

The City of New York

JANUARY 2003 FINANCIAL PLAN

Fiscal Years 2003–2007

SUMMARY



The City of New York

Michael R. Bloomberg, Mayor

Office of Management and Budget

Mark Page, Director

January 28, 2003



THE CITY OF NEW YORK
OFFICE OF THE MAYOR
NEW YORK, N.Y. 10007

January 28, 2003

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

My Fellow New Yorkers:

In November I released a detailed plan for closing an estimated \$6.4 billion gap between revenues and expenses for Fiscal Year 2004. Much of that plan relied upon actions which could be taken locally and which were within our control. These actions have been completed.

Agencies have already put in place gap closing actions of \$2.1 billion for 2004. A talented group of City managers has been able to reduce their use of City resources, but by many measures we are now providing better, not worse, services to New Yorkers. We have also taken the difficult, but necessary, step of raising the property tax rate. I would not have asked the City Council for this increase if it were not necessary or if there were other practical alternatives. The choice of devastating services, leading to a declining quality of life for all New Yorkers, instead of raising the property tax would have been far worse.

It was clear when putting together the plan to close the projected 2004 budget gap that the local actions to reduce costs and raise revenues would have to be matched by assistance from the Federal and State governments as well as by the help of the municipal workforce. Governor Pataki will be releasing the Executive Budget for New York State on January 29. The resources that budget proposes to make available to the City will be important to us, as will the budget negotiation process of the State Legislature and its leaders, Senate Majority Leader Bruno and Assembly Speaker Silver, which will follow. Negotiations for resources and savings with the Federal government and the City workforce are ongoing. These partners have been with us in the past and will be there again for the most compelling reason-shared self-interest. The bottom line is that for our state and nation to thrive and for our workforce to prosper, New York City must thrive. We have developed hundreds of millions of dollars of proposals which will provide gap closing assistance to the City, but which will not cost the Federal or State governments anything. Productivity improvements, to be developed with the municipal labor force, are a smarter alternative to the massive lay-offs the City has been obliged to resort to in addressing deficits in the past.

We will also ask the State legislature to conform the City's personal income tax to the way taxes are imposed by the State itself-that is to tax all who work in the City at the same rate.

To those who say taxing people who work here but live elsewhere is unfair, remember, their livelihoods, property values and standard of living are to a large extent a function of their proximity to New York City. When our police officers and firefighters respond to calls, residency does not matter. Everyone should pay equally for the police, fire, sanitation and other services they benefit from.

Today I am releasing an update to the plan that I presented in November. The property tax increase enacted by the City Council was less than requested and the U.S. and the local economies have been weaker than expected, thereby reducing the tax revenue forecast. This plan accommodates these changes with an additional agency program which will provide \$551 million of budget relief in a manner designed to limit service impacts.

In addition, I am releasing the Preliminary Ten Year Capital Strategy for the City covering the decade starting in 2004 and a revised plan for City capital commitments in the remainder of this year. Although the capital program outlook reflects a substantial reduction from recent expectations, capital investment in the City over the next decade will remain high. The impact of reductions will be substantially mitigated by greater cost efficiencies, particularly in the Department of Education and by using the financial strength of the New York City Housing Development Corporation to build housing and leverage significant additional funds. The reduced program will address the otherwise continuously increasing cost of debt service which burdens the City's operating budget before service needs can be addressed.

I look forward to a further revision to be released in March of the portion of the capital program affecting the City's water and sewer system which is financed by the Water Finance Authority, paid for by water rates and not through the City's operating budget. The City water and sewer system is currently facing extraordinary increases in the estimated costs of mandate compliance and improvements to its water supply system. I have asked the Commissioner of Environmental Protection, Christopher Ward, to undertake a major review and reconfiguration of this portion of the City's capital program, including review of environmental priorities with appropriate State and Federal authorities. I expect to release a further substantial revision of that program in March. The revised capital plan for the City's water and sewer system will seek to balance necessary investment in this vital service with as moderate an impact on City water and sewer rate payers as can be achieved.

A great deal of the hard work necessary to climb out of this fiscal crisis has been done. The City has shown its resolve by substantially reducing expenditure of its own funds for services. We have contained spending while addressing mandates of law and morality for social services, crime reduction and the education of our children. We have also taken the necessary step to raise revenue through the property tax. We have shown the fortitude to tackle our problems directly and we look forward to working with our partners in Albany, Washington and the municipal workforce to achieve stability in the City's finances.

Sincerely,



Michael R. Bloomberg
Mayor

Budget Summary

January 2003 Financial Plan

Fiscal Years 2003 – 2007

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I. January 2003
Financial Plan Overview
For Fiscal Years 2003-2007

January 2003 Plan

In November the City took the unprecedented step of releasing 2 months early a detailed plan for closing a \$6.4 billion gap between forecast revenues and expenses in Fiscal year 2004. That plan included:

- ✓ Agency gap closing actions of \$1.1 billion for 2004, in addition to \$1 billion put in place when this year's budget was adopted,
- ✓ Additional revenue through a property tax increase,
- ❖ A reform of the personal income tax to treat residents and non-residents who work in the City equally,
- ❖ Rationalization of the provision of regional mass transportation that will reduce City funded expenses by \$200 million in 2004,
- ❖ Gap-closing assistance from the State in addition to \$275 million to help pay for costs in the Department of Education for the additional classroom time which began this year,
- ❖ Additional funding from the Federal government both to close the budget gap and for a new emergency preparedness program, and
- ❖ Workforce productivity improvements to generate \$600 million in savings to be developed, with the municipal labor force.

Since November the agency gap closing actions have been put in place and the property tax has been increased, although not at the rate anticipated in the plan. However, the U.S. and the local economies have been weaker than expected, reducing the tax revenue forecast.

✓ = Already Accomplished

The Plan for Balance in November Requires Further Action

	\$ in Millions		
	2003	2004	Two Year Total
Gap to be Closed November Plan	(\$1,073)	(\$6,360)	(\$7,433)
(Increases in Gap) / Decreases in Gap			
City Actions			
Proposed Property Tax Increase at 25% <i>(Enacted at 18%)</i>	1,133	2,335	3,468
November Plan Agency Program <i>(Implemented)</i>	844	1,108	1,952
Increase General Reserve	(100)	(100)	(200)
Prepay 2004 Costs	(804)	804	---
Total November Plan Actions Achieved	\$1,073	\$4,147	\$5,220
Gap After City Proposed Actions in November Plan	\$ ---	(\$2,213)	(\$2,213)
November Plan Initiatives to be Completed – See Section II			
Personal Income Tax Reform	\$ ---	\$1,013	\$1,013
Regional Transportation Initiatives <i>(MTA, Bridge Tolls)</i>	---	200	200
State Gap Closing Actions	---	200	200
Federal Gap Closing Initiatives	---	200	200
Labor Productivity Actions	---	600	600
Total	\$ ---	\$2,213	\$2,213
November Plan Achieved Balance in 2003 and 2004	\$ ---	\$ ---	\$ ---

January Plan Provides for Additional \$1.7 Billion to Achieve Balance to Cover Revenue and Expense Changes Since November

