



Five Year Operating Plan Calendar Years 2015-2019

November 26, 2014

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Narrative Summary

Highlights of the 2015-2019 Operating Plan

The New York City Housing Authority (NYCHA or the Authority) Board adopted the 2015-2019 Operating Plan on November 26, 2014. The Five Year Plan incorporates initiatives to reduce the financial gap.

Overview

The Plan projects a General Fund deficit of \$98 million in 2015. The General Fund consists of the operating activity of NYCHA’s developments along with the Central Office cost center. This deficit is primarily attributable to federal underfunding of public housing and increased employee entitlement costs.

While revenue is expected to increase as a result of a change in flat rents policy (the 2014 Appropriations Act), NYCHA continues to experience a structural deficit stemming from ongoing federal underfunding, operating unfunded City/State public housing units (approximately 5 thousand units) as well as mounting “uncontrollable” costs such as pension and benefits related expenses.

Despite financial hardship, in FY 2014 NYCHA was able to complete several initiatives to help improve safety and service level to the residents. Furthermore, NYCHA remains devoted to exploring opportunities to help enhance residents’ quality of life while examining innovative ways to ensure financial stability.

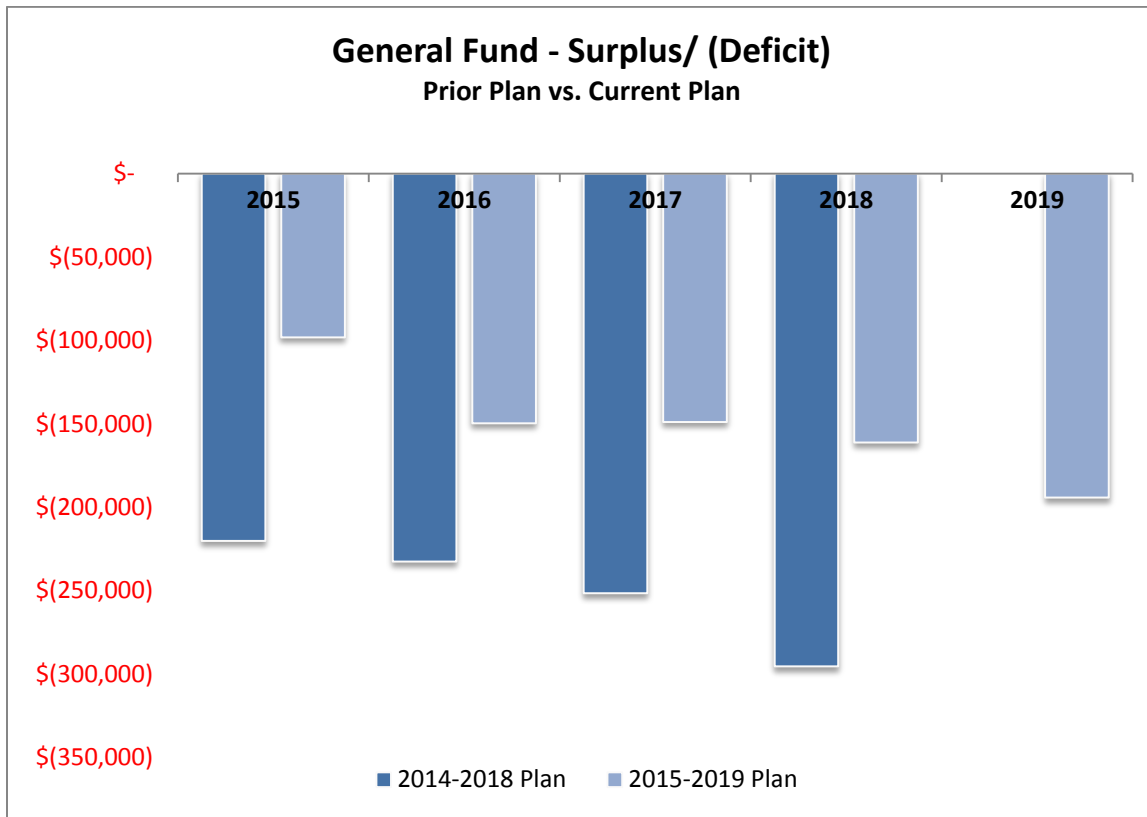
2015-2019 General Fund Summary

(\$ Millions)	2015	2016	2017	2018	2019
<i>Revenues</i>					
Revenue from Operations	\$1,015	\$1,040	\$1,056	\$1,061	\$1,066
Other Revenues	1,044	1,053	1,069	1,089	1,093
Total Revenue	2,059	2,093	2,125	2,151	2,160
<i>Expenditures</i>					
Personnel Service	1,203	1,199	1,221	1,237	1,254
Other Than Personnel Service	954	1,044	1,054	1,075	1,100
Total Expenditures	2,157	2,243	2,274	2,312	2,354
Surplus/ (Deficit)	(\$98)	(\$150)	(\$149)	(\$161)	(\$194)

Closing the Operating Deficit

The 2015 Plan forecasts the General Fund deficit in 2015-2019 will be reduced to \$98 million – 194 million, which is a significant improvement when compared to the prior operating plan, which had projected deficits of \$220-295 million in the years 2015-2018. The 2015 Plan

assumes a number of initiatives and reflects an improved revenue outlook. However without significant financial support, NYCHA will continue to be fiscally challenged in years to come.



Additional Revenues

The current funding mechanism has resulted in underfunding, jeopardizing its long-term fiscal stability. NYCHA continues to explore options to help ease the financial burden caused by chronic underfunding.

Implementation of Rent Equity Policy and the New Flat Rent Provision

As of the beginning of 2013, over 47,000 of NYCHA’s approximately 175,000 public housing households pay less than 30 percent of family income towards rent, as generally required by public housing regulations. These households are referred to as “flat rent” households. The NYCHA Board approved changes to increase flat rent to 30 percent of family income subject to the maximum Department of Housing and Urban Development (HUD) - established affordable housing rent.

On January 17, 2014, the President signed the Department of Housing and Urban Development Appropriations Act, 2014 requiring Public Housing Authorities (PHAs) to establish flat rents at no less than 80 percent of the fair market rent (FMR) effective June 1, 2014. However, the statute limits annual flat rent increases to 35 percent of the existing flat rent amount.

These changes in rent are expected to yield a 1.2 percent compound growth in projected Dwelling Rent over the Plan period, from \$997 million in 2015 to \$1.045 billion in 2019.

Support for Unsubsidized Units

NYCHA owns and operates 21 developments originally built by the City and State of New York (City/State Developments) with 20,139 housing units that have been historically unfunded. NYCHA was able to secure funding for nearly 12,000 of these units via Federalization. In addition HUD authorized the conversion of 8,400 units into Project-Based Section 8 funded units through the 2008 Voluntary Conversion Plan (VCP). Out of the 8,400 units covered by the VCP, nearly 3,500 units are expected to be converted into the Section 8 funding model at the end of 2014.

The current Plan reflects NYCHA's continuing effort to convert efforts of the remaining units (almost 5 thousand) by transitioning an additional 230 units in 2015 and 100 units annually for 2016-2019. It is expected that revenue will increase from \$49 million in 2015 to \$60 million in 2019, as shown in the *Section 8 Phased Conversion* budget line.

Contract-Based Section 8 Properties

By leveraging tax-exempt bond financing provided through New York City Housing Development Corporation (HDC) and Low Income Housing Tax Credit (LIHTC) equity, the Authority will be able to invest approximately \$100 million in capital work at the six Project-Based Section 8 properties, bringing them up to a state of good repair and adding other elements such as new interior apartment renovations, resiliency measures and energy efficiency. Additionally, the transaction will generate a return to NYCHA of approximately \$158 million in FY 2014 and \$100 million in subsequent years to help reduce the funding gap and invest in capital work throughout the public housing portfolio.

