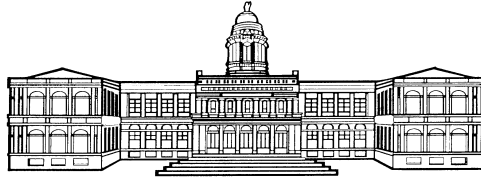


THE COUNCIL OF THE CITY OF NEW YORK

Finance Division



Hearing on the Fiscal 2010 Executive Budget for the **Department of Finance**

June 1, 2009

Hon. Christine C. Quinn
Speaker

Hon. David I. Weprin
Chair, Committee on Finance

Preston Niblack
Director

Jeffrey Rodus
First Deputy Director

Jonathan Rosenberg
Deputy Director

Anthony Brito
Legislative Financial
Analyst

Department of Finance (836)

Agency Overview

The Department of Finance (DOF) collects City revenues, complies with City tax and other revenue laws, values all real property in the City, provides a forum for the public to dispute tax and parking violation liability, and maintains property records.

Expense Budget Highlights

DOF's Fiscal 2010 Executive Budget is 10 percent more than the Fiscal 2009 Adopted Budget. This increase is largely due to the addition of \$20 million in the Treasury Division in order to maintain banking contracts on behalf of the City. Spending will also increase by \$642,664 as a result of the transfer 14 employees from the Office of the Criminal Justice Coordinator to DOF in order improve supervision and oversight of attorneys paid by the City through the Assigned Counsel Program. In addition, DOF's Executive Budget will increase from collective bargaining and lease adjustments totaling over \$5.8 million in Fiscal 2010 and the outyears.

The increase from the Fiscal 2009 Adopted Budget is offset by spending decreases primarily in NYCServ Contract Funding (approximately \$7.2 million), and the Property Records Division (approximately \$2.1 million). The decrease in these funding areas is primarily due to the elimination of OTPS contracts for the maintenance of DOF's NYCServ and ACRIS' systems. As a cost-savings measure, DOF has decided to maintain these systems in-house. The agency plans to hire 34 new employees in the Audit Division and the Financial Information Technology (FIT) program area where they will perform duties that were once performed by contractors. The net savings of this action is estimated to be approximately \$14.4 million in Fiscal 2010. These new hires reflect the agency's programmatic and budgetary shift from outsourcing technology maintenance to hiring in-house personnel to meet the objectives of the agency and yield net savings.

In the Preliminary Budget DOF undertook an across the board personal services reduction that eliminated 17 positions. The savings from these layoffs was approximately \$1.1 million in Fiscal 2010, \$2.4 million in Fiscal 2011, and \$3.6 million in Fiscal 2012 and the out years. The Executive Budget includes further layoffs within DOF that will eliminate 26 positions mostly in the Legal & Adjudications program area which will save the agency \$1.8 million in Fiscal 2010 and the outyears. In total, DOF will layoff 43 positions for a combined savings of \$2.9 million for Fiscal 2010, \$4.2 million in Fiscal 2011, and \$5.4 million in the outyears. Despite these layoffs, DOF's overall headcount has increased by 5 since the Fiscal 2009 Adopted budget due to the hiring of in-house staff in the Audit Division and FIT as well as the transfer of 14 employees from the Office of the Criminal Justice Coordinator.

	2008 Actual Expenses	2009 Adopted Budget	2010 Preliminary Budget	2010 Executive Budget
Spending				
Personal Services	\$128,946,413	\$123,169,525	\$129,187,285	\$130,858,701
Other than Personal Services	\$86,551,861	\$83,225,813	\$73,869,629	\$97,794,400
Total	\$215,498,274	\$206,395,338	\$203,056,914	\$228,653,101
Funding				
City	NA	\$202,229,419	\$198,850,995	\$224,447,182
State	NA	\$1,960,000	\$2,000,000	\$2,000,000
Intra-City	NA	\$2,205,919	\$2,205,919	\$2,205,919
Total	NA	\$206,395,338	\$203,056,914	\$228,653,101
Headcount				
Full-time Positions	2,030	2,114	2,131	2,119

Program Budget Overview

DOF's Program Budget consists of the following programs.