	\$ in Millions		
	2003	2004	Two-Year Total
November Plan Provided for Balance in 2003 and 2004	\$ ---	\$ ---	\$ ---
Revenue Changes (Increase in Gap)/Decrease in Gap – See Section III			
Property Tax at 18% (<i>Instead of 25%</i>)	(\$296)	(\$608)	(\$904)
Tax Revenue Forecast (<i>Lower than expected</i>)	(108)	(289)	(397)
Non-Tax Revenues	(3)	(3)	(6)
Total Revenue Changes	(\$407)	(\$900)	(\$1,307)
Expense Changes (Increase in Gap)/Decrease in Gap – See Section IV			
Education (<i>Including new initiatives</i>)	\$11	(\$91)	(\$80)
Debt Service (<i>Lower interest forecast</i>)	48	52	100
Labor (<i>Productivity enhancements judged not achievable in 2003</i>)	(223)	---	(223)
All Other	(63)	(91)	(154)
Total Expense Changes	(\$227)	(\$130)	(\$357)
Gap Closing Plan (Increase in Gap)/Decrease in Gap – See Section V			
Additional Agency Program	\$64	\$487	\$551
Federal Reimbursement	420	---	420
Airport (<i>Back rent and ongoing rental payment</i>)	---	690	690
State Actions (<i>Primarily loophole closings and a tax amnesty requiring State action</i>) . .	2	52	54
Personal Income Tax Reform (<i>Lower revenue from lower forecast income</i>)	---	(51)	(51)
Total Gap Closing Program	\$486	\$1,178	\$1,664
FEMA Reimbursement (<i>Timing re-estimate</i>)	(\$35)	\$35	\$ ---
Reduced Prepayments	183	(183)	---
Remaining Gap	\$ ---	\$ ---	\$ ---

II. Gap Closing Program Remaining to be Completed From November Plan

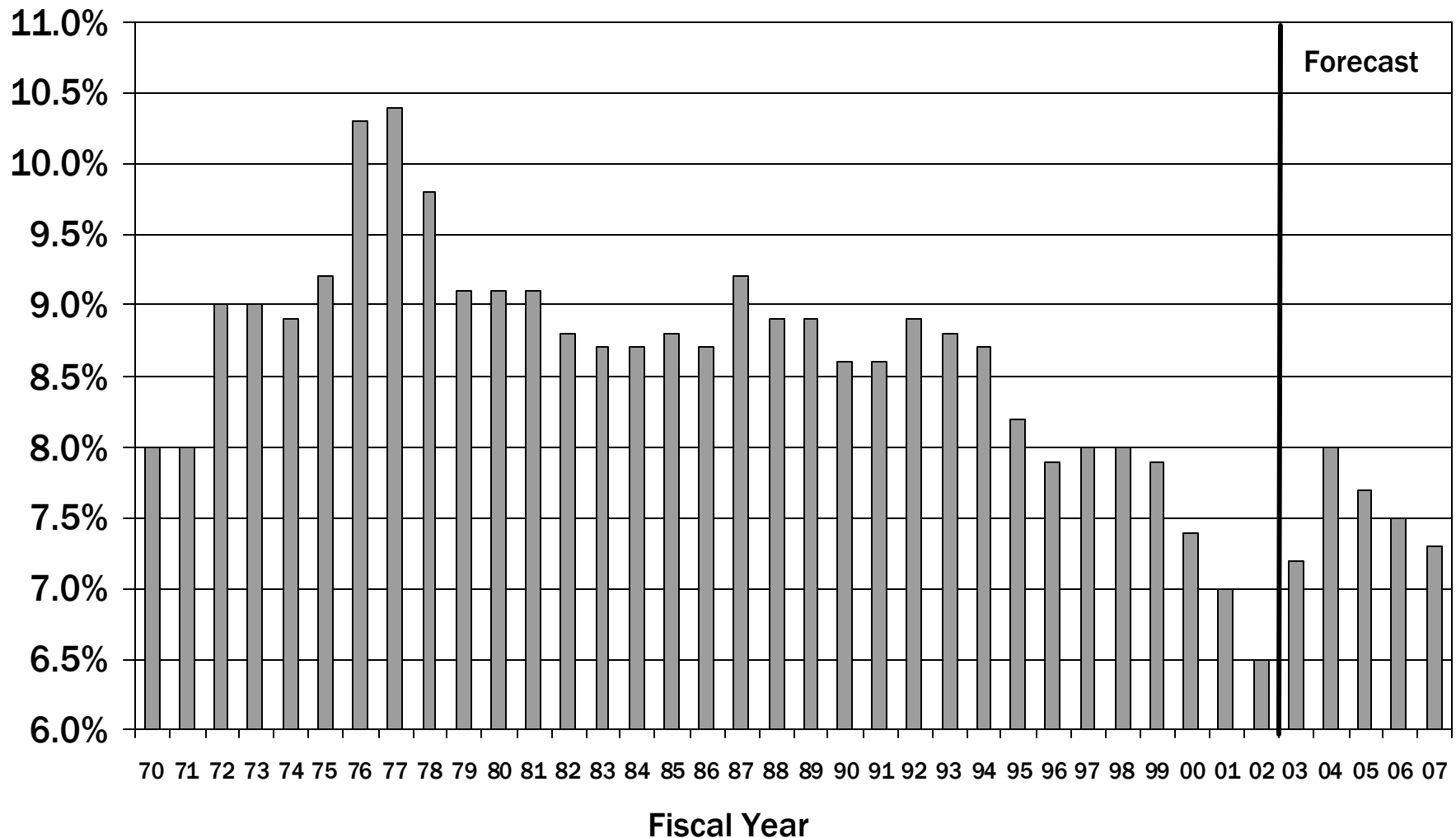
	2003	2004	Two-Year Total
November Plan Initiatives to be Completed			
Personal Income Tax Reform	---	\$1,013*	\$1,013
Regional Transportation Initiatives (<i>MTA, Bridge Tolls</i>)	---	200	200
State Gap Closing Actions	---	200	200
Federal Gap Closing Initiatives	---	200	200
Labor Productivity Actions	---	600	600
Total	---	\$2,213	\$2,213

*Revalued to \$962 million due to lowered forecast of income.

New York City's Personal Income Tax Will Conform to the State's Treatment of Non-Resident Income

\$ in Millions				
	2004	2005	2006	2007
REVENUE IMPACT	\$962	\$658	\$159	\$0
<ul style="list-style-type: none"> ➤ New York State's personal income taxes are based on where the income is earned, not where the taxpayer lives. The City's tax will be conformed to the State's tax by broadening the base to include all the income earned in New York City. ➤ Broadening the base will allow current personal income tax rates to be reduced by 25% effective July 1, 2003 and by almost 40% by 2007. ➤ The top tax rate falls from 3.65% in tax year 2002 to 2.75% effective July 1, 2003 and to 2.25% by 2007. ➤ Tax reform will save resident taxpayers on average \$500 in tax year 2004. 				
TAXPAYER LIABILITY				
<i>Filer Type</i>	<i>Income</i>	<i>Current Resident Tax</i>	<i>2004 Tax</i>	<i>Initial Tax Change</i>
❖ Single	\$25,000	\$543	\$409	(\$134)
	\$50,000	\$1,437	\$1,083	(\$354)
❖ Married, 2 Dependents	\$50,000	\$1,045	\$788	(\$257)
	\$75,000	\$1,936	\$1,459	(\$477)
❖ Head of Household Filers, 2 Dependents	\$35,000	\$705	\$531	(\$174)
	\$50,000	\$1,239	\$934	(\$305)

The City Tax Burden Remains Below Historical Levels After the Property Tax Increase and Personal Income Tax Reform



Note: Tax burden measures the tax yield compared to the size of the local economy and is expressed as a ratio of total taxes to personal income.