Federal Operating Funding and Chronic Underfunding

Public housing relies heavily on federal subsidies. Federal subsidies account for nearly 44 percent of NYCHA's General Fund revenues (with the balance primarily the rent from tenants) and 98 percent of NYCHA's Section 8 Housing Choice Voucher (HCV) Program revenues. Nevertheless, federal resources for public housing remain under severe pressure.

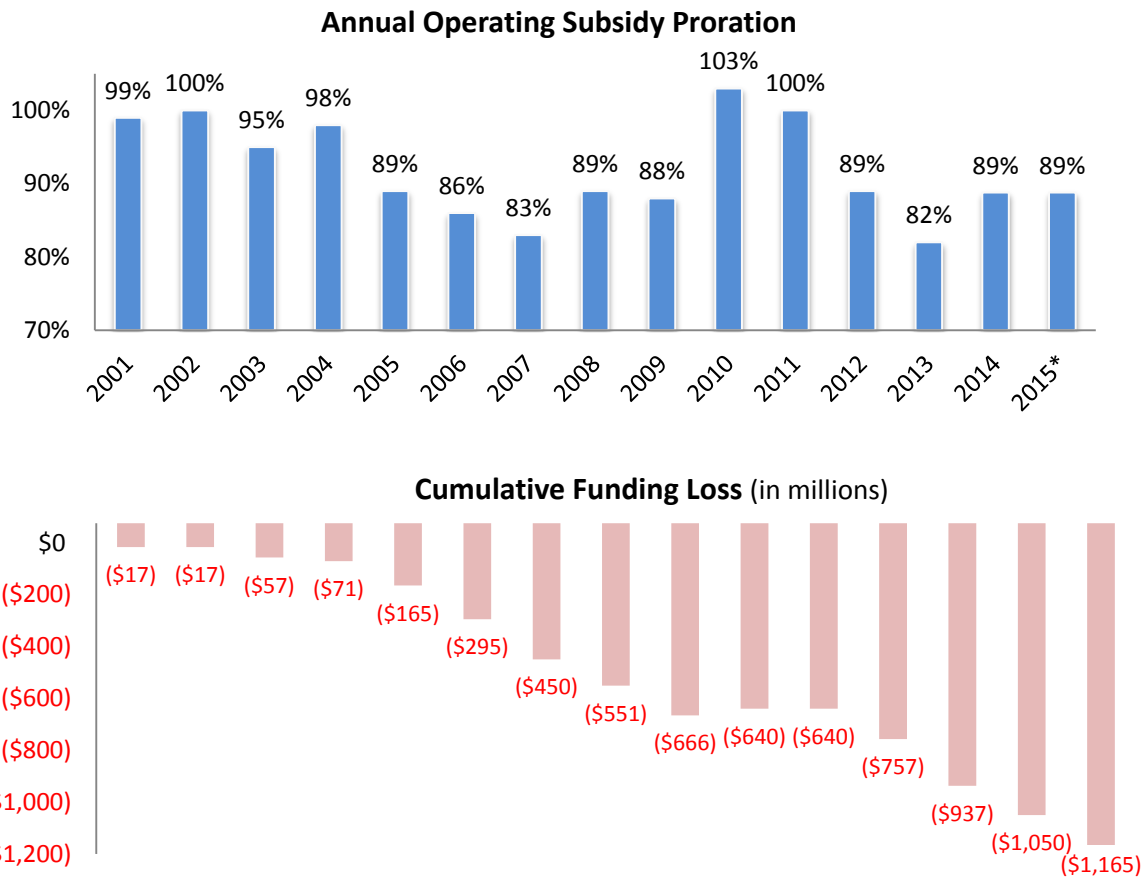
As discussed in NYCHA's 2015-2019 Five Year Capital Plan, federal capital grants for infrastructure improvements and major rehabilitation have been in steady decline for a decade. The chronic capital funding gap has jeopardized the preservation of the public housing asset. Moreover, as capital needs of aging buildings remain unmet, operating costs such as maintenance and repair increase, further straining operating budgets.

HUD's public housing operating fund provides subsidies to public housing authorities nationwide to operate and maintain public housing in local communities. Funding is based on the subsidy eligibility of all housing authorities and the annual federal appropriation. If the total national eligibility exceeds the congressional appropriation, then it has been Congress' practice to direct HUD to prorate its allocation of subsidy (subsequently referred to as "proration").

Underfunding of Operating Subsidy

If NYCHA were to be awarded 100 percent of total eligibility, there would not be any operating deficit in 2015. In fact, NYCHA would have additional resources for critically needed frontline staff, such as maintenance workers, caretakers, and skilled trade persons to support the needs of residents.

However, appropriations have generally fallen short of the funding levels required to fully fund public housing operations in accordance with HUD’s eligibility formula. Additionally, while HUD’s formula takes location into account, New York City has long advocated that the system is inequitable when one considers the city’s uniquely high construction costs as well as higher employment costs in comparison to authorities across the US.



* Proration Assumed for FY 2015

Historical data (2001 to 2014) as shown above, illustrates a cumulative operating funding loss of nearly \$1.1 billion as result of proration.

In FY 2014, PHAs nationwide were eligible to receive \$4.95 billion. However the final appropriation was \$4.40 billion, which translates to 89 cents for every dollar needed (effective proration at 89 percent). The FY 2015 Plan also assumes last year’s proration at 89 percent with an expected loss of funding of approximately \$115 million. Any adverse changes in funding appropriation would amplify the current deficit.

Housing Choice Voucher Program (Section 8)

The HCV Program, generally referred to as Section 8, assists low-income families in obtaining safe, decent, and affordable housing in the private market by providing rental subsidy. NYCHA administers the largest Section 8 program in the nation with over 89,000 families served through a network of over 29,000 participating landlords.

NYCHA administers the program paying HUD subsidy to participating landlords on behalf of eligible participating tenants. Program participants generally pay rent directly to the landlord equal to 30 percent of family income. NYCHA pays the landlord the difference towards the approved contract rent on the apartment unit, referred to as the Housing Assistance Payment, or HAP. NYCHA earns an administrative fee from HUD for administration of the program.

HUD establishes the total number of authorized vouchers for a PHA. Annual HAP subsidies are determined by the number of vouchers under lease and housing assistance payments made the prior year, adjusted for inflation and congressional appropriations. Rental subsidy payments are primarily influenced by changes in local housing market costs and family income. Additionally, while HUD requires programs to maintain positive reserve balances, it may recapture reserve balances deemed excessive.

The number of vouchers that NYCHA can prospectively administer depends on current year appropriation and funding availability, changes in landlord rents, changes in family incomes, and the balance of HAP reserves to draw upon to fund HAP in excess of current year subsidy. Program administration costs are primarily determined by labor costs and mandated program compliance activities including annual eligibility recertification of participants and inspection of landlord apartments.

Administration of the HCV Program requires prudent stewardship over annual funding resources and program reserves.

Housing Assistance Payments (HAP)

NYCHA provides rental subsidies to landlords on behalf of eligible participants through housing assistance payments. Unused subsidies must be maintained in restricted reserves and may only be used for the issuance of additional vouchers or to pay for any shortfall in annual funding. As a result of sharp declines in renewal funding, HAP reserves levels have been exhausted. Therefore, the number of families NYCHA can serve is primarily determined by annual appropriations, or renewal funding.

Based on estimated 2014 HAP expenditures of approximately \$1 billion, NYCHA expects HAP renewal funding of \$1 billion in 2015 at 100 percent proration. The renewal funding will modestly increase in 2015 consistent with national renewal funding levels.

