The City of New York
Executive Budget
Fiscal Year 2005

Michael R. Bloomberg, Mayor

Office of Management and Budget
Mark Page, Director

Message of the Mayor

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

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

My Fellow New Yorkers,

This is the third budget we have presented. It reflects all the work and sacrifice New Yorkers have made to ensure that our City will endure and overcome the results of terrorist attacks and a weak national economy. Through persistence and fiscal prudence, we are now in a better position to benefit from any turnaround in the economy.

The economic outlook for New York City has brightened to an extent. Increased Wall Street profits have generated additional revenues for the City. Tourists have returned to the City, and both the residential and commercial real estate markets remain strong.

The remarkable improvement in the quality of life in our City is ongoing, with crime continuing its historic decline, and City services being delivered efficiently and effectively. The 311 system has made the City more responsive to the needs of its citizens. Education is a civil right and Mayoral control of the school system has achieved clear accountability in this vital service for the first time.

Since the beginning of my administration, we have taken over $3 billion of gap-closing actions, while protecting essential City services. Police, Fire, Sanitation and Education budgets were sheltered from the deepest reductions. Painful temporary tax increases were necessary to maintain the quality of life which we've fought so hard to maintain. Our plan to return $250 million to homeowners in the form of a $400 rebate on property taxes reflects our commitment to share any good news with those taxpayers who had to endure the most pain, those who stepped up to the plate when our City needed them most and now deserve relief with a rebounding economy.

The City has also agreed on a three-year contract with DC 37, representing approximately one-third of the City's workforce, which includes the following terms:

- A $1,000 per employee cash payment upon ratification
- A 3% rate increase retroactive to July 1, 2003
- An up to 3% increase effective July 1, 2004, to be paid from productivity and other operational savings without additional cost to the City budget.

Funding at the level of the DC37 contract terms has been included for all City employees in the Executive Budget.

The Executive Budget closes the $695 million budget gap in 2005 through a series of actions.

- Revenues are projected to increase by $658 million based on the growing New York City economy.
- Other expense, revenue and technical adjustments totaling $1.77 billion, including over $650 million for a City-wide collective bargaining settlement at the DC37 contract terms, $200 million in additional funding for the Health and Hospitals Corporation and over $150 million to subsidize formerly franchised bus service at the Metropolitan Transportation Authority, have been funded.
- The Executive Budget relies on $150 million from the Federal government in aid (down from $300 million in the January Preliminary Budget), and $400 million from the State. We have developed a long menu of Federal and State initiatives which would provide this necessary assistance to the City.
- In addition, $1.3 billion of Fiscal Year 2004 resources will be used to help close the budget gap in 2005.

But make no mistake, we stand at a pivotal moment: the City's economy is perched on the edge of improvement, yet we must remain vigilant should that economic turnaround falter. A $3.8 billion gap in Fiscal Year 2006 and out-of-control mandated spending require continued fiscal restraint.

We have sharply reduced the rate of growth in City spending on agency operations, but non-discretionary expenses are increasing at an explosive rate. In fact, fixed costs are growing almost six times as fast as the projected revenue growth. Debt service, pensions, fringe benefits and Medicaid expenses increase by over $2.3 billion from 2004 to 2005, while Agency expenses increase by only $293 million.

Immediate economic growth will not solve this problem. If tax revenues increased at their fastest rate ever, the budget gap in 2006 would be reduced by only $1 billion.

We are, however, using targeted investment of City funds to create jobs, housing and economic growth in all five boroughs. Although our immediate budget problems will not be solved by growth alone, we must continue to make the necessary investments that will make our City better than we found it.

While we have made great strides in returning the City's budget to health, we cannot rest. Future budget gaps remain daunting, and we will require the creativity and spirit of all New Yorkers in order to succeed in closing them. I know New Yorkers share my commitment to working together to ensure that our City remains the best place on earth to live, work, do business and to visit.

Now is not the time to squander our still limited resources at the first indications of good financial news. It is, rather, the time to consolidate our gains, and build on our strengths so that we may pass on to our children a City that is worthy of their dreams.