Regional Transportation Initiatives

- ❖ Transfer responsibility for the NYC private bus system to the MTA
- ❖ Generate revenue from bridge tolls using advanced technologies
- ❖ Provide vital revenue support to maintain and improve the mass transit and vehicular traffic infrastructure



State Gap Closing Initiatives

- ❖ The 2004 Gap Closing Program calls for an additional \$200 million of initiatives which require State action. In addition we are seeking \$275 million to fund the ongoing costs for extending the school day.
- ❖ \$815 million of additional gap closing initiatives have no cost to the State government.

Menu of State Gap Closing Initiatives

	\$ in Millions			
	2004	2005	2006	2007
No Cost Proposals				
Medicaid Cost Containment*	\$250	\$214	\$221	\$221
Establish an Early Intervention Pool (2.4% Assessment)*	150	150	150	150
Tort Reform	100	103	106	109
Debt Finance Reform/Refinance Community College Debt	80	30	30	30
Increase the Authorization for Taxi Medallions	65	65	65	0
Property Tax Surcharge on Class 1 Absentee Landlords	44	45	47	48
Department of Finance Enforcement Initiative	39	23	23	23
Bond Act Funds for Municipal Recycling	30	---	---	---
Flexible Use of Child Care Funding	25	25	25	25
Nighttime Thoroughbred Racing at OTB	15	15	15	15
Increase Assessment on Fire Insurance Premiums From 2% to 4%	13	13	13	13
Increase the Authorization for Red Light Cameras	4	24	35	35
Subtotal: No Cost Proposals	\$815	\$707	\$730	\$669
General Proposals				
Cap Medicaid at 2001 Level	\$394	\$404	\$414	\$424
Relief from Social Services Administration and Reimbursement Caps	125	125	125	125
Restoration of the Stock Transfer Incentive Fund Payment	114	114	114	114
Equity in Correctional Reimbursement	41	74	107	141
Subtotal: General Proposals	\$674	\$717	\$760	\$804

* Savings for both the City and State

Financial Impact of Recent State Actions

	\$ in Millions				
	2003	2004	2005	2006	2007
SFY 99-00					
Repeal of Commuter Tax	(\$393)	(\$416)	(\$453)	(\$489)	(\$520)
Elimination of Funding for Housing State Prisoners	(8)	(8)	(8)	(8)	(8)
Repeal of Medicaid Managed Care Takeover	(24)	(24)	(24)	(24)	(24)
SFY 00-01					
Permanent Pension COLA Increases ⁽¹⁾	(\$363)	(\$480)	(\$586)	(\$604)	(\$622)
Rent Regulation Administration ⁽²⁾	(25)	(25)	(25)	(25)	(25)
State Imposed Tax Reductions ⁽³⁾	(53)	(68)	(88)	(101)	(114)
Implementation of PINS Mandate	(7)	(10)	(10)	(10)	(10)
SFY 01-02					
Elimination of the Stock Transfer Incentive Fund Payment	(\$114)	(\$114)	(\$114)	(\$114)	(\$114)
Elimination of CHIPS O&M	(13)	(13)	(13)	(13)	(13)
Elimination of Local Law Enforcement Funds	(5)	(5)	(5)	(5)	(5)
SFY 02-03					
Personal Income Tax Administration ⁽⁴⁾	(\$23)	(\$23)	(\$23)	(\$23)	(\$23)
Health Care Reform Act Amendments (HCRA)	(52)	(76)	(91)	(91)	(91)
TOTAL	(\$1,080)	(\$1,262)	(\$1,440)	(\$1,507)	(\$1,569)

⁽¹⁾ This cost reflects the actuarial fiscal note as submitted upon original enactment.

⁽²⁾ Includes transfer of administration costs to NYC and increases in program costs from SFY 00-01 through SFY 02-03.

⁽³⁾ Includes the cost of phase out of sales tax on utility transmission and distribution, the college tuition deduction, marriage penalty reform and web hosting exemption.

⁽⁴⁾ Includes the total impact on the City's budget since 1997.

Federal Agenda

- ❖ The 2004 Federal Agenda calls for \$200 million of gap closing initiatives and an additional \$700 million from the Federal government to fund new emergency preparedness spending.
- ❖ \$310 million of the gap closing initiatives have no cost to the Federal government.

Menu of Federal Gap Closing Initiatives

	\$ in Millions			
	2004	2005	2006	2007
No Cost Proposals				
Flexibility in Hazard Mitigation Grant or First Responder Funding for Uniform Operating Funds	\$250	\$250	\$250	\$250
Federal Welfare Spending Mandate Relief	40	10	10	10
Flexible Use of Community Development Block Grant	20	20	---	---
Subtotal: No Cost Proposals	\$310	\$280	\$260	\$260
General Proposals				
State and Local Government Assistance	\$600	\$- --	\$- --	\$- --
Increase in Federal Share of Medicaid Funding by 3%	241	250	259	268
Provide Medicare Drug Benefit	145	145	145	145
Reimbursement of Costs for Protecting Foreign Dignitaries and the UN	80	50	54	58
Maintain and Increase State Criminal Alien Assistance Program Funding	60	60	60	60
Restore Federal Medicaid Funding for Legal Immigrants	27	26	26	26
Subtotal: General Proposals	\$1,153	\$531	\$544	\$557
FEDERAL INITIATIVES TOTAL	\$1,463	\$811	\$804	\$817

Labor Productivity Actions

- ❖ We are seeking \$600 million in labor productivity actions, the equivalent of 12,000 City workers.
- ❖ Savings can be achieved by any combination of more efficient deployment of the workforce or reductions in pension or benefit costs associated with City employment.
- ❖ Productivity is a smarter alternative to the massive layoffs the City has been obliged to resort to in addressing deficits in the past.

