



Tino Hernandez, Chairman  
Earl Andrews, Jr., Vice-Chairman  
JoAnna Aniello, Member  
Vilma Huertas, Secretary

# BUDGET SUMMARY



Douglas Apple, General Manager  
Felix Lam, Chief Financial Officer  
Jose Mercado, Budget Director

April 2006

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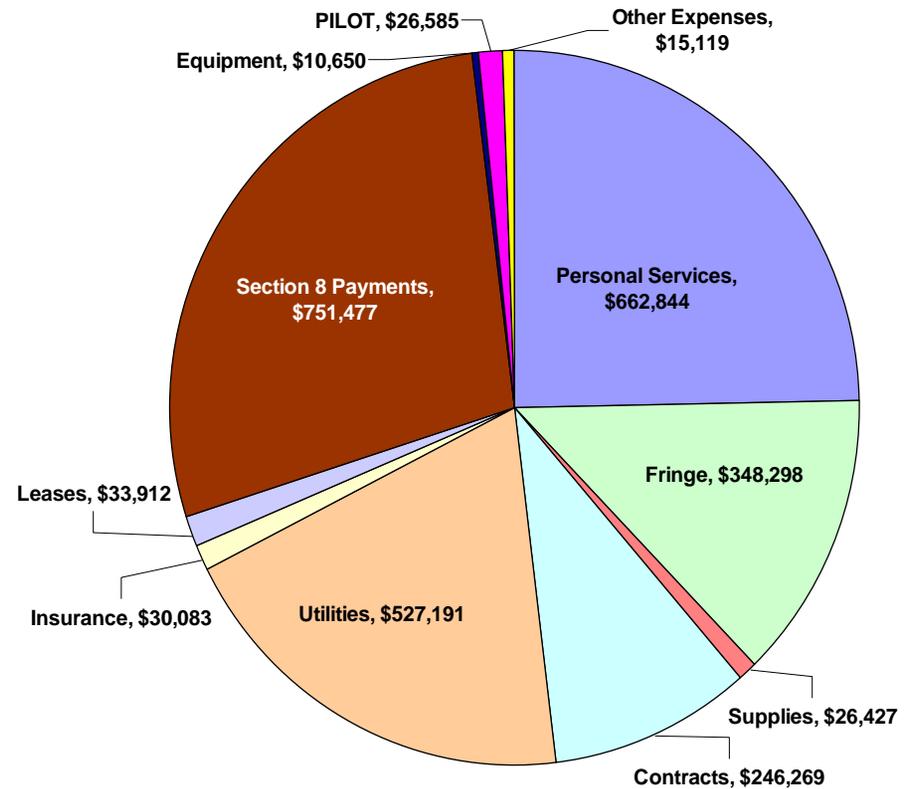
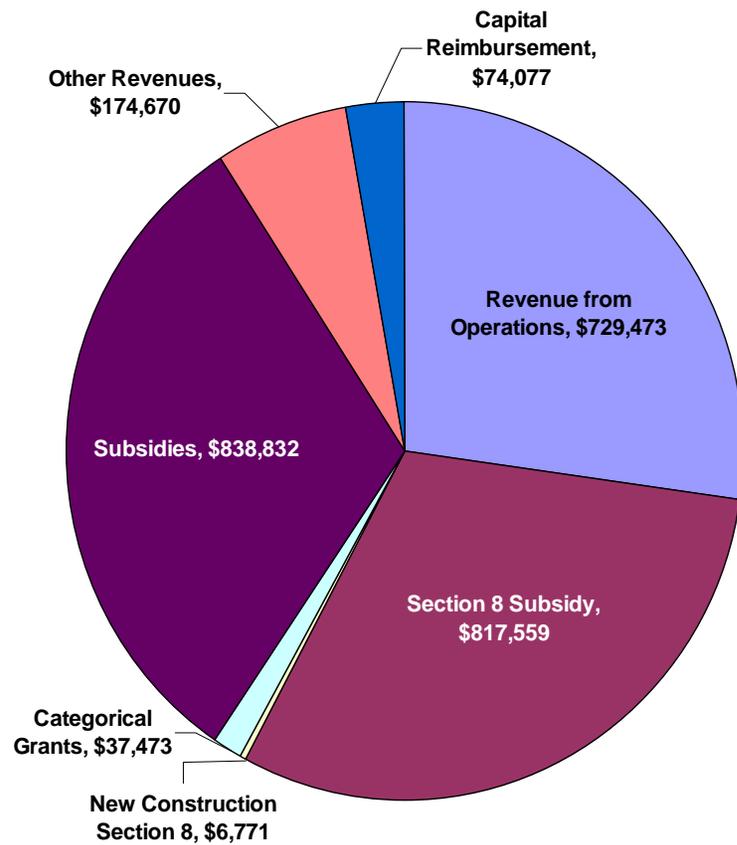
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# FY 2006 Proposed \$2.7 Billion Budget

## \$2.7 Billion Revenues

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## \$2.7 Billion Expenses





# I. Overview

# Background

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- **The New York City Housing Authority is the largest public housing authority in America.**
- **NYCHA currently employs approximately 13,300 people to manage 344 developments and approximately 85,000 Section 8 vouchers. These developments consist of approximately 179,000 dwelling units and 2,691 buildings.**
- **NYCHA provides public housing for approximately 414,000 residents. The average household income is \$19,600 and the average resident tenure is 19 years. The average rent paid for a two-bedroom unit is \$330.**
- **NYCHA administers the Federal Section 8 Leased Housing Program in which approximately 85,000 apartments (excluding portable) are currently rented from about 30,000 participating private landlords. This program currently houses about 258,000 residents with an average household income of \$11,700. The average payment to landlords is \$920, of which \$220 comes from the resident and \$700 comes from NYCHA.**

# Operating Income and Expenses

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<u>REVENUES</u>	<u>FY 2005</u>	<u>%</u>
Dwelling Rent	\$689,665	45%
Federal Subsidy	\$733,505	47%
Capital Reimbursement	\$71,700	5%
Other Income	\$44,888	3%
State Debt Subsidy	\$2,463	-
City Debt Subsidy	\$210	-
Section 8 NC Subsidy	\$6,841	-
<b>Total Income</b>	<b>\$1,549,272</b>	<b>100%</b>
 <u>EXPENSES</u>		
Salaries	\$584,388	36%
Utilities	\$429,899	27%
Pensions and Benefits	\$271,577	17%
Contracts	\$184,624	11%
Insurance	\$44,924	3%
Supplies	\$31,328	2%
Leases	\$27,903	2%
PILOT	\$19,250	1%
Other Expenses	\$9,352	1%
Debt Service	\$3,754	-
<b>Total Expenses</b>	<b>\$1,606,999</b>	<b>100%</b>
<b>Surplus/(Deficit)</b>	<b>(\$57,727)</b>	

FY 2005 un-audited figures.

Excludes Section 8 and grant-funded programs.

# Operating Income v. Operating Expenses

- During FY 2001 through FY 2005, expenses out-paced revenues primarily due to growth in non-discretionary expenses.
- NYCHA used its reserves to fund more than \$414.4 million in losses since FY 2001.