Very truly yours,

Michael R. Bloomberg
Mayor

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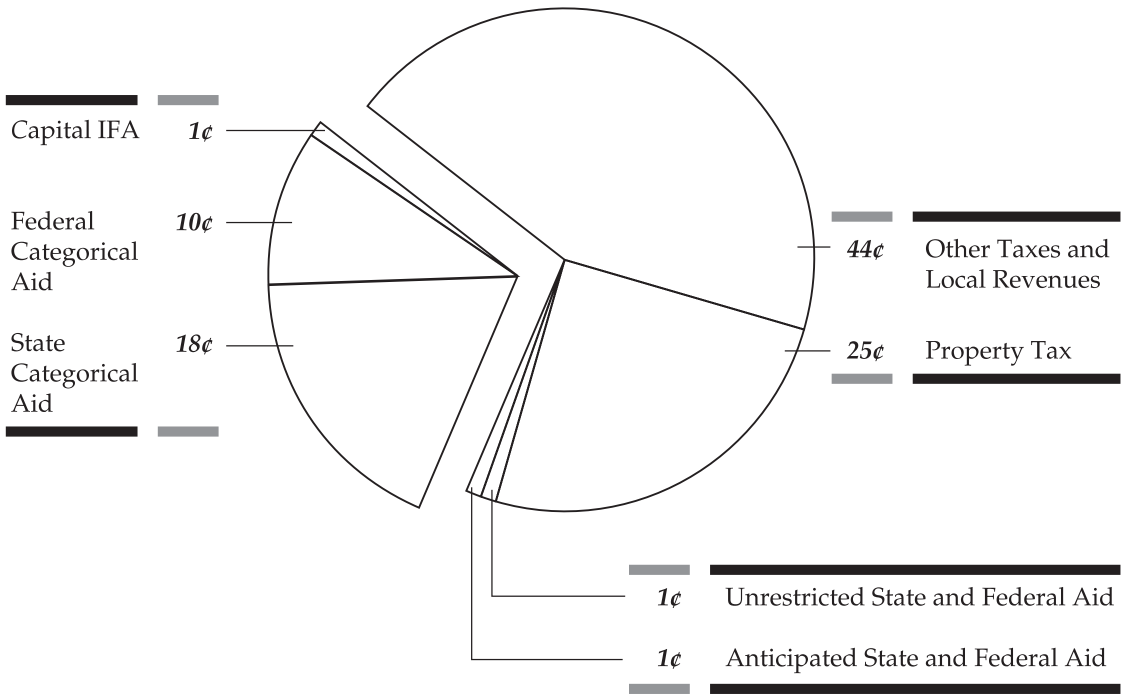
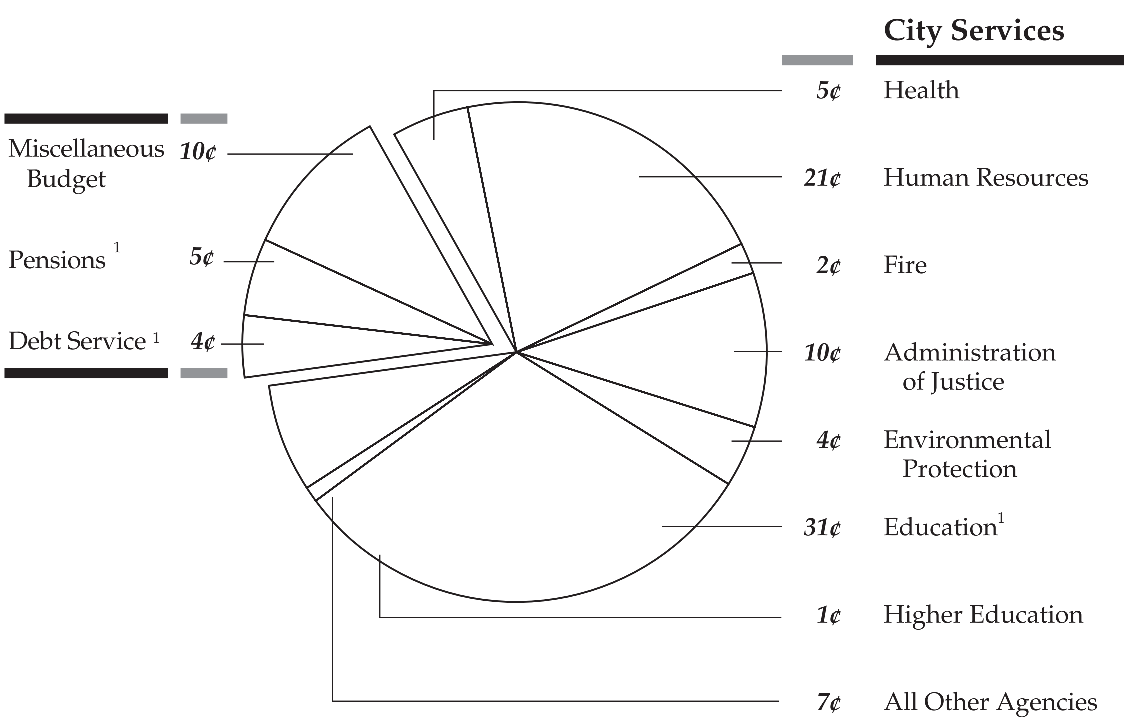


Where the 2005 Dollar Goes To



[1] Debt Service and Pension costs related to the Department of Education have been included in Education.

BUDGET AND FINANCIAL PLAN OVERVIEW

The 2005 Executive Budget is $46.9 billion, a decrease of $ 0.2 billion from the forecasted results for 2004. This is the twenty-fifth consecutive budget which is balanced under generally accepted accounting principles.

For **fiscal year 2004** an operating surplus of $1,306 million is projected, which will fund the budget stabilization account and be used to help balance the Executive Budget by reducing debt service payments required in 2005 . The budget includes $333 million for collective bargaining, in addition to the $200 million previously budgeted for labor costs, which provides for a cash payment of $1,000 and a 3% wage increase beginning in the 13th month of the contract. Since a final decision in the continued appeal by New York State of the takeover of MAC debt service costs has not been issued, the planned benefit of $502 million will now be achieved in 2005 resulting in additional costs in 2004 of $502 million. The 2004 forecast includes $200 million for Pay-As-You-Go Capital for Education and also provides for a general reserve of $40 million to offset any adverse changes, which may surface during the remainder of the fiscal year or during the audit of the operating results.

