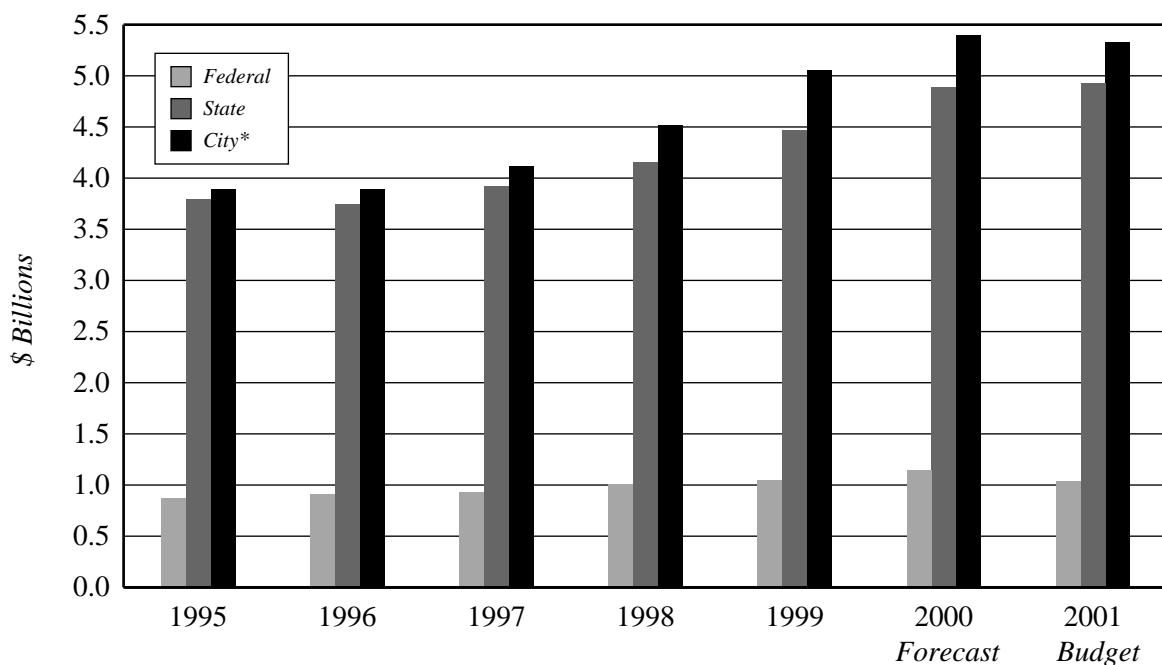
Streamlining

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
<i>Expenditures</i>						
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	<u>\$9,626,397</u>	<u>\$10,804,854</u>	<u>\$10,641,057</u>	<u>\$10,714,315</u>	<u>(\$90,539)</u>	<u>\$73,258</u>
<i>Funding</i>						
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
<i>Federal</i>						
• 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	<u>\$9,626,397</u>	<u>\$10,804,854</u>	<u>\$10,641,057</u>	<u>\$10,714,315</u>	<u>(\$90,539)</u>	<u>\$73,258</u>
<i>Personnel (at fiscal year-end)</i>						
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	<u>96,930</u>	<u>101,404</u>	<u>100,794</u>	<u>101,471</u>	<u>67</u>	<u>677</u>

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)

	1997		1998		1999		2000 Forecast		2001 Executive Budget		1996-2001	
	1996 Amount	Amount	Change from 1996	Amount	Change from 1997	Amount	Change from 1998	Amount	Change from 1999	Amount	Change from 2000 Forecast	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.