Fringe Benefit Cost Containment and Labor Productivity Options

Reform Health Insurance Program-Make Employees Partners in Controlling Cost

- ❖ **Institute Payroll Deductions for Basic Health Insurance and Raise Co-Pays**
- ❖ **Cap Growth of City Health Insurance Cost at Medical CPI**
- ❖ **Achieve Benefit Provision Efficiencies in Union Administered “Welfare Funds”**

Bring the Number of Hours and Days Worked by City Employees More in Line With the Private Sector

- ❖ **Lengthen Civilian Workday to 40 Hours for All Titles**
- ❖ **Reduce the Number of Vacation Days and Holidays Given to City Employees**
- ❖ **Reform the Rules Governing Overtime, Union Business Time, and Termination Pay**

Eliminate Outdated Rules/Payments Which Are Unnecessary or Inhibit Productivity

- ❖ **Eliminate Automatic Promotions Based on the Time Spent in a Job**
- ❖ **Enhance Flexibility in Work Assignments**
- ❖ **Reform Work Rules to Reduce Unnecessary Payments or Inefficient Uses of Resources**

Reform Pension Administration and Create a Modern Pension System for Future Employees

***January Plan Provides for
Additional \$1.7 billion to
Achieve Balance to Cover
Revenue and Expense Changes
Since November
(see Sections III, IV, and V)***

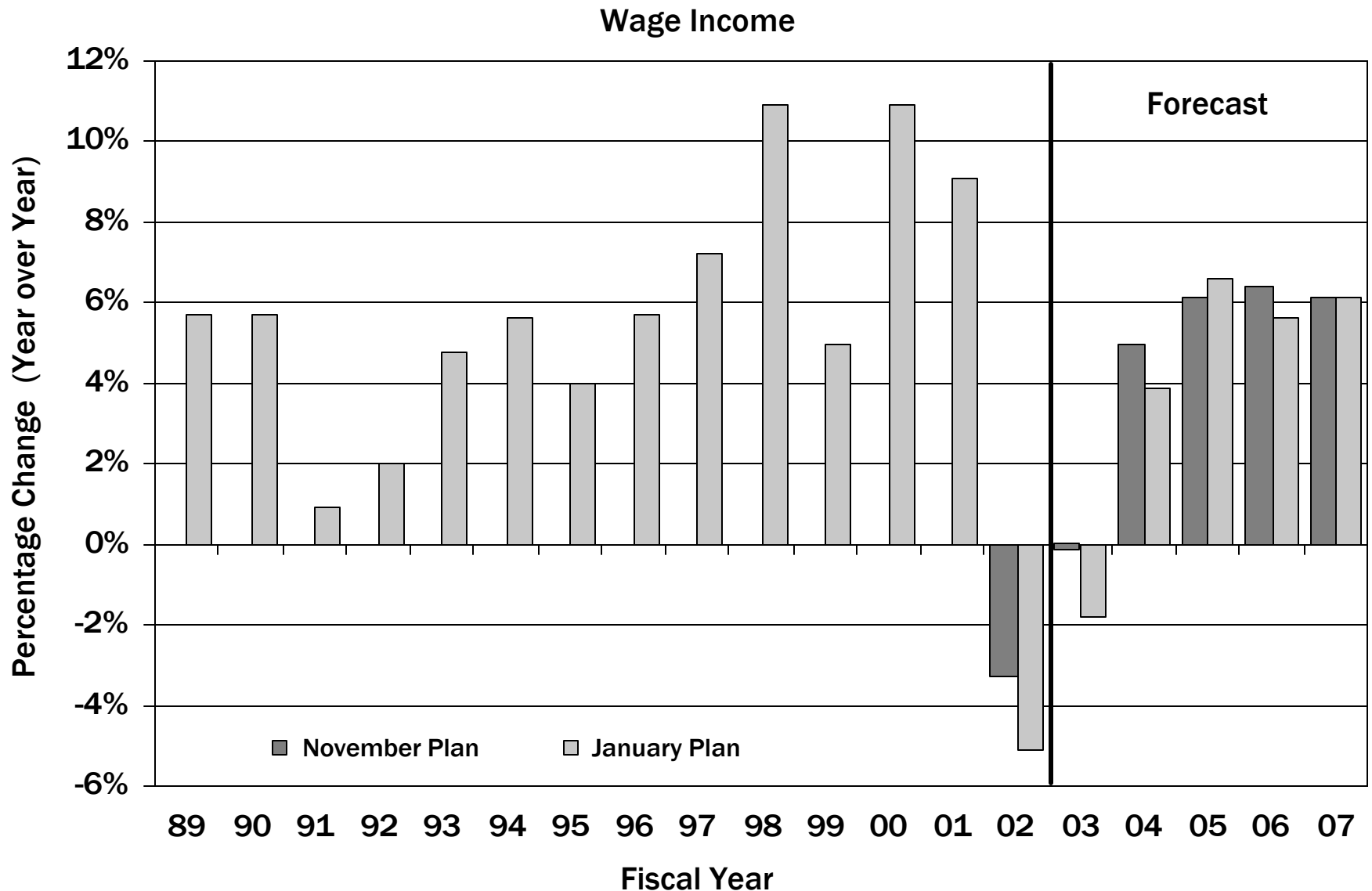
III. Revenue Changes Since November Plan

	2003	2004	Two-Year Total
Revenue Changes			
Property Tax at 18% <i>(Instead of 25%)</i>	(\$296)	(\$608)	(\$904)
Tax Revenue Forecast <i>(Lower than expected)</i>	(108)	(289)	(397)
Non-Tax Revenues	(3)	(3)	(6)
Total	(\$407)	(\$900)	(\$1,307)

The Lingering National Slowdown, Combined with the Effects of 9/11 and Declining Profitability on Wall Street Have Led to a Deeper Local Recession

- ❖ **The City is coping with an unprecedented decline in wage income which has caused tax revenue to fall. As a result of the U.S. recession, 9/11 and a stock market decline, wage income fell 5% over the course of fiscal year 2002.**
- ❖ **With the City still losing jobs and Wall Street profits and bonuses even lower than forecast in November, wage income is expected to fall another 1.8% this fiscal year.**
- ❖ **A review of the available data since 1969 shows no other time when wage income has fallen for two years in a row.**