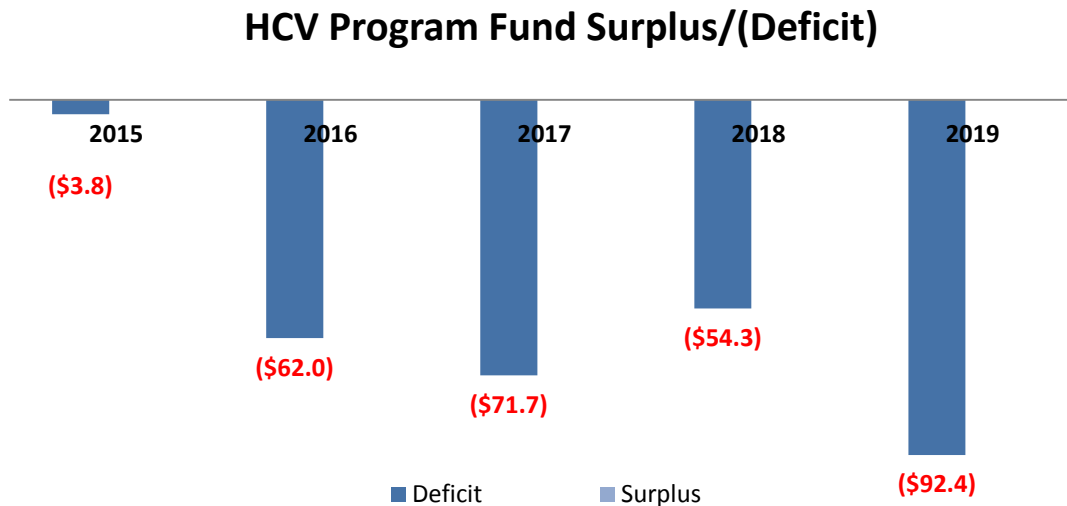
Administrative Fee

The administrative fee available to NYCHA for administration of the program is subject to proration by HUD. HUD requires that all Section 8 programs maintain adequate administrative fee reserves. In 2015 – 2019 NYCHA expects a slight decrease in administrative fee funding. Lower fee-income combined with escalating administrative costs inhibits NYCHA's ability to administer the program.

This Plan balances the administrative fee and maintains an appropriate level of administrative fee reserves by substantially reducing NYCHA’s management fee, which would otherwise be recognized as revenue to the General Fund.

HCV Program Annual Surplus/ (Deficit)

The following chart shows the projected total annual surplus and deficit of the HCV Program and year-end program reserves.



Note: ¹ This chart combines presentation of the HAP and Administrative Fee components of the program.

² The 2015 deficit of \$3.8 million is expected to be cover by the Section 8 Admin Reserves.

FY 2014 Accomplishments

Despite financial challenges, NYCHA continues to focus on its mission while addressing resident needs. With support from the current Administration and with an emphasis on safety and service levels, the following initiatives have been implemented.

Safety and Service Level

Work Order Reduction Initiative

Recognizing funding issues, New York City provided relief on payment obligation for NYPD, of which \$40 million was allocated to address a backlog of approximately 33 thousand work orders primarily for painting and tiling of apartments. With a focus on service improvement, NYCHA was able to reduce the average response time for a routine maintenance request to 9 days, down from 79 days, and decrease skilled trade work orders to 28 days, down from 56 days a year ago.

Appliance Replacement Initiative

NYCHA dedicated approximately \$8 million of the NYPD forgiveness funds for the replacement of outdated ranges and refrigerators with energy-efficient models.

Light Towers Initiative

In cooperation with the Mayor's plan to improve safety, temporary exterior lighting was installed at 15 developments with the highest violent crime rate. The current plan has extended to 186 towers at 19 developments. NYC has pledged an additional \$1.5 million in order to extend the initiative through August, 2015.

Homeless Housing Initiative

As part of the Mayors initiative to reduce the record level of homelessness in NYC, NYCHA completed the rehabilitation of 865 apartments, moving families out of homeless shelters and into permanent apartments. In addition to the 865 families who were moved out of shelters, more than 290 homeless families received Section 8 vouchers, bringing the total families helped to over eleven hundred.

2015 Outlook and Risk to Plan

The President's 2015 proposed budget for the public housing operating fund requests \$4.6 billion from Congress. While this funding level is \$200 million above the 2014 congressional appropriation, it remains \$400-500 million short of estimates of national eligibility and suggests approximately an 89 percent proration for 2015.

For NYCHA, this suggests a federal operating funding level in 2015 that (similar to 2014) is \$115 million below eligibility.

Currently there is no sequestration risk to the FY 2016 Federal Budget; however we have factored this risk in for the Section 8 Administration and HAP subsidy for 2016-2019.

Any additional loss of funding would negatively impact service levels as NYCHA would be forced to seek spending cuts not reflected in this Plan, and would place severe pressure on NYCHA's declining operating reserves. Indeed, each percentage point decrease in NYCHA's proration rate drives a decrease of approximately \$10 million in operating subsidy revenue.

Future Initiatives

While the focus has been addressing existing issues, progress will be limited if measures are not taken to both improve NYCHA's operations and culture. In recognizing the need, NYCHA is exploring ways to leverage both internal & external partnerships to help transform NYCHA. While difficult to quantify, benefits will be realized via measures and metrics which are being designed as part of these ongoing initiatives.

Optimal Property Management Operating Model (OPMOM) Pilot

The Optimal Property Management Operating Model (OPMOM) aims to maximize customer service through efficiency and quality of service. This pilot program will shift decision making from the central office to local property management. Under OPMOM, Property Managers will build their own budgets and purchase materials and services on an as-needed basis, leaving more resources available for frontline operations. In collaboration with residents and staff, Property Managers will also identify additional budget priorities, boosting customer satisfaction. Employees in the OPMOM pilot developments will receive enhanced training and support to provide better service to residents. By focusing more decision-making locally,

NYCHA expects to see more efficiency and innovation with decisions tailored for the specific conditions at each development. OPMOM will launch in 18 developments in January 2015 and if successful, will be implemented throughout the five boroughs. The initial participating developments are: Howard, Seth Low, Langston Hughes, Unity Plaza, Van Dyke, Brownsville, Tilden, Woodson, East River, Jefferson, Wagner, Lincoln, Wilson, Mill Brook, Patterson, Mott Haven, Mitchel, and Melrose Houses.

Choice Neighborhood Initiative (Choice)

Choice Neighborhoods Initiative (Choice) is funded by HUD to transform public housing and surrounding neighborhoods into stronger, sustainable neighborhoods. The Choice program intends to restart the relationship between New York City agencies and the residents they serve. The implementation plan was formulated with input from public housing residents and community shareholders in collaboration with local agencies and businesses. The primary goal is to preserve and maintain current housing stock and eventually create additional housing. It also intends to improve the quality of life of residents by creating access to healthcare, job training for the youth and additional job opportunities for residents.

The hope is that the implementation of this plan will have the overall effect of creating a safe and more livable environment with access to services and job opportunities, and a reduction in the incidence of crime.

Next Generation NYCHA (NextGenNYCHA)

Next Generation NYCHA is a multi-faceted, long-term, strategic investment and planning process that will explore creative ways of how public housing can be sustained for the next generation of New Yorkers. It intends to be an inclusive process that will seek input from NYCHA residents, administrators and managers, and community partners and residents. The plan will address how NYCHA looks, operates and is financed.

Budget Line Item Discussion

This section provides explanation and analysis of the Plan by budget line item as presented in the budget tables appended to this narrative.

Basis of Presentation

Budgetary Funds

The Plan consists of three component funds:

- The *General Fund* reflects activities of frontline operations and central office and field support functions for NYCHA-owned and/or privately-managed housing, including all public housing activities;
- The *Housing Choice Voucher (HCV) Program Fund* reflects activities and administration of the Section 8 programs, including Housing Choice Voucher (HCV), Veterans Affairs Supportive Housing (VASH), and Five Year Mainstream.

The HCV Program also contributes revenues to the General Fund in the form of a program management fee and housing assistance payments (HAP) to Section 8 units owned and managed by NYCHA (referred to as *Section 8 Phased Conversion*);

- The *Categorical Grants Fund* reflects all other grant programs by which NYCHA receives funding from federal, state, city, or private sources for operating and/or administering a variety of community development and benefits programs.

The *All Funds* presentation of the Plan reflects the consolidation of these three component funds with appropriate elimination of inter-fund transactions and activities.