Program	2008 Actual Expenses	2009 Adopted Budget	2010 Preliminary Budget	2010 Executive Budget
Administration	\$50,020,210	\$48,541,095	\$47,725,770	\$49,325,998
Audit	\$17,662,885	\$18,934,371	\$21,709,482	\$21,756,486
Civil Enforcement	\$14,407,436	\$13,114,910	\$13,127,366	\$13,022,176
Collections	\$16,132,714	\$18,577,856	\$19,314,545	\$23,892,694
Communications & Governmental Services	\$873,441	\$1,776,640	\$1,717,428	\$1,550,753
Customer Relations	\$4,732,202	\$4,870,421	\$3,330,503	\$3,330,503
FIT(Finance Information Technology)	\$30,925,941	\$31,922,995	\$34,762,413	\$34,762,413
Legal & Adjudications	\$14,902,511	\$12,476,510	\$14,753,155	\$14,380,888
NYCSERV Contract Funding	\$18,317,127	\$11,495,180	\$4,249,130	\$4,249,130
Payment Ops & Application Processing	\$15,673,692	\$15,717,999	\$14,843,279	\$14,843,279
Property Records	\$12,102,559	\$10,982,922	\$8,846,954	\$8,811,887
Tax Appeals Tribunal	\$961,009	\$0	\$0	\$0
Treasury	\$7,038,769	\$5,577,470	\$5,580,158	\$25,580,158
Valuing Property	\$11,747,779	\$12,406,969	\$13,096,731	\$13,146,736
Total	\$215,498,274	\$206,395,338	\$203,056,914	\$228,653,101

Headcount

Administration	211	190	189	201
Audit	254	227	235	235
Civil Enforcement	149	216	216	215
Collections	275	306	306	306
Communications & Governmental Services	17	13	13	11
Customer Relations	101	132	132	132
FIT(Finance Information Technology)	199	225	252	252
Legal & Adjudications	177	145	128	109
Payment Ops & Application Processing	292	277	277	277
Property Records	150	110	110	109
Treasury	40	43	43	43
Valuing Property	165	230	230	229
Total	2,030	2,114	2,131	2,119

Administration

This program area includes funding for the Executive Division, the Employee Services Division which provides support services to Finance employees in accordance with City rules and regulation, and the Tax Policy division which provides information and analysis to help decision makers improve the City's tax system and public understanding of the revenue system.

	2008 Actual Expenses	2009 Adopted Budget	2010 Preliminary Budget	2010 Executive Budget
Spending				
Personal Services	\$12,683,558	\$11,176,858	\$10,964,617	\$11,472,434
Other than Personal Services	\$37,336,652	\$37,364,237	\$36,761,153	\$37,853,564
Total	\$50,020,210	\$48,541,095	\$47,725,770	\$49,325,998
Funding				
City	NA	\$48,541,095	\$47,725,770	\$49,325,998
Total	NA	\$48,541,095	\$47,725,770	\$49,325,998
Headcount				
Full-time Positions	211	190	189	201

The Administration program budget has an overall headcount increase of 12 since the Preliminary Budget due to the transfer of 14 employees from the Office of the Criminal Justice Coordinator (CJC) to the Department of Finance. The transfer of these 14 employees from DOF to CJC was done in order to improve supervision and oversight of attorneys paid by the City through the Assigned Counsel Program by reviewing court approved invoices and process payments. The added costs of this transfer will be \$642,664 in Fiscal 2010 and the outyears.

Audit

This program area includes funding for the Audit division which provides feedback to taxpayers about the accuracy of their returns.