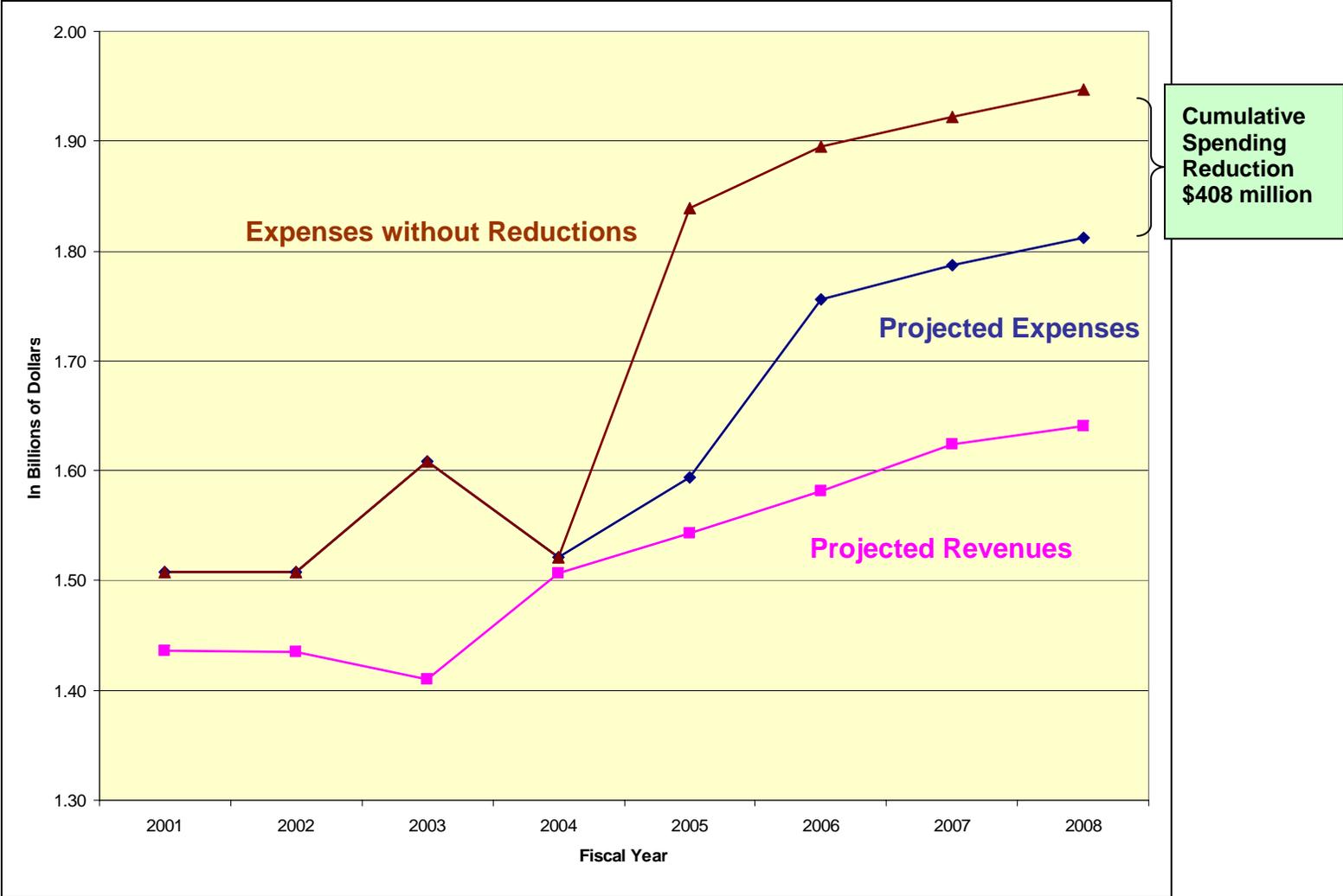
	Actual				
Fiscal Year	2001	2002	2003	2004	2005
Expenses	\$1,507,511	\$1,507,833	\$1,607,939	\$1,520,772	\$1,606,999
Revenues	\$1,436,169	\$1,434,979	\$1,409,686	\$1,506,514	\$1,549,272
Surplus/(Deficit)	(\$71,342)	(\$72,854)	(\$198,253)	(\$14,258)	(\$57,727)

FY 2005 un-audited figures.

Excludes Section 8 and grant-funded programs.

# Structural Imbalance

- NYCHA has reduced discretionary spending to manage budget gaps. However long-term structural gaps remain.



Excludes Section 8.

# Budget Gaps -- A Continuing Challenge

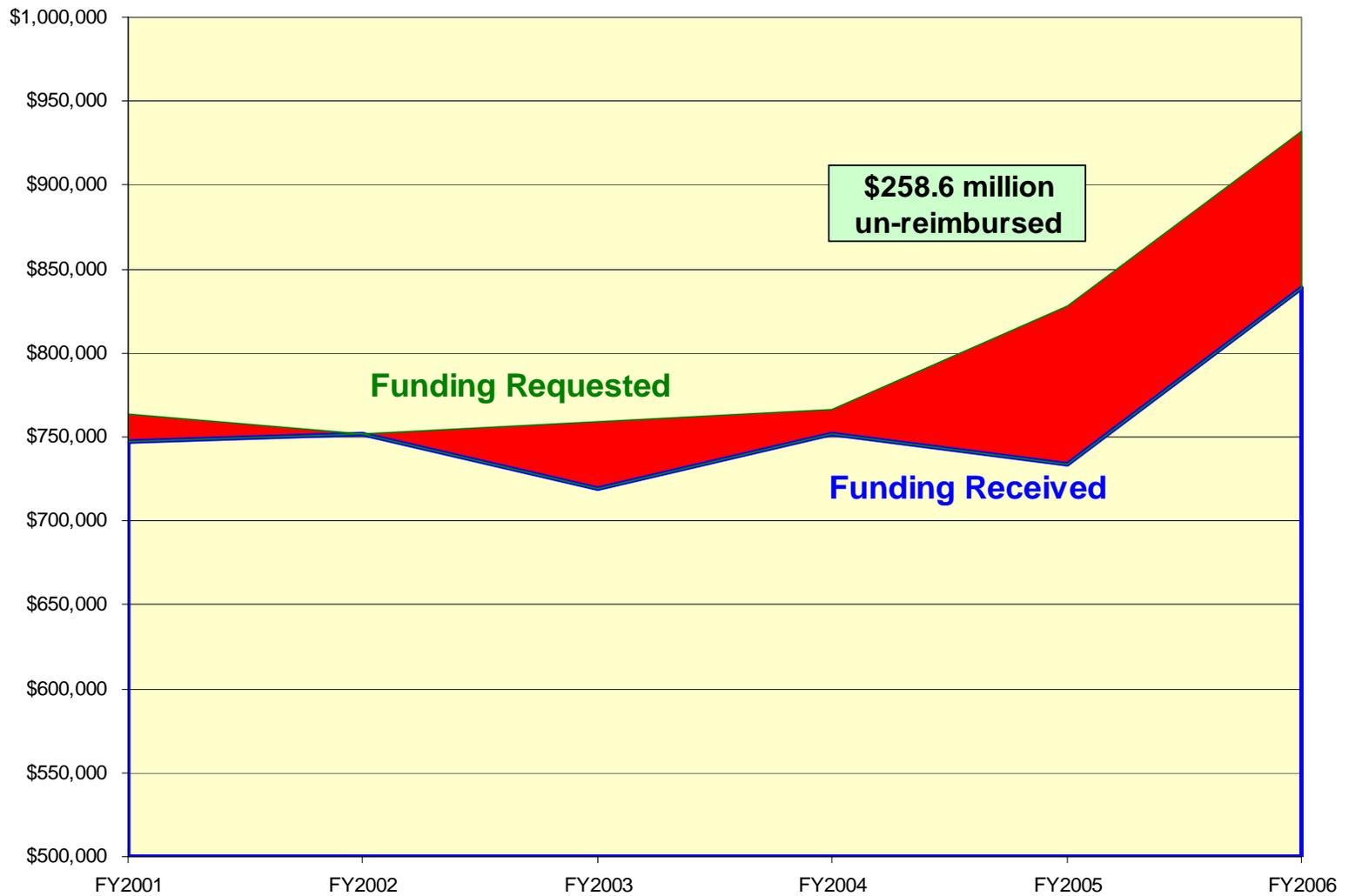
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- Since 2001, expenses out-paced revenues due to increases in non-discretionary spending.