The **fiscal year 2005** budget includes funding of $652 million for the cost of labor settlements. An additional wage increase of up to 3% will be funded with increased productivity and other budgeting actions with no additional cost to the City's budget. The budget provides for an increase of $200 million to the Health and Hospital Corporation subsidy, funding of $159 million for the continuation of formerly franchised bus service by the MTA and $250 million for the Property Tax Rebate. The delayed implementation of the State takeover of MAC debt from 2004 to 2005 provides additional revenue of $502 million in 2005. The budget includes requests for State assistance of $400 million and Federal assistance of $150 million. The 2005 budget maintains funding for Pay-As-You-Go Capital for Education of $200 million and also provides for a general reserve of $300 million.

Financial Summary—1999-2005
($ in Millions)

	Fiscal Years Ending June 30						
	1999*	2000*	2001*	2002*	2003*	2004**	2005***
Revenues							
Taxes:							
General Property Tax	$7,631	$7,850	$8,246	$8,648	$9,942	$11,353	$11,832
Other Taxes [1]	13,123	13,993	14,564	12,585	12,847	15,440	14,637
Tax Audit Revenues	536	416	401	485	571	590	508
Tax Reduction Program	—	—	—	—	—	—	(250)
Miscellaneous Revenues	3,473	4,239	4,953	5,129	4,258	4,532	5,769
Transitional Finance Authority - 9/11	—	—	—	—	1,500	—	—
Unrestricted Intergovernmental Aid	652	631	634	666	1,443	991	562
Anticipated State & Federal Actions	—	—	—	—	—	—	550
Less: Intra-City Revenue	(780)	(1,150)	(1,330)	(1,390)	(1,110)	(1,219)	(1,133)
Disallowances	(39)	(5)	(46)	—	(47)	(15)	(15)
Subtotal City Funds	$24,596	$25,974	$27,422	$26,123	$29,404	$31,672	$32,460
Other Categorical Grants	367	431	492	615	1,006	921	806
Inter-Fund Revenues	249	240	284	305	300	352	345
Total City & Inter-Fund Revenues	$25,212	$26,645	$28,198	$27,043	$30,710	$32,945	$33,611
Federal Categorical Grants	4,262	4,417	4,550	6,097	5,618	5,563	4,716
State Categorical Grants	6,639	7,062	7,768	8,030	8,317	8,639	8,573
Total Revenues	$36,113	$38,124	$40,516	$41,170	$44,645	$47,147	$46,900
Expenditures							
Personal Service	$18,535	$19,178	$21,182	$22,756	$23,608	$24,463	$25,507
Other Than Personal Service	14,469	16,165	17,405	18,409	18,681	19,574	20,117
Debt Service	1,269	739	310	704	1,819	2,481	3,415
MAC Debt Service Funding	—	—	—	5	225	502	—
Discretionary Transfers							
Debt Service	2,091	2,599	2,199	667	480	1,306	(1,306)
MAC Debt Service	386	451	458	—	—	—	—
Other [1]	138	137	287	14	937	—	—
	2,615	3,187	2,944	681	1,417	1,306	(1,306)
General Reserve	—	—	—	—	—	40	300
	$36,888	$39,269	$41,841	$42,555	$45,750	$48,366	$48,033
Less: Intra-City Expenditures	(780)	(1,150)	(1,330)	(1,390)	(1,110)	(1,219)	(1,133)
Total Expenditures	$36,108	$38,119	$40,511	$41,165	$44,640	$47,147	$46,900
Surplus/(Deficit) GAAP Basis	$5	$5	$5	$ 5	$ 5	$ -	$ -

* Actual, Comptroller's Report as of the audit of the respective fiscal year excluding subsequent restatements.
** Forecast
*** Executive Budget
[1] Fiscal Year 2003 discretionary transfers include $624 million in the Miscellaneous Budget for delayed receipt of FY2004 revenues from the Transitional Finance Authority.

Summary of Financial Plan

The City's financial plan sets forth projected operations on a GAAP basis for the 2005 through 2008 fiscal years. In accordance with the City Charter a four-year financial plan is to be included in the Executive Budget submission. The financial plan will also be submitted to the Financial Control Board in accordance with the Financial Emergency Act. The assumptions, upon which the four-year plan revenue and expenditure estimates are based, are summarized in the Appendix section of this Mayor's Message.

Four-Year Financial Plan
($ in Millions)