	2008 Actual Expenses	2009 Adopted Budget	2010 Preliminary Budget	2010 Executive Budget
Spending				
Personal Services	\$17,358,797	\$18,655,371	\$20,030,482	\$20,077,486
Other than Personal Services	\$304,088	\$279,000	\$1,679,000	\$1,679,000
Total	\$17,662,885	\$18,934,371	\$21,709,482	\$21,756,486
Funding				
City	NA	\$18,934,371	\$21,709,482	\$21,756,486
Total	NA	\$18,934,371	\$21,709,482	\$21,756,486
Headcount				
Full-time Positions	254	227	235	235

The overall spending for the Audit unit has increased by approximately \$2.7 million largely due to the planned hiring of 8 employees in the Agency's Data Integrity and Mining Group Initiative. The objectives of this initiative are to improve productivity through data analysis techniques and to yield additional revenue from tax compliance. The agency is projecting that the Mining Group Initiative will yield approximately \$2.5 million in additional revenue in Fiscal 2010 and the out years. In addition, spending has increased due to recent collective bargaining settlements.

Civil Enforcement

This program area includes funding for the Tax Enforcement Division which attempts to ensure that all taxpayers pay their fair share and provides enforcement against those who intentionally do not. This program area also includes funding for the Sheriff's Division which promotes public safety and enforces court orders, including those for the collection of judgment debt.

	2008 Actual Expenses	2009 Adopted Budget	2010 Preliminary Budget	2010 Executive Budget
Spending				
Personal Services	\$10,968,451	\$9,359,269	\$9,371,725	\$9,267,185
Other than Personal Services	\$3,438,985	\$3,755,641	\$3,755,641	\$3,754,991
Total	\$14,407,436	\$13,114,910	\$13,127,366	\$13,022,176
Funding				
City	NA	\$10,908,991	\$10,921,447	\$10,816,257
Intra-City	NA	\$2,205,919	\$2,205,919	\$2,205,919
Total	NA	\$13,114,910	\$13,127,366	\$13,022,176
Headcount				
Full-time Positions	149	216	216	215

Collections

This program area includes funding for the Collections Division which resolves outstanding debt issues and for Marshal Enforcement which helps people pay the right amount on time.

	2008 Actual Expenses	2009 Adopted Budget	2010 Preliminary Budget	2010 Executive Budget
Spending				
Personal Services	\$15,157,565	\$14,692,856	\$15,429,545	\$17,610,944
Other than Personal Services	\$975,148	\$3,885,000	\$3,885,000	\$6,281,750
Total	\$16,132,714	\$18,577,856	\$19,314,545	\$23,892,694
Funding				
City	NA	\$18,577,856	\$19,314,545	\$23,892,694
Total	NA	\$18,577,856	\$19,314,545	\$23,892,694
Headcount				
Full-time Positions	275	306	306	306

The Collections program budget increases by over \$5 million primarily due to a multi-agency initiative (Office of Management and Budget, the Environmental Control Board and DOF) which seeks to improve collections on receivables that are owed to the City. Revenue collections in Fiscal 2010 will increase by \$25 million as a result of this initiative with another increase in Fiscal 2011 also anticipated. The initiative will cost \$2.3 million which represents expected payments to a third-party vendor, largely contingent upon attaining the Fiscal 2010 revenue target. The remaining portion of the increase from the Fiscal 2009 Adopted budget is related to collective bargaining adjustments in the OPTS budget.

FIT (Finance Information Technology)

The program area includes funding to ensure the development and delivery of information and technology solutions that aid the Department of Finance in achieving its goals.

	2008 Actual Expenses	2009 Adopted Budget	2010 Preliminary Budget	2010 Executive Budget
Spending				
Personal Services	\$16,272,778	\$16,298,571	\$19,968,939	\$19,968,939
Other than Personal Services	\$14,653,163	\$15,624,424	\$14,793,474	\$14,793,474
Total	\$30,925,941	\$31,922,995	\$34,762,413	\$34,762,413
Funding				
City	NA	\$31,922,995	\$34,762,413	\$34,762,413
Total	NA	\$31,922,995	\$34,762,413	\$34,762,413
Headcount				
Full-time Positions	199	225	252	252

Funding for FIT has increased by approximately \$2.8 million since the Fiscal 2009 adopted budget and the headcount has increased by 27. The increase in funding should be more than offset by cost savings in the agency's OTPS budget. The changes to funding in the FIT program area include:

- **ACRIS Consultants:** The DOF will hire 5 information technology specialists to maintain the City's Automated City Register Information System eliminating the need to outsource the maintenance to outside contractors. The net savings from this action will be \$1,084,000 in Fiscal 2010 and the out years.
- **Mainline Software Maintenance:** The DOF will hire 1 person to maintain the mainline software rather than outsourcing the maintenance to outside contractor. The net savings from this action will be \$370,000 in Fiscal 2010 and the out years.
- **NYCServ Consultants:** The DOF will hire 11 information technology specialists to replace consultants in order to maintain the New York City On-Line Payment Services (NYCServ). The net savings from this action will be approximately \$615,000 in Fiscal 2009 and \$1,025,000 in Fiscal 2010 and the out years once the hiring of the specialist is fully implemented.
- **Information Technology Efficiencies.** The DOF will reduce spending by implementing various IT efficiency strategies which includes in-sourcing 10 additional maintenance agreements. The net savings from this action will be \$2,050,000 in Fiscal 2010 and the out years.

Legal and Adjudications

This program area includes funding for the Legal Affairs Division which ensures that laws, rules and regulations are clear, easy to understand and fairly applied to the public, and that DOF has adequate legal support. This program area also funds the Adjudication Division which provides a forum for motorists to challenge their parking or red light tickets.

	2008 Actual Expenses	2009 Adopted Budget	2010 Preliminary Budget	2010 Executive Budget
Spending				
Personal Services	\$14,347,657	\$11,898,720	\$14,064,755	\$13,256,228
Other than Personal Services	\$554,854	\$577,790	\$688,400	\$1,124,660
Total	\$14,902,511	\$12,476,510	\$14,753,155	\$14,380,888
Funding				
City	NA	\$12,476,510	\$14,753,155	\$14,380,888
Total	NA	\$12,476,510	\$14,753,155	\$14,380,888
Headcount				
Full-time Positions	177	145	128	109

An additional \$1.9 million has been allocated for this program area since the 2010 Adopted Budget to fund the anticipated costs associated with legislation that expanded the Red Light Camera Program. The recently passed legislation allows for the expansion of red light cameras to 50 additional intersections in New York City and to increase the fine amount from \$50 to \$100. The increased funding is primarily for added personal costs for the Administrative Law Judge Division (ALJ) which will be handling a larger caseload. Since the Fiscal 2009 Adopted Budget the Legal and Adjudications headcount has been reduced by 36 positions. The savings from these layoffs, however, is offset by the increases to the Red Light Camera Program.

NYCSERV Contract Funding

This program area includes funding for Other than Personal Services expenses of the NYCServ Contract. NYCServ is the payment and adjudications engine for all debts, collections, licensing, and permits to the City of New York. It enables customers to pay taxes and fines or dispute parking tickets and violations in a single location while improving customer service.

	2008 Actual Expenses	2009 Adopted Budget	2010 Preliminary Budget	2010 Executive Budget
Spending				
Other than Personal Services	\$18,317,127	\$11,495,180	\$4,249,130	\$4,249,130
Total	\$18,317,127	\$11,495,180	\$4,249,130	\$4,249,130
Funding				
City	NA	\$11,495,180	\$4,249,130	\$4,249,130
Total	NA	\$11,495,180	\$4,249,130	\$4,249,130

Funding of this program area has decreased by approximately \$7.2 million from the Fiscal 2009 Adopted Budget. This decrease is largely due to DOF's initiative to eliminate contracts in the OTPS budget that were responsible for providing maintenance to the NYCServ system which will instead be handled by the hiring of new Information Technology specialists.

Property Records

This program area includes funding for the City Register which maintains official records of real and personal property transfers and interests. ACRIS is the Automated City Register Information System, which allows anyone to view property-related ownership documents online going back to 1966. The surveyor, who reports to the City Register, updates and maintains the official tax maps of the City of New York when property owners request the subdivision of large lots into smaller lots (apportionment) or the merging of smaller lots into one large lot (merging).