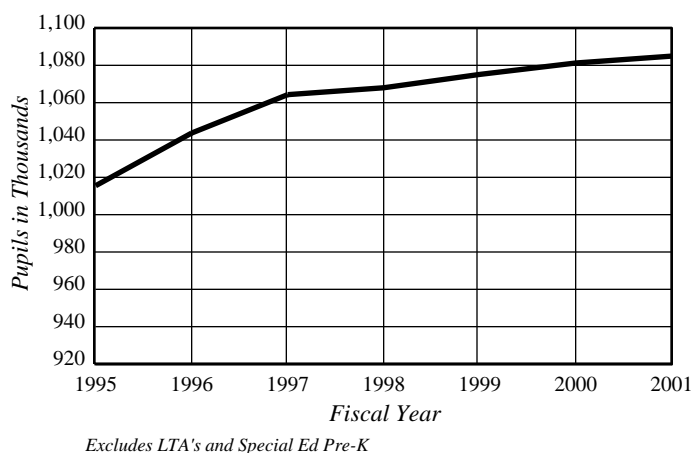
Programmatic Review

The Student Population

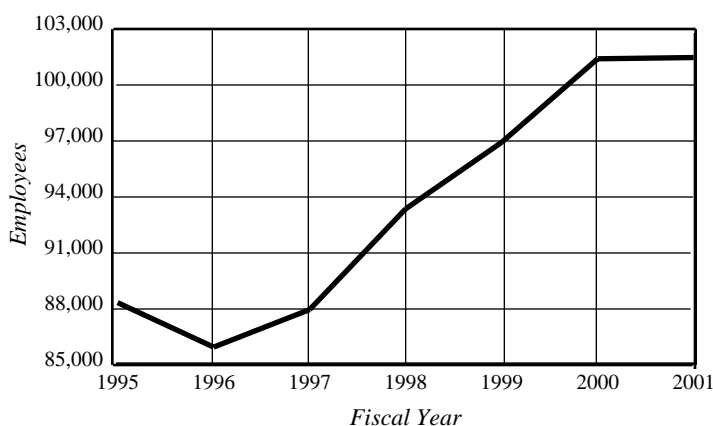
Total public school enrollment, including pre-kindergarten and charter school students, will increase 6.8 percent from 1,015,506 in 1995 to a projected 1,084,101 in 2001. For the coming fiscal year the City projects that general education public school enrollment for kindergarten through twelfth grade 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.

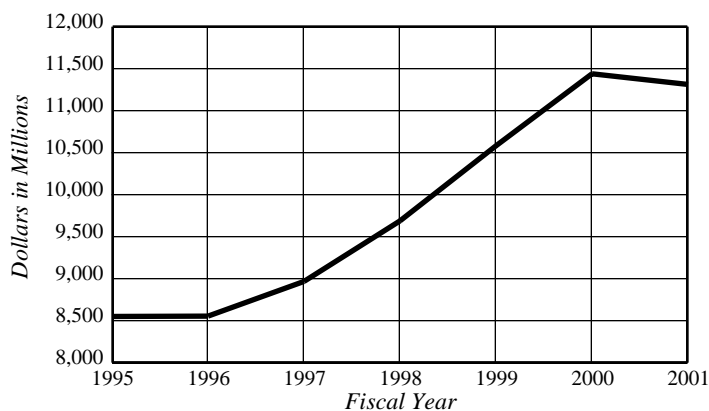
NYC PUBLIC SCHOOL ENROLLMENT 1995-2001



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	<u>\$1,436,061</u>	<u>\$1,436,061</u>	<u>\$1,109,654</u>	<u>\$1,364,654</u>	<u>\$1,528,849</u>	<u>\$1,613,849</u>	<u>\$1,104,610</u>	<u>\$1,179,610</u>	<u>\$1,318,411</u>	<u>\$1,398,411</u>	<u>\$1,201,127</u>	<u>\$1,281,127</u>

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.