	<b>FY 2001</b>	<b>FY 2005</b>	<b>\$ Increase</b>	<b>% Change</b>
Pension	\$ 6,483	\$ 55,213	\$ 48,730	752%
Health Insurance	\$ 76,155	\$ 109,752	\$ 33,597	44%
Utilities	\$ 303,753	\$ 429,899	\$ 126,146	42%
Collective Bargaining	\$ 44,500	\$ 57,400	\$ 12,900	29%
Workers Compensation	\$ 22,679	\$ 27,533	\$ 4,854	21%
Welfare	\$ 26,804	\$ 31,376	\$ 4,572	17%
<b>Total Non-discretionary</b>	<b>\$ 480,374</b>	<b>\$ 711,173</b>	<b>\$ 230,799</b>	<b>48%</b>

FY 2005 un-audited figures, NYCHA-wide.

# Federal Operating Funding Requested v. Received



# Federal Aid Trends

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- Subsidy has not been fully funded since FY 2002. Cumulative federal funding shortfall since FY 2001 is \$258.6 million.
- National organizations estimate housing authorities will be prorated at 90% in FY 2006 and 78% in FY 2007.
- Capital funding declined by 13% from FY 2001 to FY 2006.
- New formula, effective FY 2007, does not recognize NYCHA's unique cost structure (cost of living, inflationary increases, building age, centralized costs).
- NYCHA faces a potential additional loss of \$60 million as result of the new operating rule.

# FY 2006 Non-discretionary v. Discretionary Spending

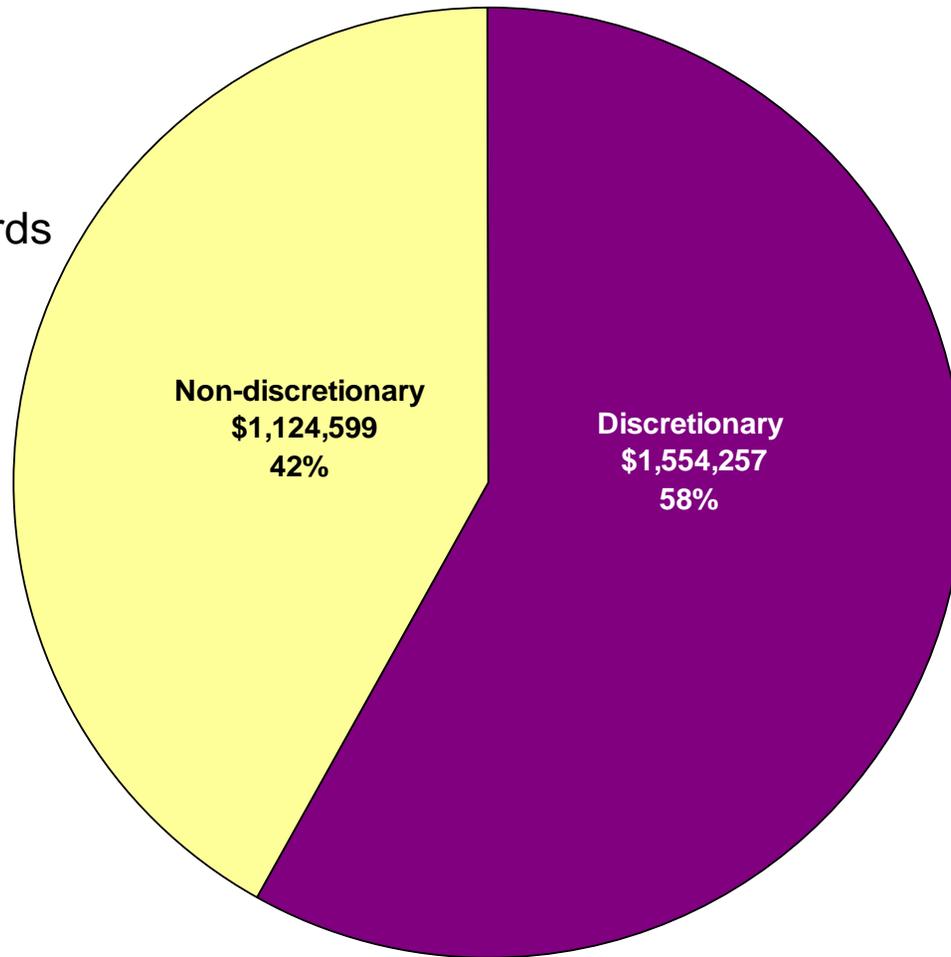
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**Non-discretionary includes:**

Utilities  
Grants  
Payments to Landlords  
PILOT  
Insurance  
Fringe Benefits  
NYPD/DFTA