	2005	2006	2007	2008
Revenues				
Taxes:				
General Property Tax	$11,832	$12,340	$12,931	$13,549
Other Taxes	14,637	14,902	15,336	16,161
Tax Audit Revenues	508	508	509	509
Tax Reduction Program	(250)	(259)	(263)	(267)
Miscellaneous Revenues	5,769	4,279	4,233	4,265
Unrestricted Intergovernmental Aid	562	562	562	562
Anticipated State & Federal Actions	550	550	550	550
Less: Intra-City Revenues	(1,133)	(1,132)	(1,132)	(1,131)
Disallowances Against Categorical Grants	(15)	(15)	(15)	(15)
Subtotal City Funds	$32,460	$31,735	$32,711	$34,183
Other Categorical Grants	806	830	840	839
Inter-Fund Revenues	345	332	328	328
Total City & Inter-Fund Revenues	$33,611	$32,897	$33,879	$35,350
Federal Categorical Grants	4,716	4,644	4,632	4,622
State Categorical Grants	8,573	8,548	8,624	8,694
Total Revenues	$46,900	$46,089	$47,135	$48,666
Expenditures				
Personal Service				
Salaries and Wages	$16,954	$17,176	$17,165	$17,067
Pensions	3,376	4,107	4,515	4,502
Fringe Benefits	5,177	5,475	5,788	6,162
Subtotal - PS	$25,507	$26,758	$27,468	$27,731
Other Than Personal Service				
Medical Assistance	$4,766	$4,997	$5,194	$5,401
Public Assistance	2,295	2,304	2,305	2,305
Pay-As-You-Go Capital	200	200	200	200
All Other	12,856	12,774	12,954	13,129
Subtotal - OTPS	$20,117	$20,275	$20,653	$21,035
Debt Service	3,415	3,650	4,013	4,285
Budget Stabilization	(1,306)	—	—	—
General Reserve	300	300	300	300
	$48,033	$50,983	$52,434	$53,351
Less: Intra-City Expenses	(1,133)	(1,132)	(1,132)	(1,131)
Total Expenditures	$46,900	$49,851	$51,302	$52,220
Gap To Be Closed	**$—**	**($3,762)**	**($4,167)**	**($3,554)**

The following table details changes to the revenue and expense forecasts for 2004 through 2007 since the 2004 budget adoption. A comparison of the gaps in this financial plan to the gaps that existed when the 2004 budget was adopted and the actions that have been taken to close those gaps are provided.

A budget gap of $2.0 billion was projected for 2005 when the budget was adopted for 2004. Since then, projected revenues have increased by $1.6 billion, including $1.0 billion in tax revenues and $609 million in non-tax revenues. Major increases in projected spending include $652 million for collective bargaining, $388 million in Medicaid costs, $200 million to the Health and Hospital Corporation subsidy, $159 million for the continuation by the MTA of formerly franchised bus service, $69 million for Public Assistance and $71 million for the estimated cost of Lead Bill compliance. Projected Pension costs and Debt Service costs have been reduced by $133 million and $201 million respectively. In addition, the delayed implementation of the State takeover of MAC debt service costs from 2004 to 2005 provides additional revenue of $502 million in 2005 and prepayments through the 2004 Budget Stabilization Account provide budget relief of $1,306 million in 2005. Agency gap closing actions of $324 million and requests for State assistance of $400 million and Federal assistance of $150 million are assumed in the budget. The 2005 budget maintains funding for Pay-As-You-Go Capital for Education of $200 million and provides $250 million for the Property Tax Rebate.

FINANCIAL PLAN UPDATE

($ in Millions)

	2004	2005	2006	2007
Gap to be Closed June 2004 Plan	**$—**	**$(2,014)**	**$(3,238)**	**$(3,285)**
Revenue Changes				
Taxes	1,395	1,024	876	901
Airport Lease Payment Delay	(200)	200	—	—
Receipt of Bond Bank Payment for Education	197	—	—	—
Other Non Tax Revenues	454	409	131	134
Total Revenue Changes	$1,846	$1,633	$1,007	$1,035
Expense Changes				
Collective Bargaining Settlement (DC 37 Settlement Applied Citywide)	(333)	(652)	(580)	(574)
Medicaid	(448)	(388)	(475)	(668)
Public Assistance	(59)	(69)	(69)	(69)
Increase Subsidy for Health and Hospitals Corp.	—	(200)	(150)	(150)
Pension Costs	195	133	143	136
Bus Subsidy to MTA	(75)	(159)	(157)	(161)
Debt Service	293	200	140	(38)
Other Expenses	(395)	(716)	(669)	(674)
Total Expense Increases	(822)	(1,851)	(1,817)	(2,198)
Other Changes				
Re-estimate of Prior Years' Expenses	300	—	—	—
Reduction of General Reserve to $40 million	260	—	—	—
MAC Debt Service	(502)	502		
Surplus/(Gap to Be Closed)	**$1,082**	**$(1,730)**	**$(4,048)**	**$(4,448)**
Gap Closing Program				
Agency Gap Closing Actions	324	324	195	194
Federal Actions	—	150	150	150
State Actions	—	400	400	400
Tax Rebate	—	(250)	(259)	(263)
Pay-As-You-Go Capital	(100)	(200)	(200)	(200)
Surplus/(Gap)	1,306	(1,306)	(3,762)	(4,167)
Prepayments	(1,306)	1,306	—	—
Remaining (Gap)	**$—**	**$—**	**$(3,762)**	**$(4,167)**

Employment Levels

Over the last two years headcount reporting has been enhanced to include the effect of part-time, seasonal and hourly spending. Both full-time headcount and full-time equivalent headcount associated with part-time, seasonal and hourly spending have been reported on a monthly basis. In addition, the staffing levels of non-city employees paid in part by City subsidies have also been reported.

Agencies have begun to contract-in, where practicable and cost-effective, certain services that previously have been provided by outside vendors. The Executive Budget includes authorization to further contract-in and to reduce the use of outside vendors in these areas. To facilitate accurate comparisons of 2005 Executive Budget planned agency staffing levels with prior periods, the December 2001 and February 2004 actual headcounts have been adjusted to reflect the number of employees provided via contract for those services to be contracted-in.