The Plan is developed on a modified accrual basis, and thereby combines elements of accrual-basis with cash-basis budgeting. The Plan does not include provisions for non-cash expenditures including depreciation, amortization, and the non-cash costs of other post-employment benefits (OPEB).

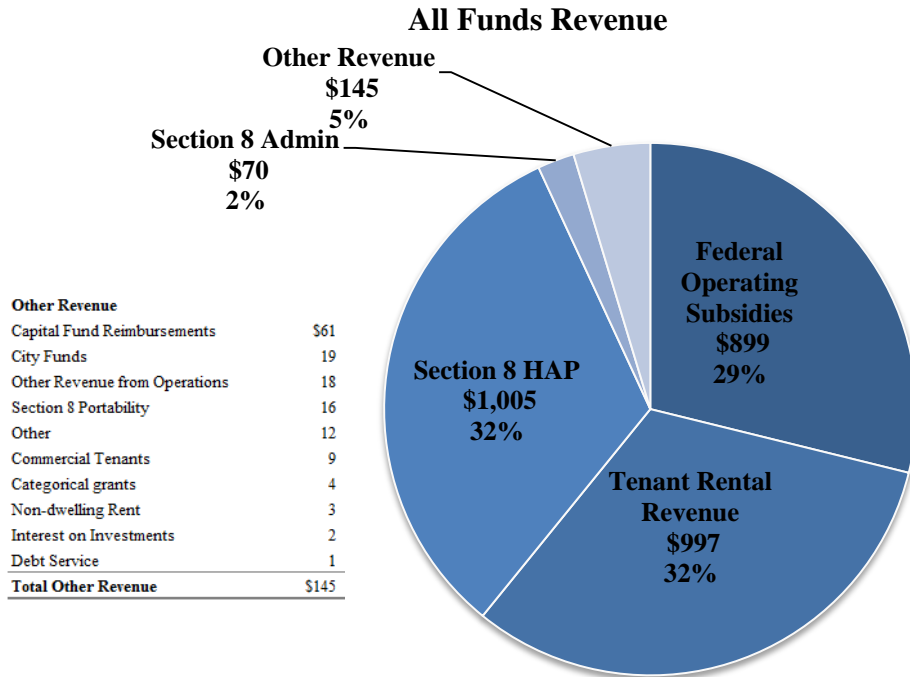
OPEB Disclosure

This Plan includes projections only for the “pay as you go” component of OPEB. The OPEB expense and liability are recognized in NYCHA’s audited financial statements, which are prepared in accordance with Generally Accepted Accounting Principles.

As of December 31, 2014, NYCHA faces a \$2.9 billion liability for OPEB. This liability remains unfunded.

Revenues Categories

The following chart shows by category the \$3.116 billion revenues in NYCHA’s 2015 operating budget:



Total \$3.116 Billion

Dwelling Rent and Federal Subsidies account for 61 percent of total revenues. Section 8 Subsidy for HAP and Administrative Fee accounts for 34 percent of total revenues. The remaining 5 percent consists principally of Capital Fund Reimbursements and City Funds.

Revenue by Funding Category

General Fund	64.0%
HCV Program Fund	35.2%
Categorical Grants Fund	0.8%
Total	100.0%

Tenant Rental Revenue

Projected rent paid to NYCHA by residents represents 32 percent of total revenues in 2015. Rent projections are modeled at the property level based on data that includes the number of occupied units, average base rents, and collection losses.

Federal subsidies for public housing are budgeted under Other Revenues. Accordingly, it is important to note that Tenant Rental Revenue contributes less than half of the total revenues used to cover the Authority’s public housing expenditures reflected in the General Fund.

This Plan projects Tenant Rental Revenue to increase from \$997 million in 2015 to \$1.045 billion in 2019, a compound growth rate of 1 percent.

Other Revenue from Operations

Other Revenue from Operations consists of ancillary fees, primarily from residents, including sales and services charges, parking fees and appliance surcharges intended to defray a portion of the cost of excess utility consumption. Other Revenue from Operations is projected to increase from \$18 million in 2015 to \$21 million in 2019. The projected increase is primarily attributable to growing excess utility charges and increasing parking fees. Parking fees are projected to increase due to the elimination of the lower non-reserved pricing option as NYCHA converts more of its parking lots to reserved-only pricing following painting and numbering of parking lots.

Federal Subsidies

This Plan projects federal operating subsidy to be \$899 million for the year 2015 increasing to \$947 million in 2019. Operating subsidy assessment is based on many factors including the number of eligible units, project expense levels, utility expense levels, and formula income which is based on Tenant Rental Revenue. While this assessment determines eligibility level, additional assumptions must be made to determine future appropriations and proration levels which have been on average 91 percent for the past decade. NYCHA has based its 2015 budget on the 2014 appropriation of 89 percent. In 2015, the Authority would be eligible for \$1.014 billion but is estimated to only receive \$899 million, a shortfall of \$115 million. For years 2016-2019, the Plan also assumes operating subsidy proration of 89 percent.

Contract-Based Section 8 Properties Subsidy

NYCHA owns and operates six developments that exclusively contain project-based Section 8 units. These properties are expected to be sold by the end of 2014 and therefore no subsidy is assumed in the FY2015 – FY2019 financial plan.

Section 8 Phased Conversion

Under a 2008 voluntary conversion plan approved by HUD, NYCHA was authorized to convert to Section 8 assistance up to 8,400 public housing units in the former City/State Developments which previously received no dedicated funding. The Plan assumes approximately 3500 units will be converted by year-end 2014 generating an estimated \$46 million of subsidy. The approximately 4,900 remaining units have yet to be converted to receive Section 8 assistance and remain without a dedicated funding source.

Securing dedicated federal funding for these remaining unfunded housing units is critical. Each unfunded housing unit operates with an implied structural deficit as the tenant rent alone is insufficient to cover the operating costs. NYCHA estimates that the loss in subsidy from the 4,900 unconverted units is approximately \$70 million annually.

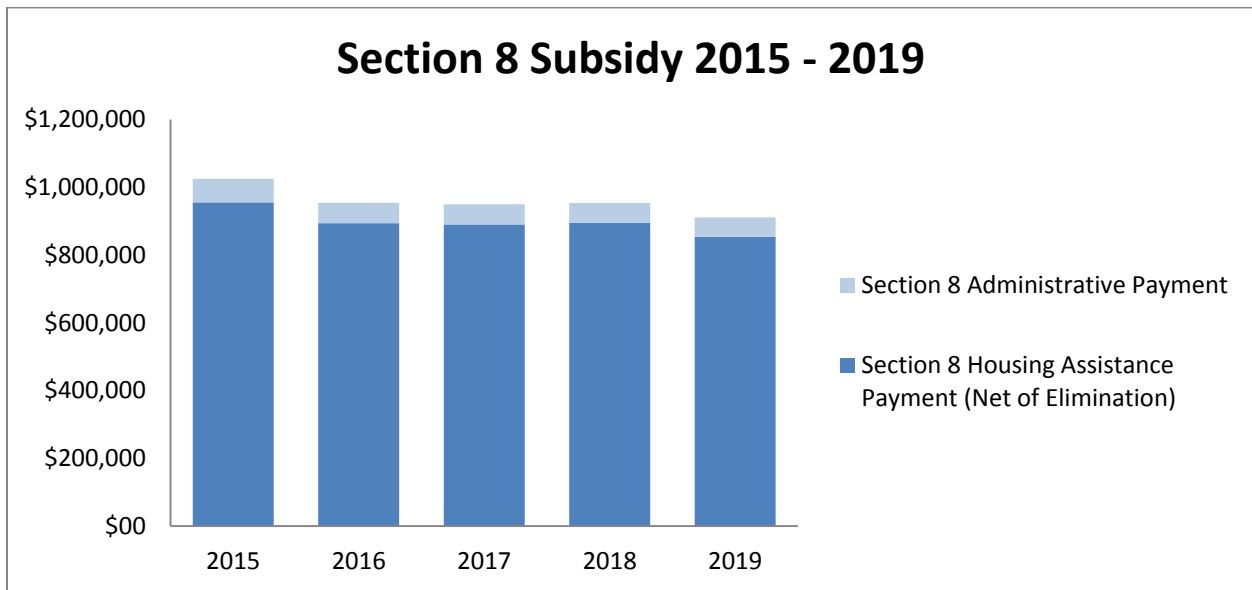
This Plan reflects an initiative to convert 230 units in 2015 and 100 units annually for 2016 to 2019 with revenue increasing from approximately \$50 million in 2015 to approximately \$60 million in 2019.