**Discretionary includes:**

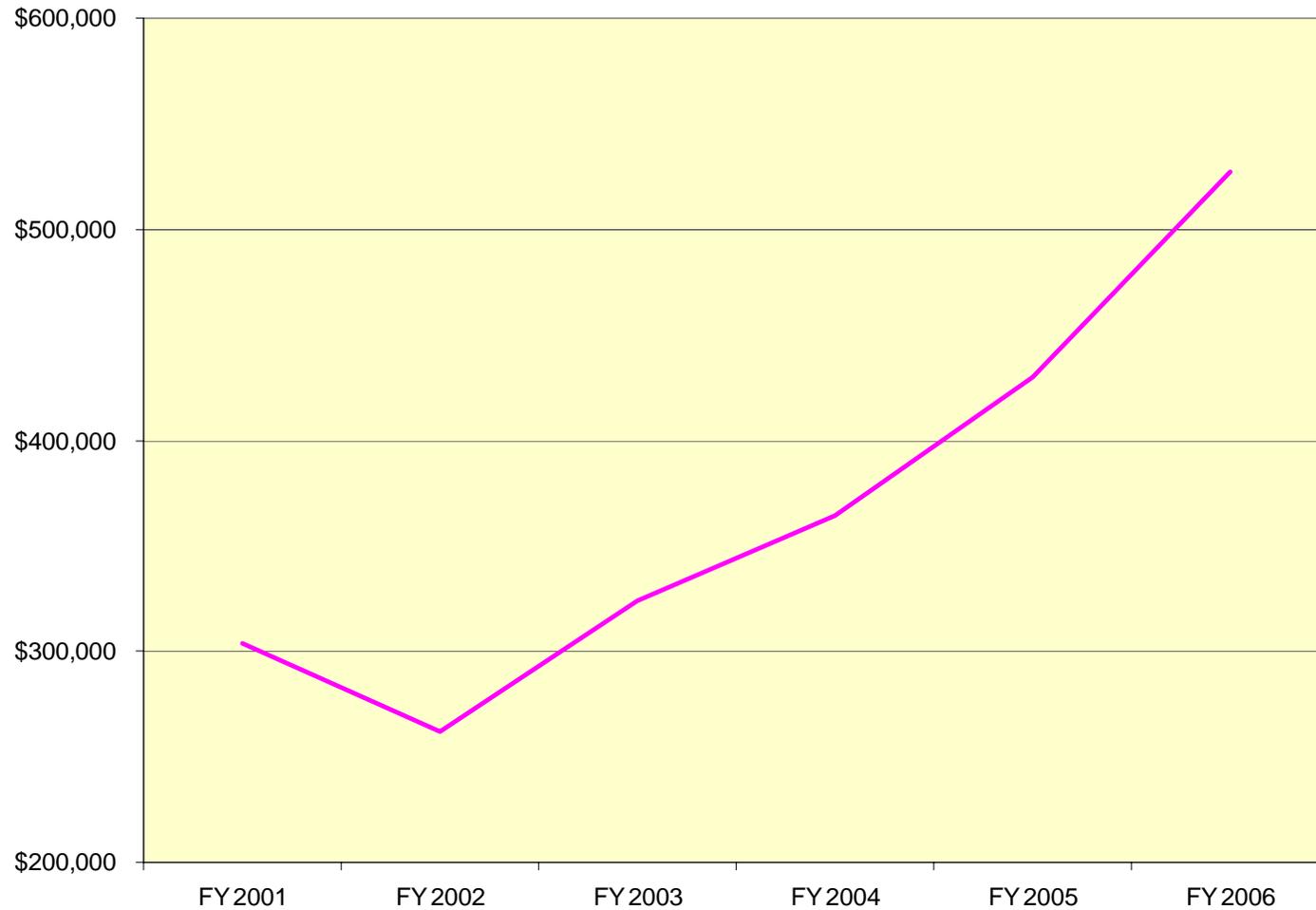
Salaries  
Overtime  
Contracts  
Equipment  
Supplies



# Utility Costs

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- Between FY 2001 and FY 2005 utility spending has increased by 42%.
- During this same period, there were \$267.9 million in un-reimbursed utility costs.





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## **II. PLAN FOR STRUCTURAL BALANCE**

# Budget Balancing Plan

	H/C	FY 2006	FY 2007	FY 2008	FY 2009
<b>Budget Gap</b>	<b>13,698</b>	<b>(\$182,323)</b>	<b>(\$170,085)</b>	<b>(\$177,440)</b>	<b>(\$176,243)</b>
<b>Savings Implemented January 1, 2006</b>					
Fall 2005 Savings Program	(172)	\$7,172	\$7,172	\$7,172	\$7,172
Eliminate Vacancies	(133)	\$2,988	\$5,978	\$5,978	\$5,978
Attrition Savings / Partial Hiring Freeze	(178)	\$3,870	\$7,741	\$7,741	\$7,741
<b>Remaining Gap</b>	<b>13,215</b>	<b>(\$168,293)</b>	<b>(\$149,194)</b>	<b>(\$156,549)</b>	<b>(\$155,352)</b>
<b>Proposed Initiatives</b>					
Transitional City Funding		\$100,000			
Rent Reform		\$14,547	\$37,719	\$52,941	\$60,891
Phased Transition of 8,400 Public Housing Units to Section 8		\$4,470	\$23,244	\$50,288	\$66,827
Development Fees		\$10,000	\$10,000	\$10,000	
Re-engineer Resident/Property Management Systems	(280)			\$10,000	\$10,000
Energy Conservation Initiatives				\$10,000	\$10,000
Federal Funding Flexibility		\$39,276	\$78,231	\$23,320	\$7,634
<b>Revised Budget Gap</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