In addition, the Department of Education has enhanced their reporting to include positions that previously had not been included in the City's headcount reporting. Their recent monthly reports have included per-diem teachers and professional administrative hourly employees, which were not included in the December 2001 headcount for Education. The December 2001 data has been restated to include these employees.

The staffing levels of non-city employees paid in part by City subsidies are also now being reported. For these agencies the December 2001 data reflects staffing as of February 2002.

A comparison of City-funded actual staffing for December 2001 and February 2004 to the June 2005 projected staffing authorized in the 2005 Executive Budget follows:

	December 2001 Total	February 2004 Total	Executive Plan June 2005 Total
City Employees			
City Funded Employees	269,956	251,908	253,899
Non-City Funded Employees	41,848	43,210	42,841
Total Employees	311,804	295,118	296,740
Non-City Employees Paid by City Subsidies			
Health and Hospitals Corporation	37,941	37,941	37,308
Housing Authority	14,863	14,597	14,615
Libraries	4,428	4,008	3,786
Cultural Institutions	1,728	1,835	1,589
School Construction Authority	933	529	453
All Other	1,241	1,356	1,403
Sub-Total	61,134	60,266	59,154
Grand Total (Full-Time and FTE's)	**372,938**	**355,384**	**355,894**
City Funded Employees	**316,227**	**297,572**	**298,433**

A more detailed presentation by agency is presented in Exhibits 5 and 5A.

FEDERAL AND STATE AGENDA

OVERVIEW

Over the last two years, the City has been extremely successful in achieving its Federal and State Agenda. In 2003, the gap closing program called for $200 million of Federal assistance. By increasing the Federal share of Medicaid, providing additional reimbursement for the protection of the UN and foreign missions, and granting additional flexibility in certain grants, the Federal government delivered $340 million of gap closing assistance. In addition, the City also successfully lobbied for the creation of a new High Threat Urban Area Security Initiative which provided the City with $180 million over two years. The City also worked successfully with the State in 2003 to restore over $600 million of projected budget cuts to education and social services, to develop over $500 million of no-cost fiscal relief initiatives and to pass legislation relieving the City of $500 million in annual MAC payments.

The 2005 Gap Closing Program calls for $150 million of initiatives requiring Federal action and $400 million of initiatives requiring State action. Specifically, the Federal and State Agenda focuses on controlling and reducing mandated costs on local governments. The expanding Medicaid program is one of the fastest growing portions of New York City's budget. The City spends over $4 billion a year on this mandated program, but has no control of how it is spent. The Federal and State government must find ways to control Medicaid costs and relieve localities of this significant fiscal burden. In addition, the Federal and State agenda proposes new changes to reduce the City's debt service, and provide the City with equitable reimbursement for undertaking mandated federal and state functions. The Federal and State governments have been provided with a menu of over $1.3 billion of initiatives to help meet this $550 million target.

FEDERAL AGENDA

Federal Initiatives to Close the Gap

Increase State Criminal Alien Assistance Program Funding

The Federal government reimburses state and local governments for a portion of the costs of incarcerating illegal aliens who have been convicted of one felony or two misdemeanor offenses. Historically, the City received approximately $30 million each year to partially offset the costs of keeping these individuals in local jails through the State Criminal Alien Assistance Program (SCAAP). However, this allocation was reduced to $16 million last year, shifting even more of the substantial cost of housing these individuals to the City. The City's jail system holds more than 8,000 criminal illegal aliens each year at a cost of more than $100 million. Cuts in this program will force the City to divert already scarce law enforcement resources away from crime prevention and homeland security efforts. The City requests that SCAAP funding be fully restored and increased to an appropriate level to cover the full cost of this program which will provide the City with an additional $87 million in 2005.

Close Tax Loopholes

Tobacco taxes are both a source of revenue for New York City and a sensible public health measure as a way to discourage cigarette consumption. With the development of the internet, tobacco products are more easily available and furthermore, it has become easier to avoid the payment of taxes on tobacco products through sales over the internet.

Since 1949, the Federal government has required retail sellers of tobacco products who ship across state lines to provide information to state taxing authorities under the Jenkins Act. However, as detailed in a recent General Accounting Office report on internet tobacco sales (GAO-02-743) the Jenkins Act has significant limitations. Moreover, no Federal mechanisms exist to restrict internet and other mail-order sales of tobacco products to minors, despite the fact that this violates state laws and allows tobacco manufacturers to recruit smokers at an early age.

The City strongly supports strengthening of the Jenkins Act. Some provisions supported by the City include: giving local authorities the ability to enforce the Act, requiring additional information be provided at the time of tobacco sale and requiring that state and local taxes be paid prior to shipment. It is estimated that these proposed Jenkins Act amendments, in addition to the enactment of a number of other proposed Federal tax provisions, will provide an additional $70 million in tax revenue to the City.

Collect Real Estate Tax on Property for Non-Diplomatic Use

Many of the 191 United Nations member states and 106 foreign government consular offices own real property in New York City. Property utilized for diplomatic purposes is exempt from real estate taxes under international agreements. However, many of these properties are not used for diplomatic purposes and are therefore, required to pay taxes. A total of 34 countries owe the City more than $165 million in tax arrears on such properties.