Section 8 Subsidy and Admin Fee

Section 8 Revenue is the total of the Housing Assistance Payments (HAP) and the

Administrative Fees subsidy in the Housing Choice Voucher (HCV) Program Fund, less the portion of HAP that is paid to the General Fund as subsidy for the Section 8 Phased Conversion units owned by NYCHA.

The projected subsidy reflects the expected vouchers in service in the HCV Program five-year rental plan. This takes into account the interplay of the following: program attrition; restorations; per unit costs; inflation factors applied by HUD; increases permitted to building owners under the New York rent regulation; changes to the fair market rent and payment standards; funding proration; and the maintenance of required HAP and administrative fee reserves.



The Plan projects Section 8 Revenue to decrease from \$1.025 billion in 2015 to \$910.9 million in 2019. This assumes a total Unit Months Leased (UML) of 1,031,225 for an average of 85,935 vouchers in 2015.

Categorical Grants

NYCHA receives grant awards from federal, state, city, and private sources to fund specific community development and benefits programs. The Plan reflects only grants already awarded, and does not reflect anticipated awards. Categorical grants fund for 2015-2019 are budgeted at \$4.3 million in 2015 and decreasing to \$3.2 million in 2019.

Capital Fund Reimbursements

Capital Fund Reimbursements are reimbursements from the federal capital program to the operating program for capital-related costs incurred in the operating budget.

This line includes the 10 percent management fee, which dropped to a lower percentage to address much needed rehabilitation work. NYCHA is permitted to charge against capital fund grants to cover Capital Program administration costs funded from the operating budget. Further this line includes the reimbursement of direct costs of frontline staff involved in designing and

managing capital projects; central office allocations of budgeted information technology capital expenditures for projects that benefit NYCHA's frontline and central support functions; capital replacement reserves of NYCHA's mixed-finance portfolios; the Painter's Apprentice Program; vehicles; and additional Capital Project Departments heads and backfills.

Capital Fund Reimbursements are projected to be \$60.9 million in 2015, \$60.0 million in 2016, and \$59.8 million in the years 2017-2019.

Interest on Investments

Interest on Investments represents expected earnings on cash and investments, excluding expected returns on self-insurance funds since these earnings are netted against insurance costs. This revenue is projected to increase from \$2.1 million in 2015 to \$7.4 million in 2019, reflecting higher portfolio balances and expectation of modest increases in yields over the planning period.

City Funds

Funds from the City of New York to assist the Authority absorb the impact of the Federal underfunding. The budgeted amount for 2015 is \$18.6 million.

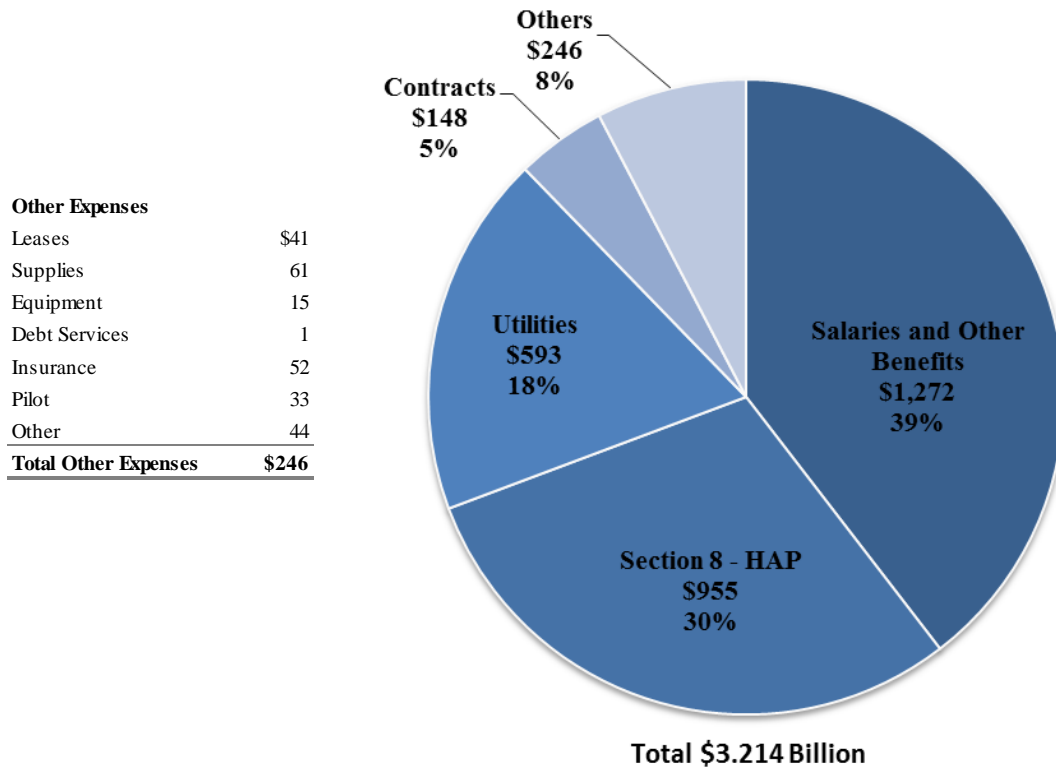
Other Non-Operating Revenues

NYCHA generates ancillary revenues from third parties from its property assets, including commercial storefront leases, rooftop leases (i.e. mobile telecommunications providers), and others. This Plan projects Other Non-Operating Revenues to increase from \$37 million in 2015 to \$38.3 million in 2019. The increase is primarily driven by storefront rentals, oversight fees relating to ground rental, and sublease income from underutilized office space.

Expenditures Categories

The following chart shows by category the \$3.214 billion expenditures in NYCHA's 2015 operating budget:

All Funds Expenditures



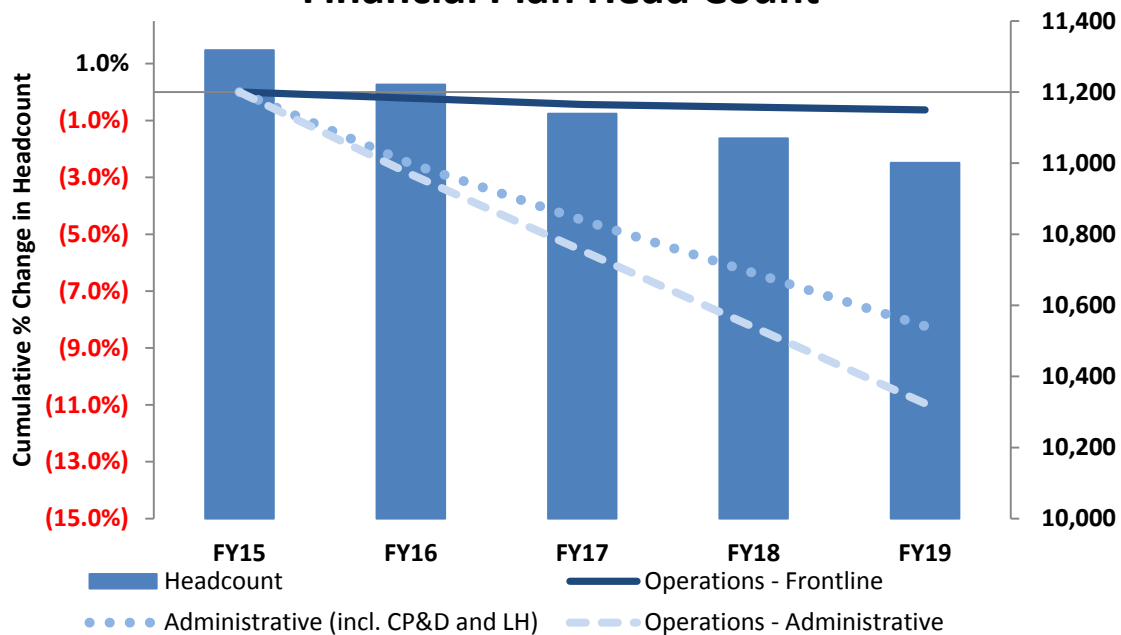
Personnel Service (Salary and Other benefits) accounts for 39 percent of total operating budget expenditures. Section 8 Housing Assistance Payments account for 30 percent of total expenditures. Utilities account for 18 percent of total expenditures, and all other expenditures account for the remaining 13 percent.