	2008 Actual Expenses	2009 Adopted Budget	2010 Preliminary Budget	2010 Executive Budget
Spending				
Personal Services	\$7,095,698	\$6,484,822	\$6,512,854	\$6,477,787
Other than Personal Services	\$5,006,861	\$4,498,100	\$2,334,100	\$2,334,100
Total	\$12,102,559	\$10,982,922	\$8,846,954	\$8,811,887
Funding				
City	NA	\$10,982,922	\$8,846,954	\$8,811,887
Total	NA	\$10,982,922	\$8,846,954	\$8,811,887
Headcount				
Full-time Positions	150	110	110	109

The funding in this program area has decreased by approximately \$2.1 million since the Fiscal 2009 Adopted Budget. This decrease is largely due to DOF's initiative to eliminate contacts in the OTPS budget that were responsible for providing maintenance to the ACRIS system which will instead be handled by the hiring of new Information Technology specialist.

Treasury

The Treasury Division is charged with managing and safeguarding the City's money.

	2008 Actual Expenses	2009 Adopted Budget	2010 Preliminary Budget	2010 Executive Budget
Spending				
Personal Services	\$2,672,988	\$2,510,719	\$2,521,907	\$2,521,907
Other than Personal Services	\$4,365,781	\$3,066,751	\$3,058,251	\$23,058,251
Total	\$7,038,769	\$5,577,470	\$5,580,158	\$25,580,158
Funding				
City	NA	\$5,577,470	\$5,580,158	\$25,580,158
Total	NA	\$5,577,470	\$5,580,158	\$25,580,158
Headcount				
Full-time Positions	40	43	43	43

The Treasury Division increased by approximately \$20 million in the Fiscal 2010 Executive budget due to a change in how DOF maintains banking contracts for the City. Specifically, DOF previously had an arrangement with banks whereby the City maintained funds on deposit that did not earn cash interest but instead earned credits which accrued at rates typically tied to the rates of 3-month treasury bills. The City determined, however, that since 3-month treasury bills are currently at a low given the current economic environment that it is not fiscally prudent to continue this policy since the credits the City is able to earn on its deposits are not sufficient to offset the charges the City must pay for banking services. Therefore the administration has decided to redirect the City's funds on deposit to the Comptroller's Office for investment which is expected to earn enough to offset the \$20 million cost

in banking services. It is expected that the City's investment will earn at least \$20 million thereby making this a cost-neutral initiative.

Supplemental Tables

Executive Budget Actions

The following table summarizes changes to the Fiscal 2009 and 2010 budgets since the Preliminary Budget. The Non-City actions include State, Federal, Other Categorical, Intra-City and Capital Inter-Fund Agreement (IFA) funding changes.