The City supports a provision that would withhold 110 percent of the amount owed the City from foreign aid to countries that do not pay their real estate taxes, except where aid is determined to be in the national interest. Last year, the Senate included an amendment to authorizing legislation for the State Department; however, the authorization did not get enacted. The City supports including this provision into either the authorizing legislation or the FY 2005 Foreign Operations Appropriations, producing $50 million in revenue to the City in 2005.

Restore Federal Medicaid Funding for Legal Immigrants

Welfare reform legislation enacted in 1996 expressly prohibits Medicaid funding for legal immigrants. However, in 2001, the New York State Supreme Court ruled in Aliessa v Novella that the State of New York must provide Medicaid to legal immigrants that meet the income eligibility requirements. Since the Federal government is prohibited from providing reimbursement, Medicaid costs for this population are split between the City and the State. The City seeks to repeal the prohibition of Federal funds for legal immigrants which would save the City an estimated $34 million in 2005.

Reimburse the City for the Full Costs of Protecting the United Nations and Foreign Missions

Under an agreement with the State Department, New York City provides extraordinary security measures for the protection of dignitaries and foreign missions, as well as providing security for special international events held in the City. Although the State Department reimburses the City for these services, the cost of providing protection has increased beyond the current reimbursement level. Last year, Congress provided a lump sum payment to cover the outstanding costs from the Millennium Summit. However, the State Department still owes the City for services provided during the last several years that have not been covered by the annual appropriation. The City is seeking $20 million for the reimbursement of these costs, and an increase in the annual reimbursement rate from $10 million to $20 million. This would provide a total of $30 million in additional revenue for the City of New York in 2005.

Extend Second Advanced Refunding Authority

In 2002, the City was granted the authority to issue one additional advanced refunding of tax-exempt debt, so long as the refunding resulted in present value savings. An advanced refunding is a refunding of tax-exempt debt with new debt issued more than 90 days prior to the maturity date or first call date of the existing debt. Prohibiting more than one advanced refunding unnecessarily limits the City’s ability to respond to declining interest rates by lowering debt service costs through refunding. Extending this authority by an additional five years, would provide the City with $20 million of savings in 2005.

Extend Parking Summons Provisions for Foreign Diplomats

In 2002, the State Department and New York City agreed to an historic parking program that has dramatically reduced illegal parking by the diplomatic community and improved the collection of payments for summons issued. Since the implementation of the program, the rate of summonses resolved increased from 9 percent to 67 percent. Not only has this program generated more revenue for the City, it has reduced the number of parking violations issued. Given the success of the current program, the City is seeking to collect fines accrued prior to the implementation of the program. More than 180 countries owe the City approximately $21 million dating back to April 1, 1997.

The 2004 Foreign Operations Appropriations bill included a provision that withheld 110 percent of the amount owed to the City from scofflaw countries, except aid that is determined to be in the national interest. The City supports incorporating similar language into the authorizing statute or the 2005 appropriations that would take 110 percent of the amount owed the City from the foreign aid payable to scofflaw countries, except aid determined to be in the national interest, and apply that funding to unpaid fines and penalties dating back to April 1, 1997.

Other Federal Initiatives

Distribute Homeland Security Funds on a Threat-Based Allocation

Over the last two years Congress has appropriated nearly $8 billion in homeland security grants for state and local governments, including the High Threat Urban Area Security Initiative which was created in part at the request of the City of New York. However, in 2004 the City received only $95 million in total homeland security funding; less than 2.5 percent of all funding for that year. This funding level is clearly inadequate and is based on a formula that distributes Homeland Security dollars to states without regard to threat. In fact, New York State received only $5.47 per person while Wyoming, for example, received $38.31 per person in State Homeland Security funds. This formula must be changed and should be based on the potential for attack, presence of critical infrastructure and potential severity of consequences. If all of the homeland security and bioterrorism grants were distributed on a threat based allocation similar to the High Threat Urban Area Security Initiative, the City would receive at least $400 million in the next fiscal year.

Authorize Education Spending at Full Funding Levels

The Federal No Child Left Behind Act of 2001 (NCLB) is designed to hold states and school districts accountable for the academic achievement of all students, to ensure that the teaching and paraprofessional staff is highly qualified, and to provide parents with access to information and choice. In order to accomplish these goals, the NCLB Act mandates very high standards of achievement and outlines a series of remedies if those standards are not attained. If students do not meet certain annual performance indicators, parents are provided with the option to transfer their children to a different public school. In addition, school districts are required to provide tutoring services, and in some instances, the Federal government will assess financial penalties.

While these high standards are necessary to meet our children's needs, achieving high performance will be costly. The Federal government has not provided the amount of funding originally determined to be necessary to help districts meet these goals. When NCLB was passed by Congress specific funding levels were authorized in law. However, actual appropriations in the budget process have not reached those levels. For example, the Title I program, which provides funding to improve the academic achievement of the disadvantaged, was only funded at 66 percent of the authorized level in 2003. If Title I were fully funded in 2005, the City would receive an additional $534 million which would allow the City to provide the mandatory services and support required under NCLB.

STATE AGENDA

Medicaid Reform

Medicaid spending is one of the largest components of New York City's budget. Expenses continue to rise at a dramatic rate with no indication that the growth is likely to subside. In 2003, the City's share of mandated

Medicaid expenditures was $3.87 billion and is projected to increase to $4.14 billion in 2004 and over $4.6 billion in 2005. Successful reform of the Medicaid program can reflect the State and City's continued commitment to providing quality health care, while establishing necessary program priorities and recognizing the need to provide critical fiscal relief to localities.