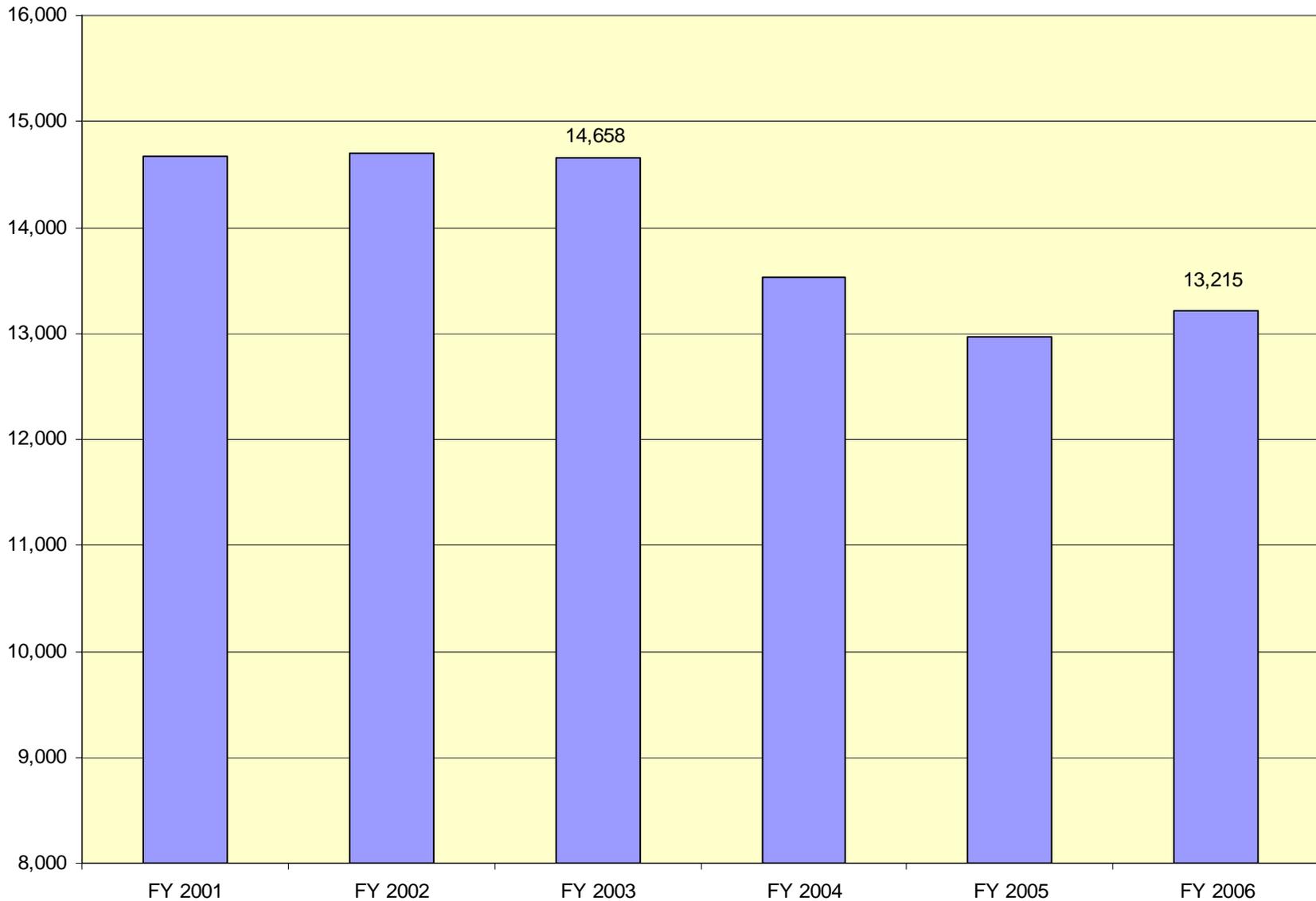
# Structural Balancing Plan Highlights

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- Presents balanced budget for FY 2006 and a balanced Four-Year Financial Plan.
- Preserves core services.
- Preserves rent at current level for 73% of NYCHA households.
- Preserves affordability for 21,000 unsubsidized, non-federal units.
- Allocates capital resources to modernize physical infrastructure.
- Preserves community center operations, senior and youth programs.
- Funds policing, sanitation, water payments and PILOT.

# Managed Staff Reductions

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# Management Initiatives Implemented January 2006

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- **Headcount reduction of 178 through attrition** **\$3.9 million**
- **Elimination of 133 vacant positions** **\$3.0 million**
- **Reduction in capital program administrative costs** **\$1.9 million**
- **Consolidation of management offices** **\$1.3 million**
- **Computer infrastructure savings** **\$1.0 million**
- **Reduction of outside counsel spending** **\$0.6 million**
- **Increase in commercial leasing** **\$0.6 million**

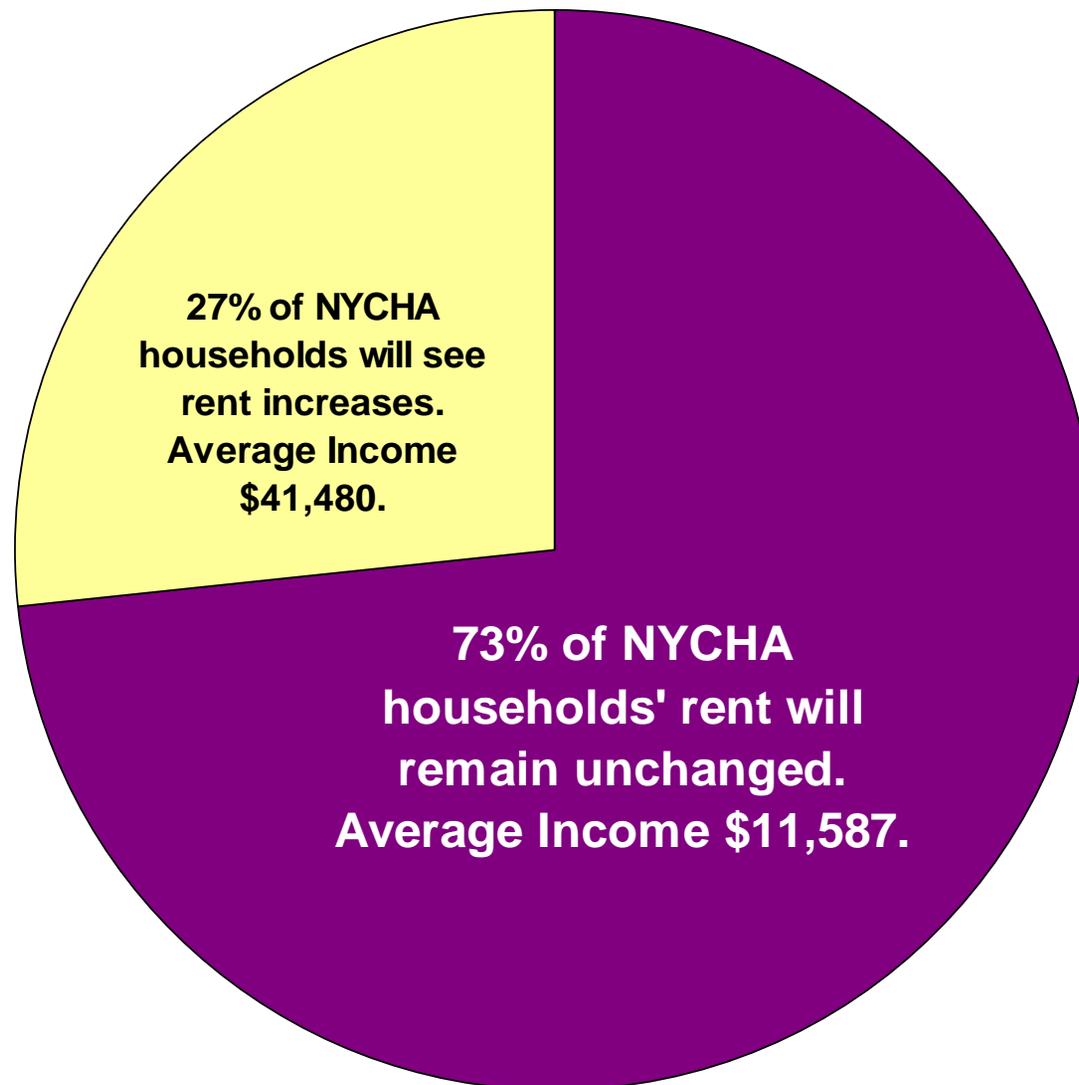
# Revenue from Fees

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	FY 2006	FY 2007
<b><u>Current Revenues</u></b>		
Air Conditioners	\$4,124	\$4,857
Freezers	\$1,738	\$1,955
Dishwashers	\$326	\$434
Sales and Services	\$1,161	\$1,500
Parking	\$200	\$200
<b>Total Current Revenues</b>	<b>\$7,548</b>	<b>\$8,945</b>
<b><u>Proposed Revenues</u></b>		
ESD Non Emergency Charges	\$218	\$252
Updating Costs of Sales & Services	\$121	\$242
Increase Fees for Freezers and Dishwashers	\$138	\$276
Increase in Air Conditioner Fees	\$269	\$283
Increase in Parking Fees	\$680	\$680
Carbon Monoxide Detector Surcharge	\$2,349	\$108
Washing Machine Charges	\$4,964	\$4,964
<b>Total Proposed Revenues</b>	<b>\$8,739</b>	<b>\$6,804</b>
<b>Total Fee Income</b>	<b>\$16,287</b>	<b>\$15,750</b>

# Targeted Rent Reform Initiative

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# Rent Reform Preserves Affordable Housing

- Increase ceiling rents 10%, 20%, and 40% over two years based on household income.
- Rent increases generate \$60.8 million per year by FY 2009.