The Two-Year Decline in Wage Income is Unprecedented



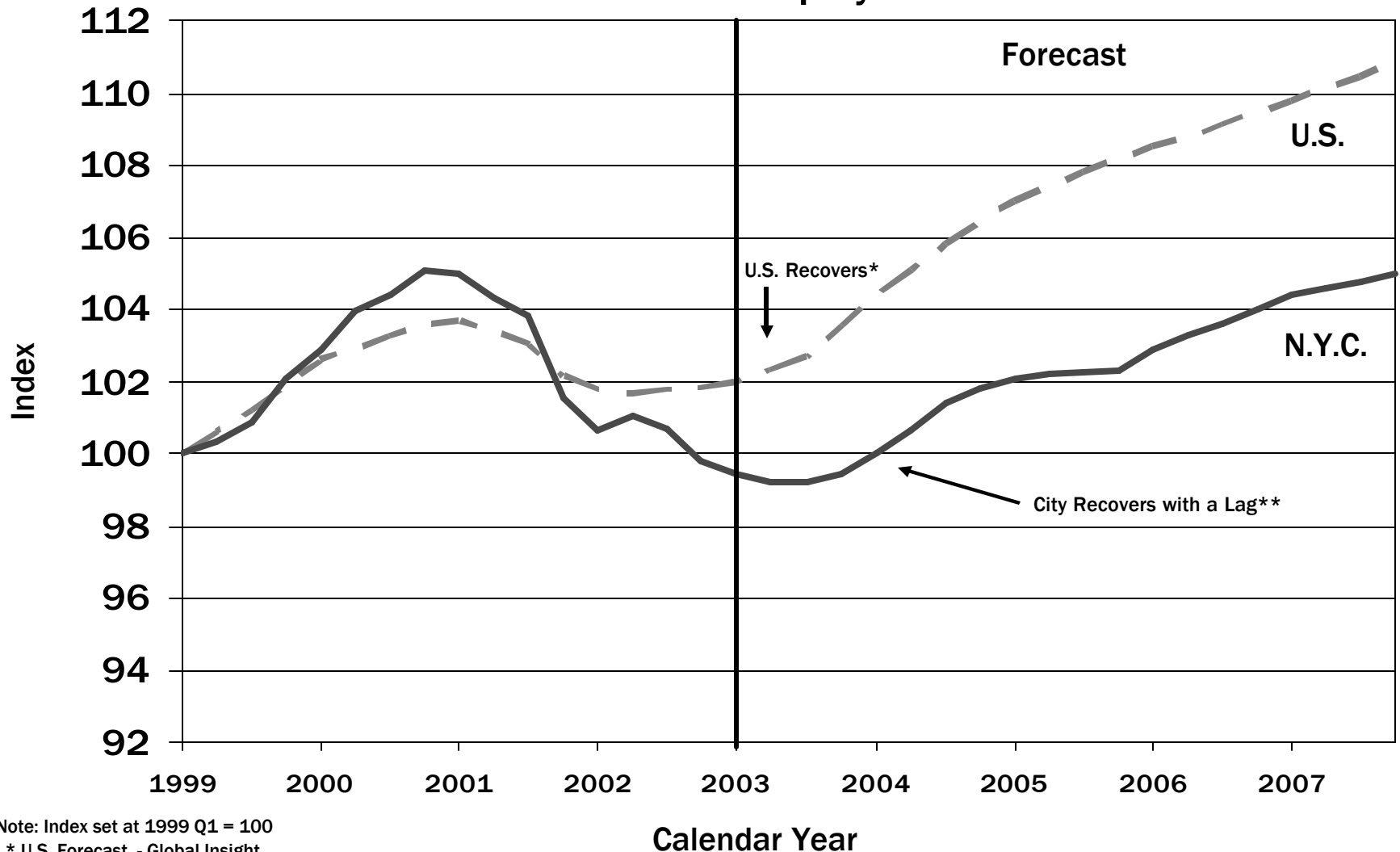
The U.S. and Local Economies Have Yet to Recover From the Recessionary Conditions

- ❖ **The U.S. actually lost jobs in the 4th quarter of calendar year 2002 instead of rising slightly as expected in the November Plan. The weaker job situation, along with increasing concern over the prospects of war, have caused most forecasters to lower their projections for the first half of calendar year 2003.**
- ❖ **City employment has also fallen short of November Plan expectations and for calendar year 2002 losses averaged 91,000 compared to 83,000 forecast previously.**
- ❖ **Wall Street profits for calendar year 2002 will be lower than the November Plan given the cost of settling conflict of interest charges. Profits are expected to total \$7 billion in 2002 compared to the November forecast of \$8 billion. For 2003 the forecast has been reduced to \$9.5 billion from \$10.8 billion.**

Most national forecasters expect modest growth this year, but since the City's economy generally lags the U.S., a pickup in the City's economy is not expected until the end of calendar year 2003 and it is expected to be modest.

The New York City Recovery Lags the Nation. City Employment Does Not Pick Up Until Later This Year.

Private Sector Employment



Note: Index set at 1999 Q1 = 100

* U.S. Forecast - Global Insight

** N.Y.C. Forecast - N.Y.C. OMB

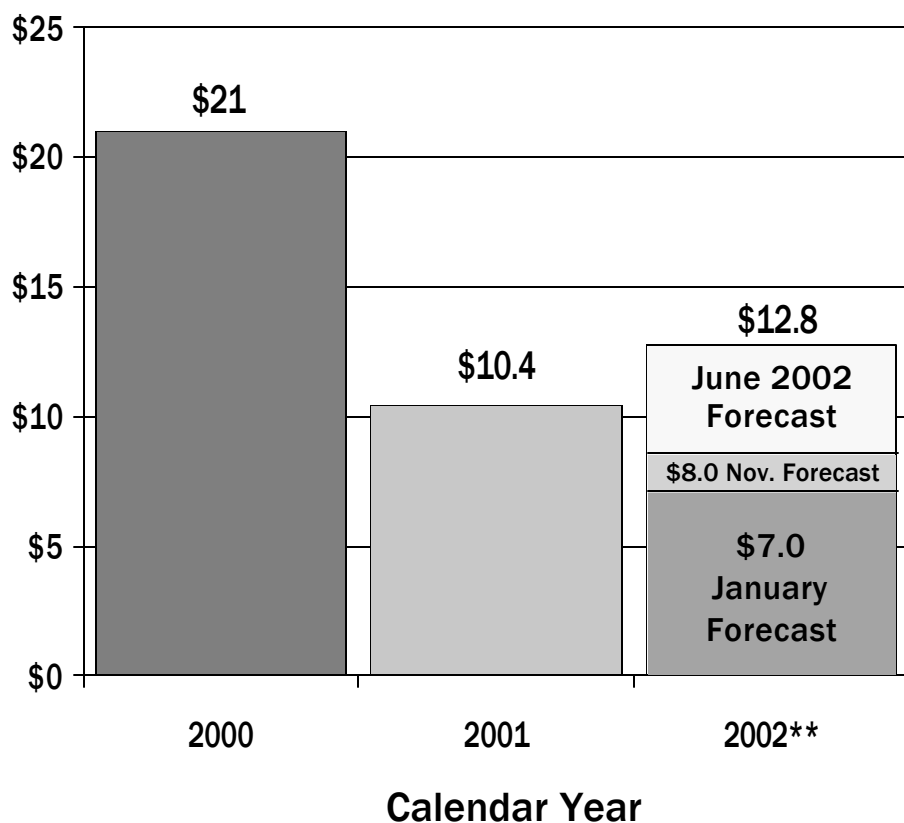
The Tax Revenue Forecast Has Been Reduced

- ❖ In the November Plan the tax forecast was reduced \$697 million for 2003 and \$1,067 million for 2004. With the City still losing jobs and Wall Street profits and bonuses even lower than forecast in November, the tax forecast is reduced an additional \$108 million for 2003 and \$289 million for 2004.

The Stock Market Decline and Loss of Investor Confidence Have Limited Deal Making on Wall Street, Eroding Profitability. The Cost of Resolving Conflict of Interest Charges Has Cut Profits Further. The Tax Forecast Has Consequently Been Reduced.