Takeover the Local Share of Family Health Plus: In order to contain Medicaid costs for localities, the State Senate Medicaid Task Force has suggested that the State takeover the county share for the Family Health Plus program. This program provides health insurance coverage to adults in New York State who do not have health insurance but whose incomes exceed the Medicaid levels. Local governments have a 25 percent share in the cost of Family Health Plus and it is projected to cost the City $342 million in 2005. Taking over the local share of this program would relieve the City and all other counties of the growing costs of this new mandated program.

Enact Medicaid Cost Containment: There are a variety of ways to achieve these goals, including instituting new management tools to improve care and ensure adherence with program priorities, implementing pharmacy cost controls and reducing local contributions to reflect the lack of any local decision making role. With no input from localities, recent State actions have expanded Medicaid eligibility, creating sizeable costs for localities. It is imperative that the State enact responsible and sustainable Medicaid cost controls in the upcoming year. In addition to the State takeover of a number of Medicaid programs it is anticipated that effective and equitable cost containment initiatives would save New York City $200 million in 2005 with savings reaching $228 million by 2008.

Continue State Takeover of Medicaid Long Term Care: In addition to the takeover of Family Health Plus, the Governor's Medicaid Task Force recommended changes to the Medicaid Long Term Care program since it accounts for the largest percentage of the State's Medicaid budget. Over the last two decades, the State has made incremental changes in the way that this program has been financed. In 1984, New York State took over 60 percent of the county share of long-term care Medicaid costs in response to growing expenses. In 1994, the State implemented another phased-in partial takeover of the remaining county long term care, resulting in a local share of less than 10 percent for long term care. If the State were to continue this trend by phasing in a complete takeover of long term care beginning in 2004, the City would save approximately $117 million in 2005 and the savings would grow to $514 million by 2008.

Reverse State Cost Shifts

Remove State Caps on Reimbursement for Social Services Administrative Expenses

Eliminate the Home Care Savings Target: The State continues to impose the home care savings target on the City of New York. This target requires the City to show a savings of at least $32 million in home care expenditures based on the cost of services provided compared to a State-determined amount. The target is unfair as the home care program is mandated by the State, with little to no local input. The State has consistently failed to provide localities with the tools necessary to contain costs in the home care program, yet the City is penalized if it fails to meet the savings target. The State should continue to share in its responsibility and eliminate the home care savings target.

Relief from the Social Services Administration Caps: The State places a cap on the allowable reimbursement amount for local administrative expenditures for temporary and disability assistance, Medicaid and Food Stamps, with some exceptions for certain approved activities. Since its implementation in 1989, New York City's cap amount has been reduced by over $60 million. Each year local government spending to administer state mandated programs significantly exceeds the cap. New York City spending is anticipated to exceed the cap by $120 million in 2004. Localities continue to bear the burden of administering programs that have generated enormous savings in the form of public assistance caseload reductions due to enhanced case management employment programs, as well as containment of fraud and abuse. However, the financial benefits of these efficiencies are not equitably shared with local governments. Moving forward with welfare reform, New York State must partner with its counties to share in the costs as well as the savings.

Increase Reimbursement for State-Ready Inmates

The State is required to provide reimbursement to localities for the incarceration of state-ready inmates and parole violators at $40 per inmate per day. State-ready prisoners are convicted felons who have been sentenced and committed to the State Department of Correctional Services, but have not yet been accepted by the State. Parole violators are also individuals who are temporarily detained in City correctional facilities. Despite this law, the State only reimburses localities $34 per inmate per day. Both the current rate as required by law and the rate paid by the State leaves the City with a substantial shortfall, since the actual average cost per inmate per day is approximately $260. Given that these individuals are the responsibility of the State, the State should provide the appropriate level of reimbursement to the City for its services. The City recognizes that the State has, during the last year, taken these individuals into their custody in a timelier manner, thereby reducing the City's cost burden. However, given the significant cost burden that remains, the City is seeking a four-year phase-in to full reimbursement. According to the City's proposal, starting in 2005, the reimbursement rate would be 25 percent of the actual cost and this rate would grow 25 percent each fiscal year and reaching 100 percent of the actual cost in 2008.

Increase Reimbursement for Probation

While New York State law provides that local government probation spending shall be reimbursed up to 50 percent of the local spending amount, the State actually reimburses the City significantly less than this statutory maximum each year. The State's probation aid has been gradually decreasing, with reimbursement amounts ranging from 21 percent to 25 percent of approved expenditures over the last few years. As a result, the City is required to fully finance this shortfall in probation aid at close to $20 million each year. This is an enormous burden, only compounded by the fact that the City's probation services actually save the State money, since many of the individuals on probation would be in a State prison if they were not sentenced to this alternative. The State should provide the City with the more substantial reimbursement allowed by law to avoid compromising this critical alternative to incarceration. The City proposes an increase in the probation reimbursement amount up to the statutory limit.