Description	Fiscal 2009			Fiscal 2010		
	City	Non-City	Total	City	Non-City	Total
Agency Budget as per the January Plan	\$211,697	\$4,221	\$215,918	\$198,851	\$4,206	\$203,057
Executive Plan Programs to Eliminate the Gap (PEGs)						
Across the Board OTPS Cut			\$0	(\$99)		(\$99)
Eliminate Security Guard Contracts			\$0	(\$925)		(\$925)
Fleet-Related Expense Reduction	(\$33)		(\$33)	(\$42)		(\$42)
January Plan Layoff Adjustment			\$0	(\$350)		(\$350)
Personnel Service Reduction-Layoffs			\$0	(\$1,880)		(\$1,880)
Reduction of College and High School Intern Program			\$0	(\$750)		(\$750)
Total PEGs	(\$33)	\$0	(\$33)	(\$4,046)	\$0	(\$4,046)
Executive Plan New Needs	\$0	\$0	\$0	\$0	\$0	\$0
Total New Needs	\$0	\$0	\$0	\$0	\$0	\$0
Executive Plan Other Adjustments						
Assigned Counsel Program Transfer to Finance	\$162		\$162	\$643		\$643
Collections Study Funding Roll Over	(\$2,397)		(\$2,397)	\$2,397		\$2,397
Collective bargaining for CSBA (Attorneys)	\$147		\$147	\$217		\$217
Collective bargaining for CWA L1180	\$654		\$654	\$1,569		\$1,569
Collective bargaining for local 300	\$3		\$3	\$16		\$16
Collective Bargaining for OSA (Staff Analyst)	\$260		\$260	\$576		\$576
Collective bargaining for Sheriff's	\$1,194		\$1,194	\$1,641		\$1,641
Fringe Restoration			\$0	\$294		\$294
Heat, Light and Power	(\$38)		(\$38)	\$337		\$337
Intracity with DOF-Sheriff Office	\$681		\$681			\$0
January Plan Fringe Offset			\$0	\$26		\$26
January Plan Fringe Restoration				\$86		\$86
Lease Adjustment				\$1,809		\$1,809
Legislation to expand Red Light Camera Program				\$33		\$33
LGRM Grant for Fiscal 2009		\$71				\$0
Switch Banking Contracts to Direct Pay	\$4,500			\$20,000		\$20,000
Total Other Adjustments	\$5,167	\$71	\$667	\$29,642	\$0	\$29,642
Total Executive Plan Budget Changes	\$5,134	\$71	\$634	\$25,596	\$0	\$25,596
Agency Budget as per the Executive Plan	\$216,831	\$4,292	\$216,552	\$224,447	\$4,206	\$228,653

Summary of Changes Since June 2009 Plan

City Funds only, \$\$ 000's

	2009	2010	2011	2012	2013
June 2009 Plan	\$202,229	\$198,694	\$198,701	\$198,708	\$198,708
New Needs	\$2,380	\$314	-	-	-
Collective Bargaining	\$5,387	\$8,743	\$9,597	\$9,592	\$9,459
Other Adjustments	\$2,227	\$26,340	\$23,950	\$24,284	\$24,646
PEGS	\$3,927	(\$9,330)	(\$10,697)	(\$11,947)	(\$12,317)
Exec 2010 Plan	\$216,150	\$224,761	\$221,551	\$220,637	\$220,496

Units of Appropriation

U/A#	U/A Name	2009 Adopted Budget	2010 Preliminary Budget	2010 Executive Budget	Percent Change from 2009 Adoption
001	Administration & Planning	\$34,145,151	\$38,059,209	\$37,812,592	10.74%
002	Operations	\$22,483,242	\$22,410,738	\$22,894,418	1.83%
003	Property	\$18,815,901	\$19,548,695	\$19,563,633	3.97%
004	Audit	\$20,962,074	\$22,342,089	\$22,272,986	6.25%
005	Legal	\$3,840,694	\$3,800,378	\$3,896,337	1.45%
006	Tax Appeals Tribunal	\$0	\$0	\$0	0.00%
007	Parking Violations Bureau	\$9,961,284	\$10,152,972	\$9,836,245	-1.26%
009	City Sheriff	\$12,961,179	\$12,873,204	\$14,582,490	12.51%
Total PS		\$123,169,525	\$129,187,285	\$130,858,701	6.24%
011	Administration & Planning	\$68,135,392	\$59,417,598	\$80,510,009	18.16%
022	Operations	\$4,434,000	\$4,434,000	\$6,830,750	54.05%
033	Property	\$6,043,990	\$3,894,990	\$3,894,990	-35.56%
044	Audit	\$414,000	\$1,814,000	\$1,814,000	338.16%
055	Legal	\$127,790	\$127,790	\$127,790	0.00%
066	Tax Appeals Tribunal	\$0	\$0	\$0	0.00%
077	Parking Violations Bureau	\$450,000	\$560,610	\$996,870	121.53%
099	City Sheriff	\$3,620,641	\$3,620,641	\$3,619,991	-0.02%
Total OTPS		\$83,225,813	\$73,869,629	\$97,794,400	17.50%
Total Agency		\$206,395,338	\$203,056,914	\$228,653,101	10.78%