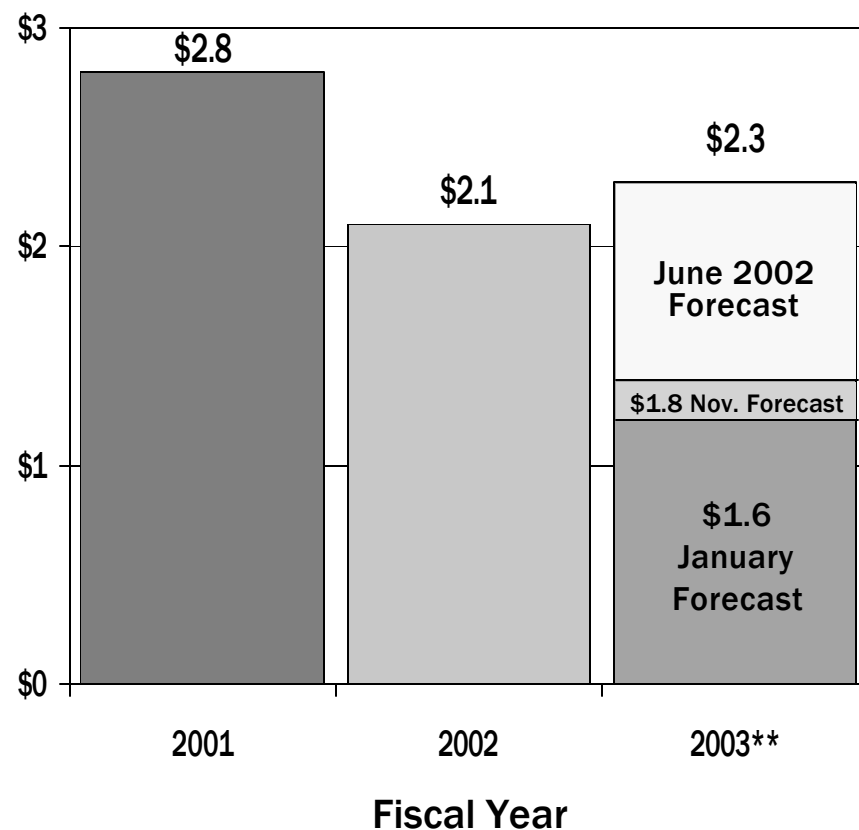
Wall Street Profits

\$ in Billions



Wall Street Tax Payments*

\$ in Billions

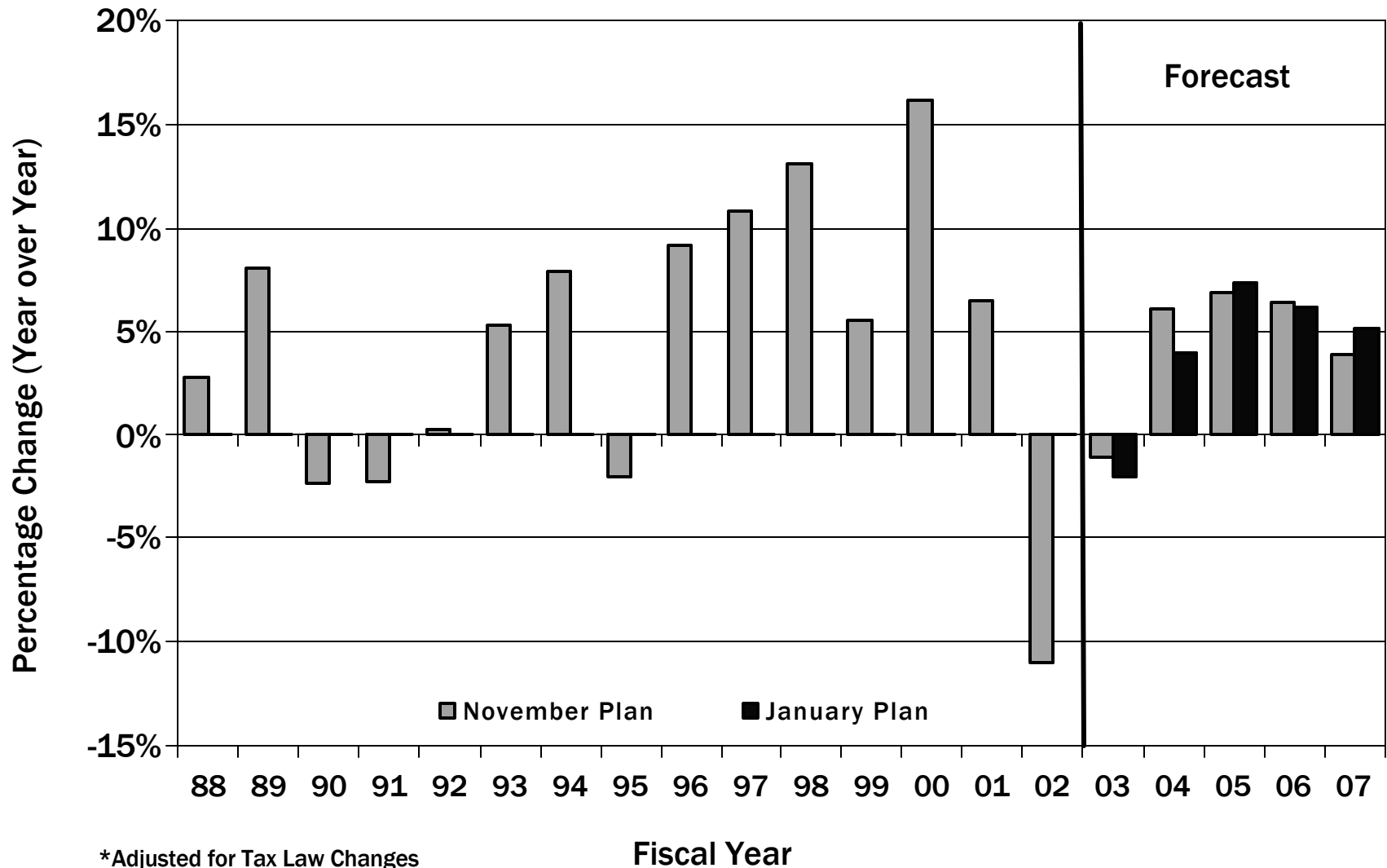


* Includes general corporation, unincorporated business, banking corporation and personal income tax payments (including capital gains).

** 2002 Calendar Year Wall Street Profits and Fiscal Year 2003 Wall Street Tax Payments are projections.

Non-Property Taxes Fell 11% in 2002 and are Expected to Fall Another 2% in 2003 Before Growth Resumes Modestly Next Year

Non-Property Taxes*



IV. Expense Changes Since November Plan

	2003	2004	Two-Year Total
Expense Changes			
Education (<i>Including new initiatives</i>)	\$11	(\$91)	(\$80)
Debt Service (<i>Lower interest forecast</i>)	48	52	100
Labor (<i>Labor productivity enhancements judged not achievable in 2003</i>)	(223)	---	(223)
All Other	(63)	(91)	(154)
Total	(\$227)	(\$130)	(\$357)

Expense Changes

- ❖ Education changes include the incremental cost for the Children First program (middle school class size reduction, the purchase of instructional materials for the unified curriculum and Twilight Schools of \$22 million in 2003 and \$19 million in 2004), re-estimates for the costs for non-public school tuition for special needs children (\$15 million in 2003 and \$19 million in 2004) and the roll of \$50 million saved by districts this year.
- ❖ Debt service – Revised forecast of interest costs.
- ❖ Productivity savings are consolidated into the \$600 million of labor savings in 2004.
- ❖ All Other includes re-estimates of judgment and claims (\$13 million), Fire Department overtime (\$20 million) and the City's Medicaid payment share for the Early Intervention Program (\$14 million).