Workforce and Salary

With continued reduction in revenues and increases in costs (especially benefit-related expenses), NYCHA faces challenges in ensuring its core functions and delivering essential service to the residents.

In order to balance the needs, the Plan reflects ongoing efforts to streamline operations at its central office cost centers (COCC) with an emphasis on increasing efficiencies and effectiveness of its support functions. These efficiencies will be realized gradually over the five year period through a combination of natural attrition with selective back-fills and active performance management. The staffing level at the development (frontline) will be maintained ensuring NYCHA’s ongoing commitment to providing service to its residents.

Financial Plan Head Count



Full-time salaries are budgeted for \$613 million for 2015, decreasing to \$596 million in 2019. Part-time salary represents expenditures associated with part-time or temporary staff positions. Seasonal salary represents expenditures associated with the Authority’s seasonal hiring program. Other Salary includes assignment differentials, license differentials, increment payments, meal allowances, and other miscellaneous pay adjustments.

This plan does not reflect any wage increases based on collective bargaining.

Overtime

In prior years, actual overtime expenditures exceeded budgeted overtime. Budgeted overtime in 2015 was increased from \$54 million in the prior plan to \$75 million in this Plan. The increased budgeted overtime in the Plan reflects current needs and expectations, and controls that have recently been established to better manage and utilize overtime spending.

Fringe

Fringe includes legally-mandated benefits which include social security, unemployment, and workers’ compensation, as well as contractually-mandated benefits including health insurance, pension, welfare, and annuity for active and retired employees.

NYCHA maintains a self-insurance program for workers’ compensation. Expenditures include contributions to the self-insurance fund for estimated losses, premiums for the procurement of excess insurance, and assessments paid to the State of New York Workers’ Compensation Board. The funding contributions to the self-insurance program also provide for professional services of actuaries, brokers, third-party administrators, and risk management consultants. This is a cost

effective approach and allows the Authority to take immediate action in both the processing of claims as well as promoting safety programs to reduce job related risks.

Fringe is projected to increase from \$562 million in 2015 to \$634 million in 2019, a compounded growth rate of 3.1 percent. As a percentage of total Personnel Service expenditures Fringe is projected to increase from 44 percent in 2015 to 49 percent 2019 driven largely by rising health care costs and increasing pension obligations as the cost of supplement benefit continue to grow above wage increase.

Leases

NYCHA leases office space and warehouse facilities under a number of long-term operating leases. Under these leases NYCHA is generally responsible for paying operating costs including taxes and utilities. Further, a number of these leases contain rent escalation clauses during the Plan period.

The Plan projects Leases expenditures to increase from \$41 million in 2015 to \$46 million in 2019. Projected sublease income is included in Other Non-Operating Revenues.

Utilities

Utility expenditures, a significant component of NYCHA's operating budget, represent approximately 18 percent of total expenditures, and, more importantly, 27 percent of General Fund expenditures. Utility costs include electricity, gas, water, steam and fuel oil. NYCHA's utility spending averages over \$50 million per month. Utility costs have increased significantly over the past five years, driven by increases in electricity and water rates.

This Plan projects Utility expenditures to continue to increase from \$593 million in 2015 to \$657 million in 2019, a compound growth rate of 3 percent. Given the substantial weight of utility costs in NYCHA's overall cost structure, NYCHA will continue to work with HUD to develop mutually beneficial energy performance contracts (EPCs) that increase the funding available for energy-efficient capital projects that will produce utility cost savings over time.

Insurance

Insurance expenditures include contributions to NYCHA's general liability self-insurance fund for retained estimated losses, and premiums for the procurement of liability, boiler and machinery, and property insurance. The funding contributions to the self-insurance program also provide for professional services of actuaries, brokers, and risk management consultants. Insurance expenditures are projected to increase from \$52 million in 2015 to \$62 million in 2019, a compound growth rate of 4 percent, principally driven by contributions to the general liability self-insurance fund and by higher property insurance premiums.

Costs associated with NYCHA's workers' compensation self-insurance fund are budgeted in the *Fringe* line.

Section 8 Payments

Expenditures for Section 8 housing assistance payments are projected based on the leased housing program rental plan. This Plan projects Section 8 Payments to third parties to decrease

from \$955 million in 2015 to \$944 million in 2019. Section 8 Payments to NYCHA's Section 8 Phased Conversion units eliminate in All Funds consolidation of the General Fund and HCV Program Fund.

Payment in Lieu of Taxes (PILOT)

NYCHA is exempt from property taxes. However, the Authority provides payments in lieu of taxes (PILOT) to the City of New York. The amounts paid vary by development and are either fixed or subject to formulas based on tenant rental revenue and utility expenditures. PILOT is projected to decrease from \$33 million in 2015 to \$32 million in 2019.

Contracts, Supplies, Equipment, and Other

Contracts includes third-party services payments for the following: painting; floor tiling; elevator maintenance; fire safety; environmental services; Marshall fees; security services; energy contracts; carting fees; automotive services; office equipment rentals and services; information technology software and hardware services; telecommunications services; lockbox fees; professional services; and others.

Supplies includes: materials and supplies required for property management operations as well as administrative functions; including paints; tiles; carpentry supplies; electrical and plumbing supplies; auto repair shop supplies; uniforms; office supplies; and others.

Equipment includes: ranges; refrigerators; telecommunications; automotive; machinery; computer hardware; grounds; tools; and other, all of which must be above NYCHA's capitalization threshold. While funded in the operating plan, these amounts are capitalized as assets.

Other includes: operating budget funding of the capital replacement reserves for NYCHA's mixed finance portfolios; athletic and recreational activities; postage; petty cash reimbursements; training; and a number of other miscellaneous expenditure categories.

In aggregate, these four lines are projected to decrease from \$267 million in 2015 to \$265 million in 2019.

2015-2019 Operating Plan

2015-2019 Operating Plan by Fund

(\$ in Thousands)