Impacted Households Increase Ceiling Rents 10%, 20%, and 40% Over Two Years	Number of Households	Average Income	Current Average Rent	Average Monthly Rent Increase Year 1	Average Monthly Rent Increase Year 2	New Average Monthly Rent	Current Percent of Income for Rent	New Percent of Income for Rent in Year 2
<b>Non-Impacted Households</b>	<b>128,175</b>	<b>\$11,587</b>	<b>\$257</b>	<b>\$0</b>	<b>\$0</b>	<b>\$257</b>	<b>30%</b>	<b>30%</b>
Ceiling Rent Households with Incomes Less than 60% AMI (10% Increase in Rent)	23,547	\$29,119	\$505	\$25	\$27	\$557	22%	23%
Ceiling Rent Households with Incomes Between 60% and 80% AMI (20% Increase in Rent)	11,806	\$41,137	\$515	\$52	\$57	\$624	15%	18%
Ceiling Rent Households with Incomes Greater than 80% AMI (40% Increase in Rent)	11,399	\$67,367	\$530	\$106	\$127	\$763	10%	15%

## NYCHA Ceiling Rents Will be Lower than Public Housing Rent Schedules in Many Other Major American Cities

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	1-Bedroom	2-Bedroom	3-Bedroom
<b>Syracuse, NY</b>	<b>\$556</b>	<b>\$654</b>	<b>\$818</b>
<b>Los Angeles, CA</b>	<b>\$590</b>	<b>\$740</b>	<b>\$817</b>
<b>Yonkers, NY</b>	<b>\$695</b>	<b>\$720</b>	<b>\$814</b>
<b>Boston, MA</b>	<b>\$752</b>	<b>\$940</b>	<b>\$1,176</b>
<b>Newark, NJ</b>	<b>\$460 to \$ 690</b>	<b>\$540 to \$ 850</b>	<b>\$630 to \$ 950</b>
<b>Baltimore, MD</b>	<b>\$400 to \$ 727</b>	<b>\$520 to \$ 888</b>	<b>\$688 to \$1,176</b>
<b>Washington, DC</b>	<b>\$486 to \$ 827</b>	<b>\$568 to \$ 956</b>	<b>\$707 to \$1,183</b>
<b>Chicago, IL</b>	<b>\$500 to \$1,250</b>	<b>\$600 to \$1,750</b>	<b>\$850 to \$1,900</b>
<b>New York City</b>	<b>\$485</b>	<b>\$581</b>	<b>\$740</b>

# Proposed Rent Schedule for 27% of Households at Ceiling Rent

Apartment Size	Current Ceiling Rent
Studio	\$347
1 Bedroom	\$421
2 Bedroom	\$495
3 Bedroom	\$619
4 Bedroom	\$693
5 Bedroom	\$797
6 Bedroom	\$901

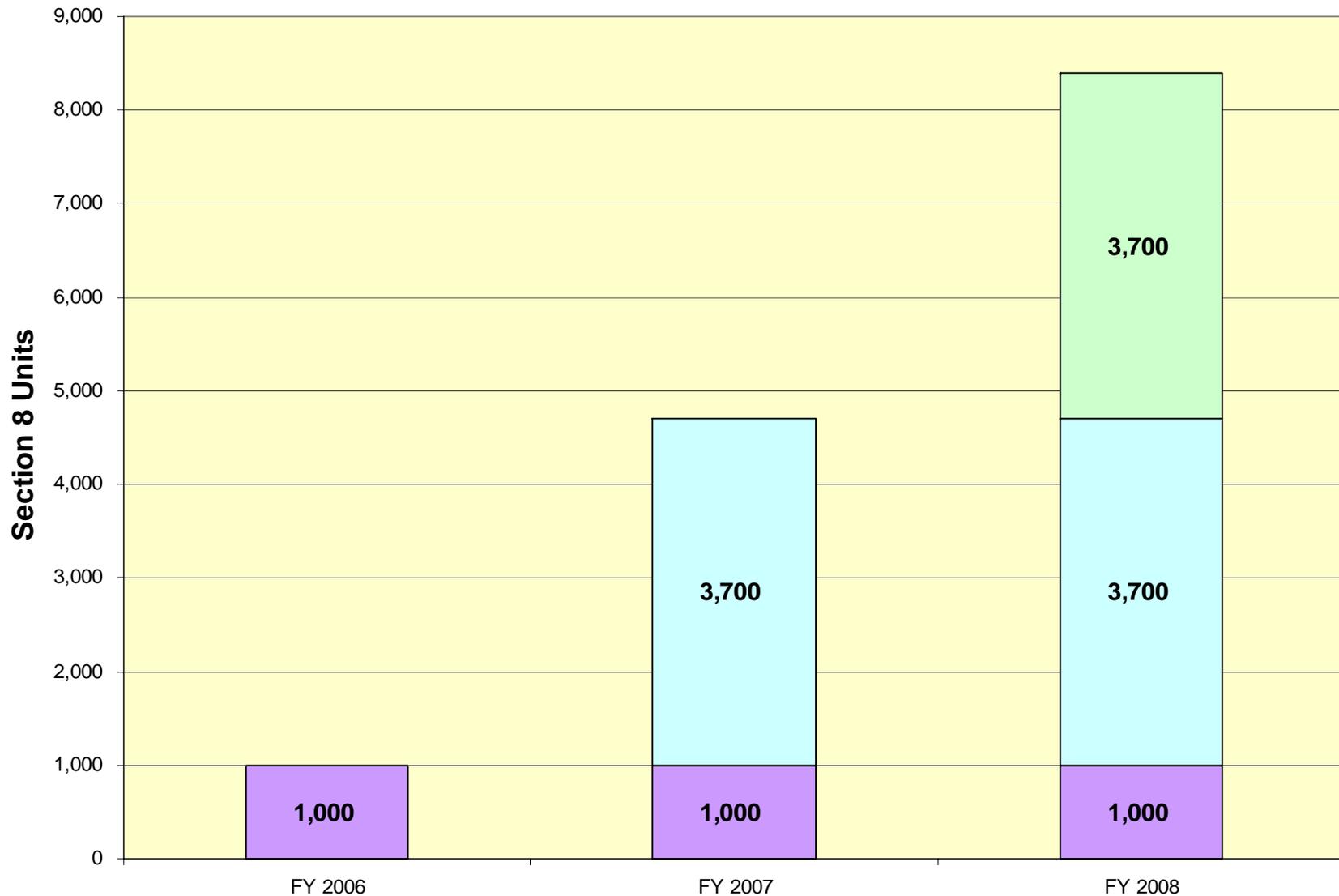
PROPOSED					
Households with incomes less than 60% AMI		Households with incomes between 60% and 80%		Households with incomes greater than 80% AMI	
Year 1 5% Increase	Year 2 5% Increase	Year 1 10% Increase	Year 2 10% Increase	Year 1 20% Increase	Year 2 20% Increase
\$364	\$383	\$382	\$420	\$416	\$500
\$442	\$464	\$463	\$509	\$505	\$606
\$520	\$546	\$545	\$599	\$594	\$713
\$650	\$682	\$681	\$749	\$743	\$891
\$728	\$764	\$762	\$839	\$832	\$998
\$837	\$879	\$877	\$964	\$956	\$1,148
\$946	\$993	\$991	\$1,090	\$1,081	\$1,297

# Preserving Affordability in Non-Federal Developments

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- There are currently 21,000 City/State built public housing units for which no federal operating subsidy is received.
- NYCHA proposes to leverage Section 8 to preserve the affordability of these non-federal developments.
- Proposal assumes 8,400 units to be transitioned to Section 8 over three years.
- Vacant units and residents who volunteer will initially be transitioned to Section 8 funding.
- Requires HUD approval.