V. Additional Gap Closing Program in January Plan

	2003	2004	Two-Year Total
Gap Closing Plan			
Additional Agency Program	\$64	\$487	\$551
Federal Reimbursement	420	---	420
Airport (<i>Back rent and ongoing rental payment</i>)	---	690	690
State Actions (<i>Primarily loophole closings and a tax amnesty requiring State action</i>)	2	52	54
Personal Income Tax Reform (<i>Lower revenue from lower forecast income</i>)	---	(51)	(51)
Total	\$486	\$1,178	\$1,664

Additional Agency Program

- ❖ Most agencies were asked for additional savings equal to 6% of their City funded spending.
- ❖ The Department of Education and the uniformed agencies were asked to prepare reductions equal to 3% of their City funded spending.
- ❖ The additional program reduces City funded spending while substantially preserving services.

Additional Agency Program

City Funds - \$ in Thousands

	2003	2004	TOTAL
Uniformed Forces			
Police Department	\$ ---	(\$90,000)	(\$90,000)
Fire Department	(5,000)	(7,365)	(12,365)
Department of Correction	(7,430)	(17,724)	(25,154)
Department of Sanitation	---	(29,700)	(29,700)
Health & Welfare			
Administration for Children's Services	---	(\$38,259)	(\$38,259)
Department of Social Services	(3,848)	(17,852)	(21,700)
Department of Homeless Services	---	(9,830)	(9,830)
Department of Health and Mental Hygiene	(549)	(15,682)	(16,231)
Other Mayoral			
Libraries	---	(\$6,836)	(\$6,836)
Department for the Aging	3,380	(9,568)	(6,188)
Department of Cultural Affairs	---	(6,520)	(6,520)
Housing Preservation & Development	---	(5,250)	(5,250)
Department of Environmental Protection	---	---	---
Department of Finance	(1,469)	(3,384)	(4,853)
Department of Transportation	(4,301)	(11,226)	(15,527)
Department of Parks and Recreation	---	(6,230)	(6,230)
Department of Citywide Services	(4,041)	(8,676)	(12,717)
All Other Mayoral	(6,786)	(27,900)	(34,686)
Elected Officials			
Office of the Mayor	---	(\$1,783)	(\$1,783)
City Council	---	---	---
Public Advocate	---	(110)	(110)
Office of the Comptroller	---	---	---
Borough Presidents	---	(1,226)	(1,226)
District Attorneys	117	(6,084)	(5,967)
Other			
Health & Hospitals Corporation	---	(\$6,774)	(\$6,774)
Department of Education	(20,692)	(130,175)	(150,867)
City University*	---	7,436	7,436
Debt Service	(13,544)	(36,239)	(49,783)
Grand Total	(\$64,163)	(\$486,957)	(\$551,120)

* Reversal of November Plan Reduction necessary to meet MOE requirements

2004 Agency Program to Reduce the Gap Since January 2002

City Funds - \$ in Thousands

	June 2001 Plan for 2004	Total Agency Program (4)
Uniformed Forces		
Police Department	\$3,082,657	(\$372,204)
Fire Department	1,027,408	(100,855)
Department of Correction	864,148	(176,383)
Department of Sanitation	981,006	(137,718)
Health & Welfare		
Administration for Children's Services (1)	\$748,706	(\$187,783)
Department of Social Services (1) (2)	333,234	(92,205)
Department of Homeless Services (1)	163,802	(44,436)
Department of Health And Mental Hygiene	580,334	(93,498)
Other Mayoral		
Libraries	\$262,120	(\$43,830)
Department for the Aging	165,785	(49,702)
Department of Cultural Affairs	127,518	(27,650)
Housing Preservation & Development	71,687	(20,180)
Department of Environmental Protection	641,106	(6,728)
Department of Finance	190,874	(93,702)
Department of Transportation	281,880	(69,003)
Department of Parks and Recreation	170,538	(36,805)
Department of Citywide Services	138,781	(30,211)
All Other Mayoral	720,137	(207,625)
Elected Officials		
Office of the Mayor	\$38,770	(\$11,049)
City Council	36,630	(1,424)
Public Advocate	2,572	(863)
Office of the Comptroller	54,599	(6,177)
Borough Presidents	28,665	(9,720)
District Attorneys	231,148	(29,543)
Other		
Health & Hospitals Corporation (2)	\$122,740	(\$17,972)
Department of Education (3)	11,849,148	(684,314)
City University (3)	444,421	(10,921)
Total	\$23,360,414	(\$2,562,501)
Debt Service		(\$77,354)
Grand Total		(\$2,639,855)

(1) Excludes Public Assistance (2) Excludes Medicaid (3) Reflects total funds for June 2001 Plan for 2004

(4) Includes Actions from the Adopted Budget, November Financial Plan, City Council Budget Modification and January Financial Plan

Gap Closing Program in January Plan

- ❖ Additional Federal re-imbursement for WTC costs of \$650 million. Budget benefit of \$420 million results after covering \$230 million in baseline. The City expects Congress to act to enable payment.
- ❖ Payment by the Port Authority of \$600 million of back rent owed for the City's airports and a renegotiated rental payment of \$90 million a year with escalation.
- ❖ \$52 million of agency program that requires State action to offer a limited tax amnesty, close loopholes in the real estate transaction taxes and raise funds to support the Fire Department through an increase in fire premiums imposed on insurance companies incorporated outside New York State.

VI. Financial Plan

Financial Plan Revenue and Expenditures

(\$ in Millions)