All Funds

	2015 Budget	2016 Budget	2017 Budget	2018 Budget	2019 Budget
Revenues					
Revenue from Operations:					
Tenant Rental Revenue	996,820	1,020,785	1,036,147	1,040,697	1,045,307
Other Revenue from Operations	18,160	19,653	20,258	20,675	21,105
Total Revenue from Operations	1,014,980	1,040,438	1,056,405	1,061,373	1,066,412
Other Revenues					
Federal Subsidies	898,785	909,824	922,917	946,734	946,734
Debt Services Subsidy	525	438	360	285	230
Section 8 Phased Conversion	49,773	53,524	55,733	57,996	60,312
Section 8 Management Fees	-	-	-	-	-
Capital Fund Reimbursements	60,949	60,035	59,778	59,778	59,778
Interest on Investments	2,049	3,235	4,717	5,930	7,412
Other	36,969	37,434	37,626	37,919	38,283
Categorical Grants	4,308	3,725	3,725	3,725	3,175
Section 8 Subsidy	955,385	893,965	890,282	895,538	853,791
Section 8 Admin	69,675	59,953	59,341	58,240	57,101
Section 8 Admin Reserve	3,758	-	-	-	-
City Funds	18,600	8,550	-	-	-
Total Other Revenues	2,100,776	2,030,682	2,034,478	2,066,144	2,026,816
Total Revenues	3,115,756	3,071,119	3,090,883	3,127,517	3,093,228
Expenditures					
Personal Service:					
Salary F/T	613,149	607,598	603,084	599,349	595,588
Salary P/T	1,265	1,265	1,265	1,265	1,265
Seasonal	30	30	30	30	30
Overtime	74,550	52,501	52,501	52,501	52,501
Shift Differential	3,346	3,346	3,346	3,346	3,346
Retro	907	907	907	907	907
Fringe	562,029	575,689	594,052	613,557	634,425
Other Salary	16,245	16,245	16,245	16,245	16,245
Total Personal Service	1,271,521	1,257,580	1,271,429	1,287,199	1,304,306
Other Than Personal Service:					
Leases	40,576	41,805	42,852	43,965	46,017
Supplies	60,741	60,230	60,230	60,230	60,223
Equipment	14,726	14,691	13,331	13,369	13,369
Utilities	593,180	610,430	616,500	635,060	656,760
Contracts	147,612	146,171	146,683	147,235	147,031
Debt Services	837	733	628	534	455
Insurance	51,994	54,321	56,740	59,256	61,871
Payments in Lieu of Taxes	33,234	33,585	34,210	33,156	31,762
NYPD Subsidy	-	70,000	70,000	70,000	70,000
OTPS Other	44,170	44,185	44,230	44,280	44,197
Housing Assistance Payments	955,354	949,009	954,603	948,664	943,813
Total Other Than Personal Service	1,942,424	2,025,160	2,040,007	2,055,750	2,075,499
Total Expenditures	3,213,945	3,282,740	3,311,436	3,342,949	3,379,805
Surplus/(Deficit)	(98,189)	(211,621)	(220,552)	(215,432)	(286,577)

General Funds

	2015 Budget	2016 Budget	2017 Budget	2018 Budget	2019 Budget
Revenues					
Revenue from Operations:					
Tenant Rental Revenue	996,820	1,020,785	1,036,147	1,040,697	1,045,307
Other Revenue from Operations	18,160	19,653	20,258	20,675	21,105
Total Revenue from Operations	1,014,980	1,040,438	1,056,405	1,061,373	1,066,412
Other Revenues					
Federal Subsidies	897,027	908,065	921,158	944,976	944,976
Debt Services Subsidy	525	438	360	285	230
Section 8 Phased Conversion	49,773	53,524	55,733	57,996	60,312
Section 8 Management Fees	13,921	7,493	7,286	-	-
Capital Fund Reimbursements	60,949	60,035	59,778	59,778	59,778
Interest on Investments	2,049	3,235	4,717	5,930	7,412
Other	19,338	19,824	20,041	20,361	20,752
Categorical Grants					
Section 8 Subsidy					
Section 8 Admin					
Section 8 Admin Reserve					
City Funds	-	-	-	-	-
Total Other Revenues	1,043,582	1,052,613	1,069,073	1,089,324	1,093,460
Total Revenues	2,058,561	2,093,051	2,125,478	2,150,697	2,159,872
Expenditures					
Personal Service:					
Salary F/T	571,464	573,386	575,686	572,600	569,623
Salary P/T	1,031	1,034	1,038	1,038	1,038
Seasonal	14	14	14	14	14
Overtime	73,436	51,529	51,582	51,582	51,582
Shift Differential	3,315	3,330	3,345	3,345	3,345
Retro	897	902	907	907	907
Fringe	537,430	553,000	572,610	591,617	611,991
Other Salary	15,526	15,563	15,600	15,600	15,600
Total Personal Service	1,203,112	1,198,757	1,220,780	1,236,703	1,254,100
Other Than Personal Service:					
Leases	35,736	36,758	37,697	38,695	40,569
Supplies	60,101	60,123	60,146	60,146	60,146
Equipment	12,630	12,595	11,235	11,273	11,273
Utilities	592,983	610,229	616,296	634,851	656,546
Contracts	143,296	142,340	142,929	143,481	143,499
Debt Services	498	414	334	267	216
Insurance	51,845	54,164	56,574	59,082	61,688
Payments in Lieu of Taxes	33,234	33,585	34,210	33,156	31,762
NYPD Subsidy	-	70,000	70,000	70,000	70,000
OTPS Other	23,316	23,728	24,172	24,222	24,277
Housing Assistance Payments	-	-	-	-	-
Total Other Than Personal Service	953,638	1,043,937	1,053,594	1,075,173	1,099,975
Total Expenditures	2,156,751	2,242,695	2,274,374	2,311,876	2,354,075
Surplus/(Deficit)	(98,189)	(149,644)	(148,896)	(161,178)	(194,203)

Housing Choice Voucher

	2015 Budget	2016 Budget	2017 Budget	2018 Budget	2019 Budget
Revenues					
Revenue from Operations:					
Tenant Rental Revenue					
Other Revenue from Operations					
Total Revenue from Operations	-	-	-	-	-
Other Revenues					
Federal Subsidies	-				
Debt Services Subsidy	-				
Section 8 Phased Conversion	-				
Section 8 Management Fees	-				
Capital Fund Reimbursements	-				
Interest on Investments	-				
Other	16,941	16,941	16,941	16,941	16,941
Categorical Grants					
Section 8 Subsidy	1,005,158	947,488	946,015	953,533	914,103
Section 8 Admin	69,675	59,953	59,341	58,240	57,101
Section 8 Admin Reserve	3,758	-	-	-	-
City Funds	-				
Total Other Revenues	1,095,531	1,024,382	1,022,296	1,028,714	988,145
Total Revenues	1,095,531	1,024,382	1,022,296	1,028,714	988,145
Expenditures					
Personal Service:					
Salary F/T	26,832	26,095	25,445	24,796	24,146
Salary P/T	-	-	-	-	-
Seasonal	16	16	16	16	16
Overtime	919	919	919	919	919
Shift Differential	1	1	1	1	1
Retro	-	-	-	-	-
Fringe	19,073	19,441	19,968	20,466	21,009
Other Salary	645	645	645	645	645
Total Personal Service	47,486	47,117	46,995	46,844	46,737
Other Than Personal Service:					
Leases	4,840	5,047	5,155	5,270	5,449
Supplies	77	77	77	77	77
Equipment	2,096	2,096	2,096	2,096	2,096
Utilities	197	201	204	209	214
Contracts	17,454	11,025	10,818	3,532	3,532
Debt Services	-	-	-	-	-
Insurance	149	157	166	174	183
Payments in Lieu of Taxes	-	-	-	-	-
NYPD Subsidy					
OTPS Other	18,106	18,106	18,106	18,106	18,106
Housing Assistance Payments	1,005,127	1,002,532	1,010,335	1,006,660	1,004,125
Total Other Than Personal Service	1,048,045	1,039,242	1,046,957	1,036,124	1,033,782
Total Expenditures	1,095,531	1,086,359	1,093,953	1,082,968	1,080,519
Surplus/(Deficit)	-	(61,977)	(71,656)	(54,254)	(92,374)