# Number of City/State Units Transitioning per Year



# Productivity Initiatives

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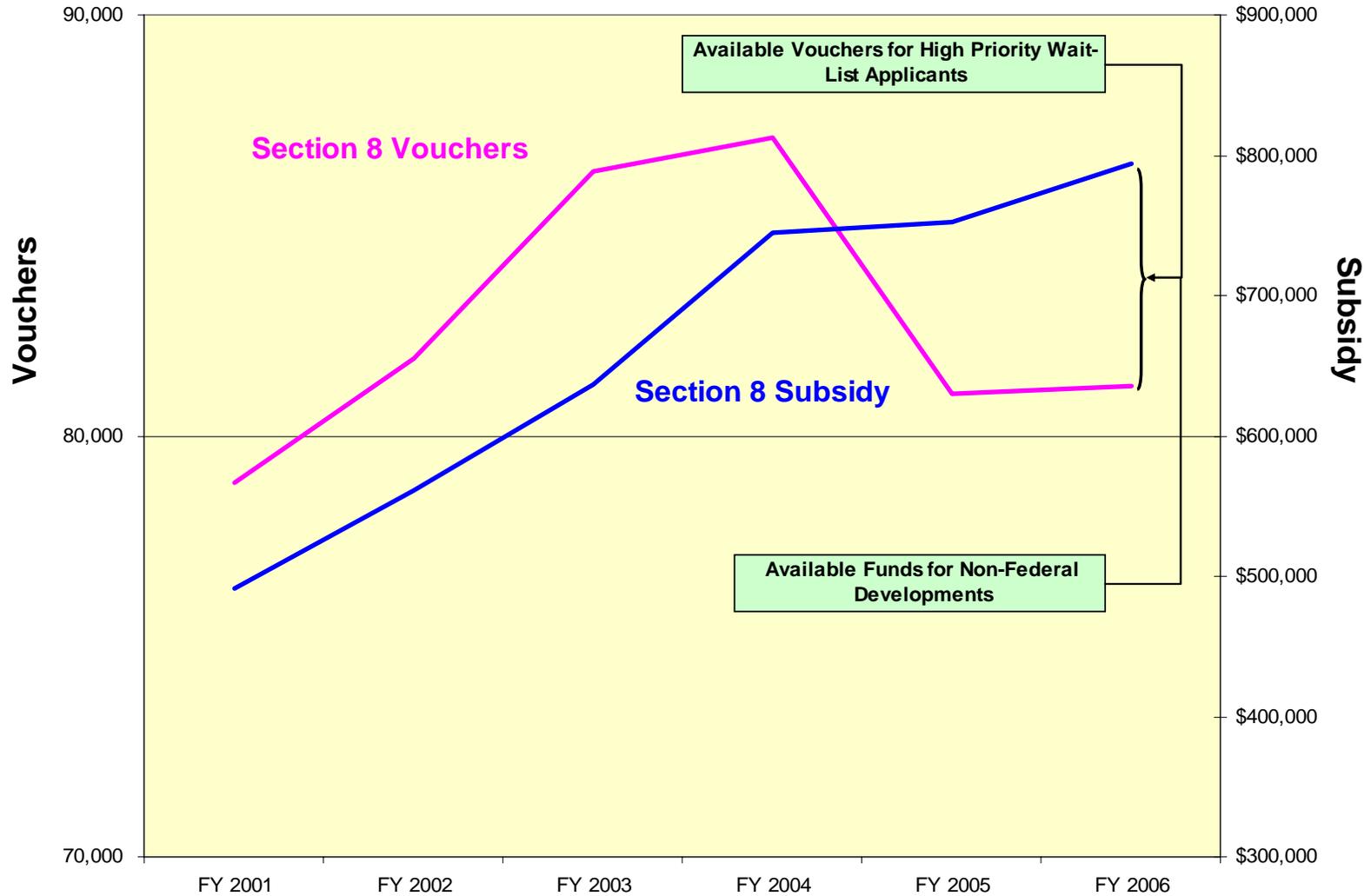
- **Re-engineer Property Management System**
  - Implement integrated IT solution supporting all property and customer relationship management processes:
    - Centralized Call Center (CCC)
    - E-Tenant-Folders with integrated workflows and improved business processes
    - Authority-wide data warehouse
    - Borough-based customer service centers
  
- **Improve Energy Management and Efficiency**
  - Implement computerized heating systems Authority-wide (CHAS)
  - Replace domestic hot water tanks with instantaneous hot water heaters
  - Install magnetic boiler feed-water devices
  - Hedge price variance between steam and natural gas; convert heating plants

# Federal Flexibility to Maintain Core Services

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- NYCHA will submit a Moving-To-Work (MTW) application to HUD which will:
  - Allow flexibility in the use of Section 8 and public housing operating and capital funds,
  - Streamline federal rules and regulations,
  - Help maintain core services at public housing developments, and
  - Provide relief from unfunded mandates such as community service requirements.
  
- 24 other cities successfully implemented an MTW program to preserve affordable housing.