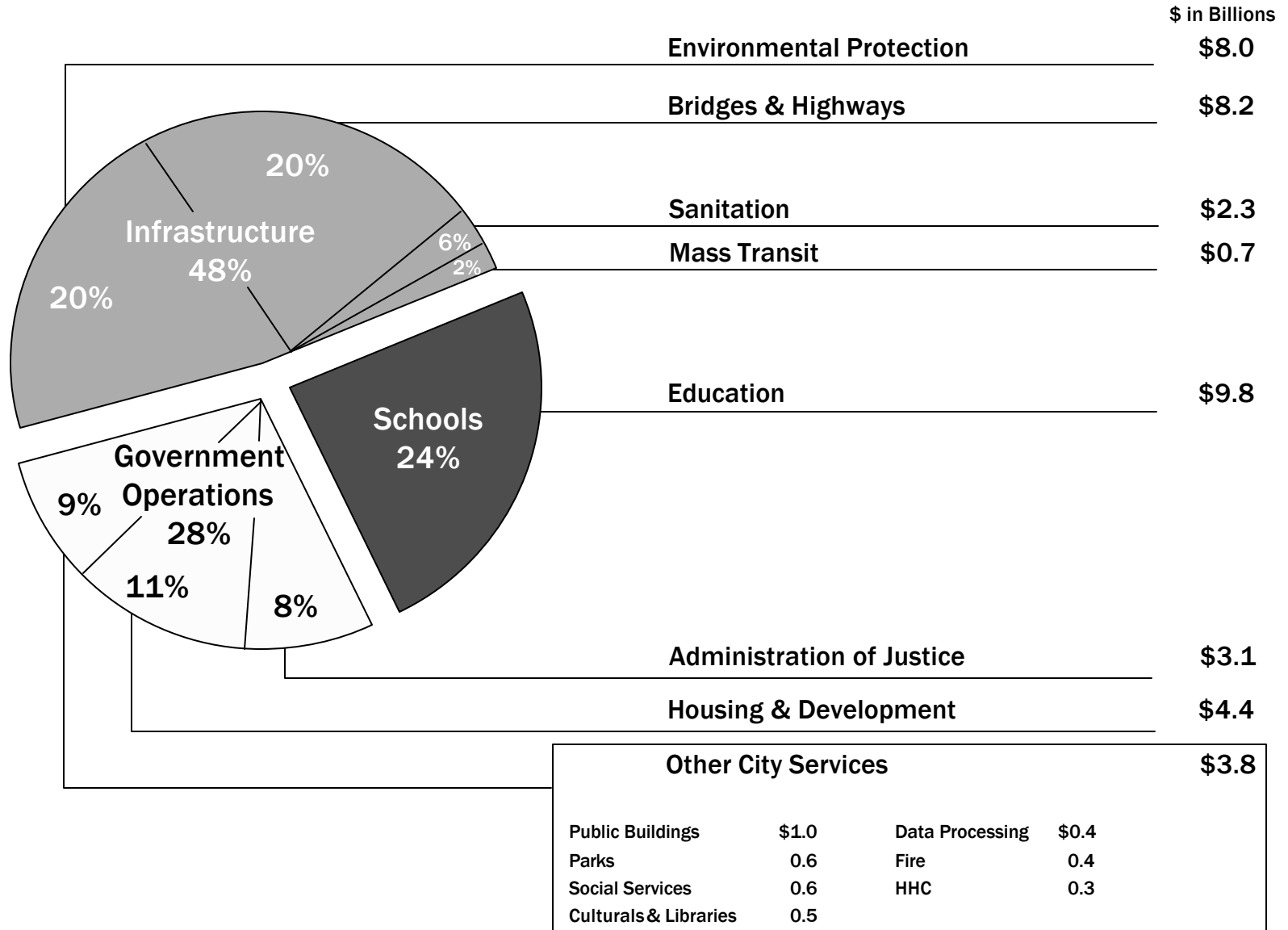
	2003	2004	2005	2006	2007
Revenues					
Taxes					
General Property Tax	\$9,926	\$11,167	\$11,583	\$12,006	\$12,459
Other Taxes	12,623	13,697	14,199	14,623	15,286
Tax Audit Revenue	502	522	502	502	502
Miscellaneous Revenues	4,237	4,637	4,009	3,992	4,014
Transitional Finance Authority – 9/11	1,500	---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

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

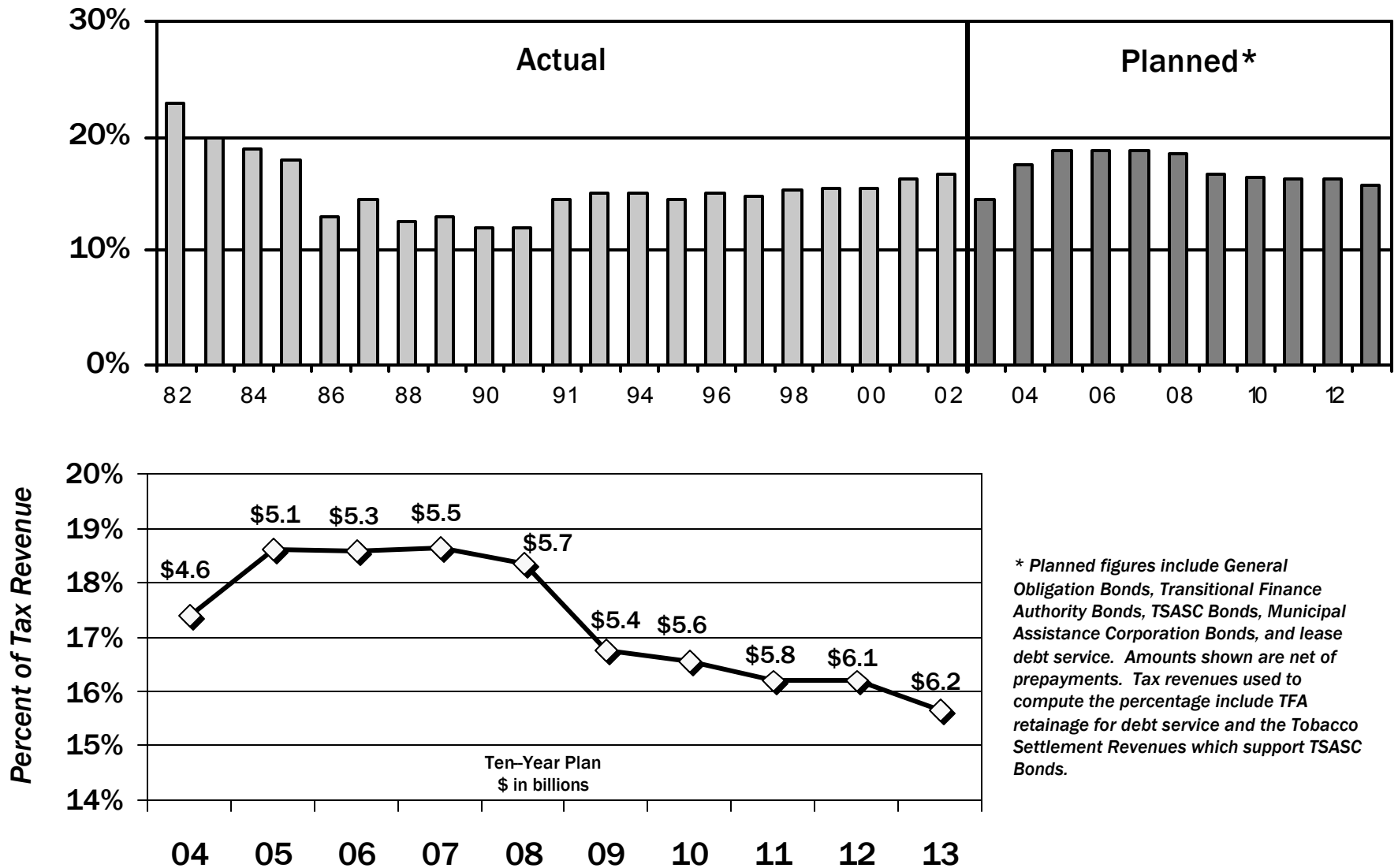
VII. Preliminary Ten-Year Capital Strategy

Preliminary Ten-Year Capital Strategy 2004-2013

Totals \$40.3 Billion in All Funds



Debt Service as a Percent of Tax Revenues



City Financed Capital Commitments