Categorical Grants

	2015 Budget	2016 Budget	2017 Budget	2018 Budget	2019 Budget
Revenues					
Revenue from Operations:					
Tenant Rental Revenue	-	-	-	-	-
Other Revenue from Operations	-	-	-	-	-
Total Revenue from Operations	-	-	-	-	-
Other Revenues					
Federal Subsidies	1,758	1,758	1,758	1,758	1,758
Debt Services Subsidy					
Section 8 Phased Conversion					
Section 8 Management Fees					
Capital Fund Reimbursements					
Interest on Investments					
Other	690	670	644	618	590
Categorical Grants	4,308	3,725	3,725	3,725	3,175
Section 8 Subsidy					
Section 8 Admin					
Section 8 Admin Reserve					
City Funds	18,600	8,550			
Total Other Revenues	25,357	14,703	6,128	6,101	5,523
Total Revenues	25,357	14,703	6,128	6,101	5,523
Expenditures					
Personal Service:					
Salary F/T	14,853	8,117	1,953	1,953	1,818
Salary P/T	234	230	227	227	227
Seasonal	-	-	-	-	-
Overtime	196	53	-	-	-
Shift Differential	30	15	-	-	-
Retro	10	5	-	-	-
Fringe	5,526	3,248	1,474	1,474	1,425
Other Salary	74	37	-	-	-
Total Personal Service	20,922	11,705	3,653	3,653	3,470
Other Than Personal Service:					
Leases	-	-	-	-	-
Supplies	563	30	7	7	-
Equipment	-	-	-	-	-
Utilities	-	-	-	-	-
Contracts	783	299	222	222	-
Debt Services	339	319	293	267	239
Insurance	-	-	-	-	-
Payments in Lieu of Taxes	-	-	-	-	-
NYPD Subsidy	-	-	-	-	-
OTPS Other	2,749	2,351	1,952	1,952	1,815
Housing Assistance Payments	-	-	-	-	-
Total Other Than Personal Service	4,435	2,998	2,475	2,448	2,054
Total Expenditures	25,357	14,703	6,128	6,101	5,523
Surplus/(Deficit)	-	-	-	-	-

Eliminations

	2015 Budget	2016 Budget	2017 Budget	2018 Budget	2019 Budget
Revenues					
Revenue from Operations:					
Tenant Rental Revenue					
Other Revenue from Operations					
Total Revenue from Operations	-	-	-	-	-
Other Revenues					
Federal Subsidies					
Debt Services Subsidy					
Section 8 Phased Conversion	(49,773)	(53,524)	(55,733)	(57,996)	(60,312)
Section 8 Management Fees	(13,921)	(7,493)	(7,286)	-	-
Capital Fund Reimbursements					
Interest on Investments					
Other					
Categorical Grants					
Section 8 Subsidy					
Section 8 Admin					
Section 8 Admin Reserve					
City Funds	-	-	-	-	-
Total Other Revenues	(63,694)	(61,017)	(63,019)	(57,996)	(60,312)
Total Revenues	(63,694)	(61,017)	(63,019)	(57,996)	(60,312)
Expenditures					
Personal Service:					
Salary F/T					
Salary P/T					
Seasonal					
Overtime					
Shift Differential					
Retro					
Fringe					
Other Salary					
Total Personal Service	-	-	-	-	-
Other Than Personal Service:					
Leases					
Supplies					
Equipment					
Utilities					
Contracts	(13,921)	(7,493)	(7,286)	-	-
Debt Services					
Insurance					
Payments in Lieu of Taxes					
NYPD Subsidy					
OTPS Other					
Housing Assistance Payments	(49,773)	(53,524)	(55,733)	(57,996)	(60,312)
Total Other Than Personal Service	(63,694)	(61,017)	(63,019)	(57,996)	(60,312)
Total Expenditures	(63,694)	(61,017)	(63,019)	(57,996)	(60,312)
Surplus/(Deficit)	-	-	-	-	-

2015-2019 Head Count by EVP

Department	2015	2016	2017	2018	2019
<u>Chair</u>					
Office of the Chair	9	9	9	9	9
NYCHA Board Members	1	1	1	1	1
Office of the Secretary	22	22	22	22	22
Inspector General	40	37	35	33	31
RC_Law	164	155	147	140	133
Total Chair	236	224	214	205	196
<u>General Manager</u>					
Office of the General Manager	6	6	6	6	6
Enterprise Program Management Office	10	10	10	10	10
Research and Management Analysis	20	20	20	20	20
RC_Development	27	26	25	24	23
Audit	14	14	14	14	14
Total General Manager	77	76	75	74	73
<u>External Affairs</u>					
Office of the EVP External Affair	3	3	3	3	3
Communications	23	22	22	22	22
Intergovernmental Relations	9	9	9	9	9
Total External Affairs	35	34	34	34	34
<u>Operations</u>					
Office of the EVP Operations	5	5	5	5	5
VP Operations	131	131	131	131	131
Family Services Department	143	137	131	125	119
Lease Enforcement Department	21	21	21	21	21
Quality Assurance Department	17	17	17	17	17
VP Support Services	833	830	827	824	821
VP Maintenance and Technical Services	1,190	1,181	1,172	1,164	1,156
Manhattan Property Management	1,484	1,482	1,480	1,480	1,480
Brooklyn Property Management	1,877	1,875	1,872	1,872	1,872
Queens_Staten Island Property Management	795	794	793	793	793
Bronx Property Management	1,317	1,315	1,313	1,313	1,313
Mixed Finance Asset Management	929	922	917	913	909
Total Operations	8,742	8,710	8,679	8,658	8,637
<u>Capital Projects</u>					
Office of the EVP Capital Projects	3	3	3	3	3
Office of the VP Capital Projects	11	11	11	11	11
Capital Projects Administration	51	50	49	48	47
Design	87	86	85	84	83
Local Law 11	30	30	30	30	30
Construction	113	111	109	107	105
City Capital	19	19	19	19	19
Capital Planning	21	21	21	21	21
Quality Assurance	51	50	49	48	47
Special Projects	18	18	18	18	18
Total Capital Projects	404	399	394	389	384

New York City Housing Authority

Department	2015	2016	2017	2018	2019
<u>Administration</u>					
Office of EVP Administration	4	4	4	4	4
Facility Planning and Administration	36	36	36	36	36
General Services	99	98	97	96	95
Human Resources	143	141	139	137	135
Security	24	23	22	21	20
Procedures Development and Administration	9	9	9	9	9
Equal Opportunity	21	20	20	20	20
Customer Contact Center	183	178	173	169	165
Total Administration	519	509	500	492	484
<u>Finance</u>					
Office of the EVP Finance	4	4	4	4	4
VP Finance	1	1	1	1	1
Budget and Financial Planning	43	43	43	43	43
Accounting and Fiscal Services	125	122	120	118	116
Business and Revenue Development	6	6	6	6	6
Energy Finance and Sustainability Management	28	28	28	28	28
Risk Finance	10	10	10	10	10
Treasury	17	17	17	17	17
Total Finance	234	231	229	227	225
<u>Information Technology</u>					
Office of the EVP IT	6	6	6	6	6
Business Solution Technology	75	73	71	69	67
Enterprise Technology Portfolio Management	22	21	20	20	20
IT Infrastructure	91	89	87	85	83
Information Management	20	20	20	20	20
Total Information Technology	214	209	204	200	196
<u>Community Programs</u>					
Office of the EVP Community Programs	8	8	8	8	8
Community Programs Administration	25	25	25	25	25
Citywide Programs and Assessment	15	15	15	15	13
Office of Public Private Partnerships	6	6	6	6	6
Resident Engagement	60	60	60	60	60
Resident Economic Empowerment and Sustainability	49	43	43	43	43
Bronx Community Programs	29	29	29	29	29
Brooklyn Community Programs	40	40	40	40	40
Manhattan Community Programs	31	31	31	31	31
Queens-Staten Island Community Programs	21	21	21	21	21
Total Community Programs	284	278	278	278	276
<u>Supply Management</u>					
Office of the EVP Supply Management	6	6	6	6	6
Supply Management - Warehouse Distribution	56	53	50	47	45
Supply Management - Materials Management	28	26	25	24	23
Supply Management - Procurement	65	61	58	55	53
Total Supply Management	155	146	139	132	127

New York City Housing Authority

Department	2015	2016	2017	2018	2019
<u>Leased Housing</u>					
Office of the EVP Leased Housing	3	3	3	3	3
Inspection & Central Office Operations	86	83	80	77	74
Leased Housing Finance	22	21	20	19	18
Policy & Program Administration	102	99	96	93	90
Client Services	167	161	156	151	146
Internal Assessment	26	26	26	26	26
Quality Assurance Performance Management	12	12	12	12	12
Total Leased Housing	418	405	393	381	369
Total	11,318	11,221	11,139	11,070	11,001