# Effective Use of Section 8 Funding to Support Critical Housing Needs



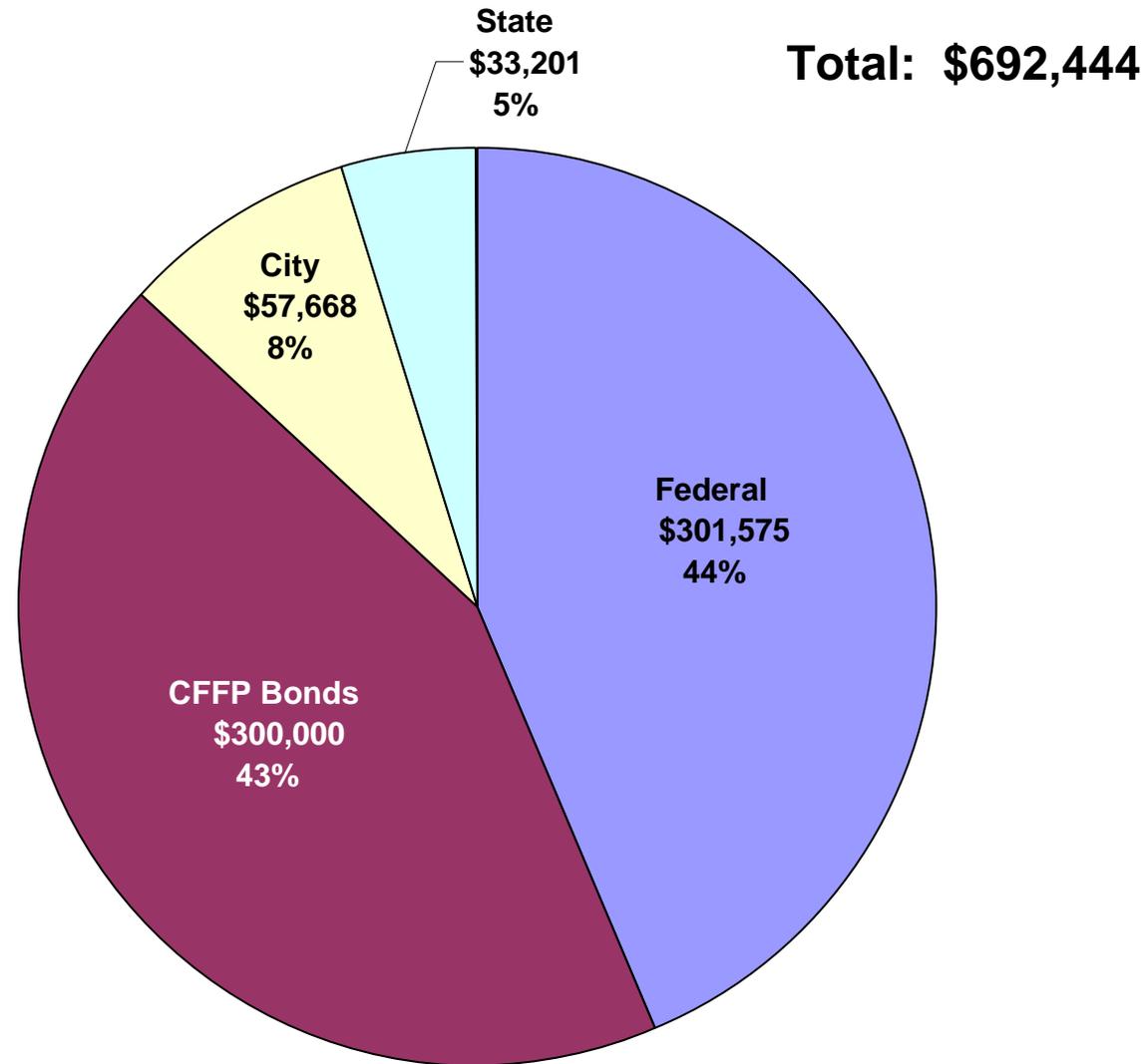


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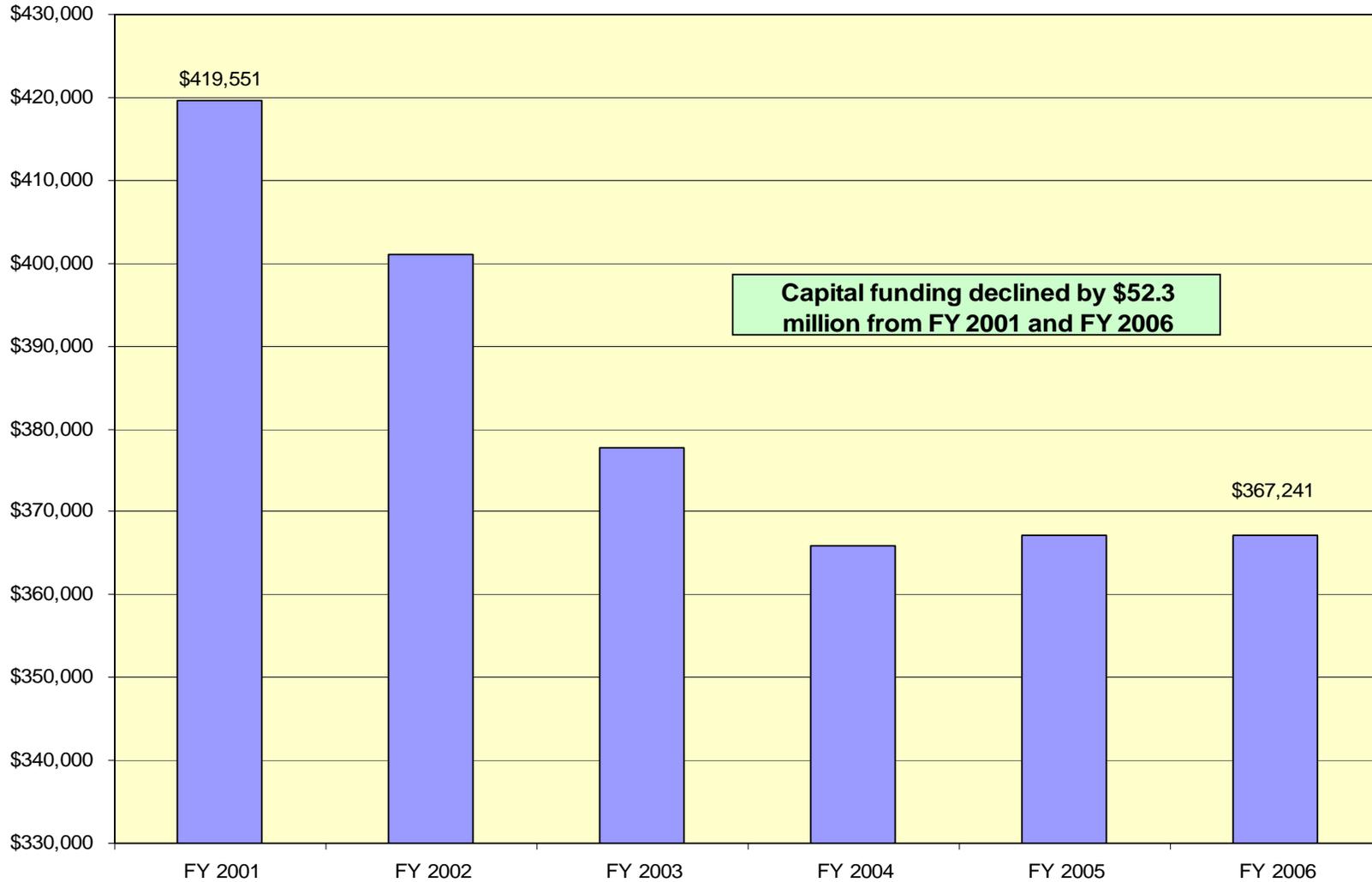
## **III. CAPITAL PLAN**

# FY 2006 Capital Budget - Source of Funds

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# Historical Federal Capital Funding



Capital awards by federal fiscal year.

# Major Ongoing Capital Projects

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- **Brickwork/Roofs at Johnson** \$49.8 million
- **Brickwork at Wald** \$48.5 million
- **Major Renovation at Whitman/Ingersoll** \$43.0 million
- **Prospect Plaza** \$37.9 million
- **Stairwell Re-finishing** \$26.0 million
- **Instantaneous Hot Water Heaters** \$23.1 million
- **Bathroom and Kitchen – Edenwald** \$22.0 million
- **Brickwork at Wagner** \$22.0 million
- **Brickwork at Washington** \$20.0 million
- **New Community Center – Linden** \$14.0 million
- **Entrances at Albany Houses** \$8.6 million
- **Computerized Heating System (CHAS)** \$7.0 million

# Capital Project Types