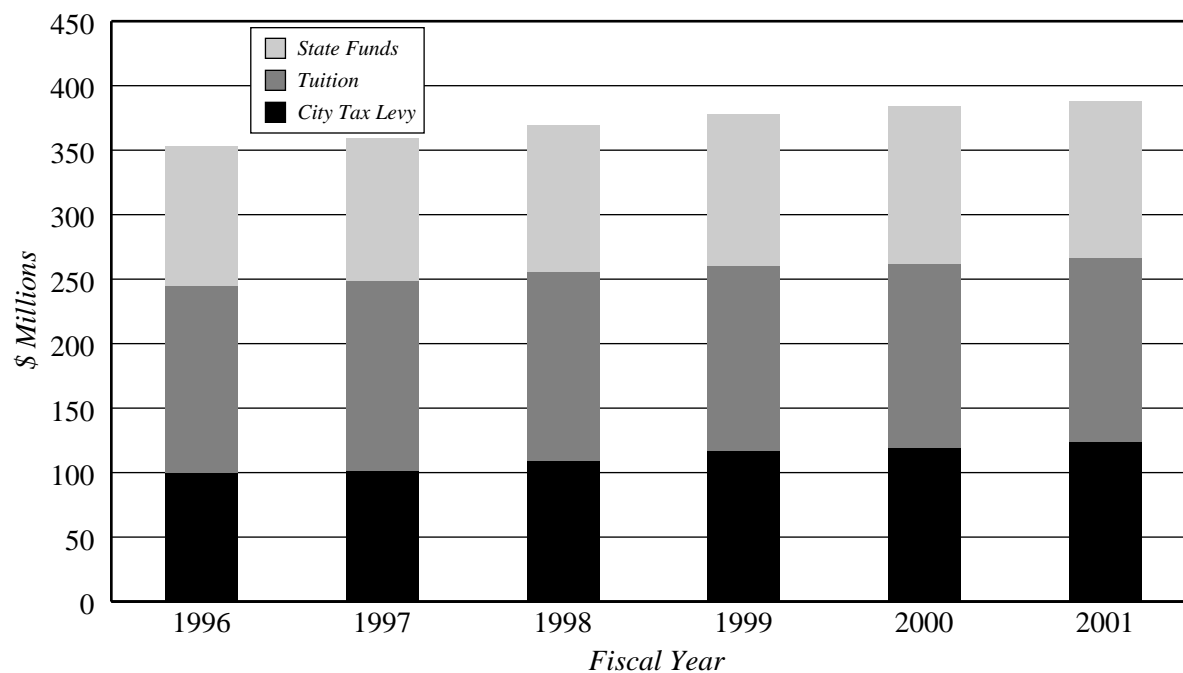
Financial Review

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)

					Increase/(Decrease)	
			2001		2000	2001
	1999 Actual	2000 Forecast	Preliminary Budget	Executive Budget	Forecast	Preliminary Budget
<i>Expenditures</i>						
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	<u>\$387,467</u>	<u>\$434,254</u>	<u>\$422,697</u>	<u>\$427,721</u>	<u>(\$6,533)</u>	<u>\$5,024</u>
<i>Funding</i>						
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	<u>\$387,467</u>	<u>\$434,254</u>	<u>\$422,697</u>	<u>\$427,721</u>	<u>(\$6,533)</u>	<u>\$5,024</u>
<i>Personnel (at fiscal year-end)</i>						
City	3,761	3,540	3,540	3,540	—	—
Non-City						
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	20	47	47	47	—	—
Total	<u>3,781</u>	<u>3,587</u>	<u>3,587</u>	<u>3,587</u>	<u>—</u>	<u>—</u>

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	<u>\$11,956</u>	<u>\$13,715</u>	<u>\$39,305</u>	<u>\$50,214</u>	<u>\$8,719</u>	<u>\$11,623</u>	<u>\$3,793</u>	<u>\$6,487</u>	<u>\$2,646</u>	<u>\$5,292</u>	<u>\$3,928</u>	<u>\$7,856</u>

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	<u>\$233.1</u>

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	<u>\$116,800</u>	<u>\$116,800</u>	<u>\$113,400</u>	<u>\$113,400</u>	<u>\$108,000</u>	<u>\$108,000</u>	<u>\$279,000</u>	<u>\$279,000</u>	<u>\$278,000</u>	<u>\$278,000</u>	<u>\$106,000</u>	<u>\$106,000</u>