Provide Reimbursement for Foster Care Children Awaiting Placement in State Institutions

Children with serious mental illness or emotional disturbances who frequently enter the foster care system are referred to the State Office of Mental Health (OMH) and the State Office of Mental Retardation and Developmental Disability (OMRDD) for residential treatment facility (RTF) placement. RTF placements are funded 100 percent by the State. Currently, there are substantial waiting periods to move a child from foster care to these facilities, during which time the State neither provides services nor reimburses localities the RTF rate so that appropriate services can be contracted while clients await transfer. Care for these children is fully supported by the City and from the family and children services block grant, even after the placement determination for care by OMH/OMRDD is made. Since children awaiting RTF placement are legally the responsibility of the State, it is only fair that the State reimburse counties in full for the cost of providing these enhanced services before placement. In addition it is unfair to require counties to spend already scarce block grant funds in order to support these activities. It is estimated that the City would save $8 million in 2005 with the enactment of this proposal.

Other No Cost Initiatives

Enact Tort Reform

The City proposes that the State enact far-reaching tort reform legislation. Tort liability costs have increased dramatically since the early 1990s. Last year the City paid out $600 million in tort claims alone. The City's tort reform proposal includes several initiatives that are expected to produce savings for both the City and the State. The City's tort reform initiatives include:

Cap on Pain and Suffering: Setting a reasonable cap of $250,000 on pain and suffering will enable the City to compensate injured parties and their attorneys fairly.

Medical Expense Threshold: Establishing a medical expense threshold of $5,000 that plaintiff's must meet before being awarded damages for non-economic loss will prevent the City from paying substantial damage awards to claimants with only minor injuries.

Abolish Joint and Several Liability: Allowing public entities to be only proportionately liable for economic, as well as non-economic damages, will end the City's payment of full liability costs when other parties are also at fault.

Bar Recovery Where a Plaintiff's Comparative Negligence Reaches 50 percent: Modifying comparative negligence to bar recovery of damages where a claimant is assigned at least 50 percent culpability or was incurred while the claimant was committing a felony will account for a plaintiff's comparative negligence.

Limit the Interest Paid by Municipal Corporations on Judgments and Claims: Linking the statutory interest rate to the 52 week United States Treasury Bill, while maintaining a 9 percent cap, will result in municipalities paying an interest rate that is no higher than the market rate.

Confer Jurisdiction on the State Court of Claims: Extending the jurisdiction of the Court of Claims to include any tort actions brought against a local government or covered organization will continue to protect the rights of individuals, while relieving municipalities of open-ended financial exposure.

Reform the Local Finance Laws

The City of New York proposes that the State grant the City the authority to maximize the benefits of the municipal bond market in order to reduce debt service costs. Current law unnecessarily restricts a number of refinancing mechanisms that would allow the City to take advantage of lower interest rates. The City's reform package includes the following:

Variable Rate Swap Enhancement: This proposal will allow the City to enter into interest rate exchange agreements with counterparties within the three highest credit rating categories, as determined by two nationally recognized agencies, provided the party collateralized the obligation. Current law already provides that the City may enter into agreements with counterparties within the top two highest credit agencies. Moreover, if a counterparty falls below the top two tiers, after a contract has already been entered into, the City may continue its dealings, so long as the party collateralizes the obligation. This new proposal would just set this arrangement at the outset. The City also proposes a permanent extension to the current variable rate swap authority. This extension and enhanced swap authority would provide the City with $25 million in savings.

Transitional Finance Authority Reform: The City proposes to make various changes to the law as it relates to the Transitional Finance Authority's (TFA) debt capacity. Current law caps the amount of bonds issued by the TFA at $11.5 billion. The TFA has already issued this entire amount. In order to provide additional savings to the City of New York, the TFA debt limit should be increased to an amount which when totaled with outstanding General Obligation (GO) debt is equal to the constitutional debt limit of the City of New York. The City is not seeking an increase to its overall debt limit in this proposal, but is seeking to substitute less expensive TFA debt for GO debt. If the currently projected amount of GO debt to be issued for 2005 is issued by the TFA, the City would save up to $10 million.

General Obligation Bond Statutory Lien: This proposal would strengthen the credit of New York City GO debt by making permanent certain provisions of the Financial Emergency Act and by creating a statutory lien in the debt service fund in favor of the City's bond holders. This proposal would also authorize a pledge and agreement of the State to holders of City debt relating to preservation of the general debt service fund and the statutory lien. Strengthening the City's credit would result in approximately $3 million in savings.

Omnibus Periods of Probable Usefulness: This proposal would allow the City to efficiently utilize the authority granted in 1994 to structure its bond issues using the weighted average Period of Probable Usefulness (PPUs) of the objects or purposes financed. By extending the use of Omnibus PPUs for projects with a useful life of 35, 40 or 50 years, the City will better match the average life of its debt with that of its assets. This proposal would save the City approximately $3 million.

Enact Collateral Source Legislation

Currently, State Law subjects public employers to a double recovery of lost future earnings in tort actions brought by their employees. This inequity exists because under current law, the future lost earnings award a public employee receives in a tort action is not offset by a collateral source, such as a disability pension, that the employee will also receive to replace his or her lost earnings. An identical pension received by a private employee would be offset against the employee's tort recovery. This enactment will cure the unequal treatment provided public employers, eliminate windfall recoveries and lead to significantly lower costs to municipalities and taxpayers both in New York City and throughout the State. The City estimates savings of $30 million with the enactment of this proposal.

Increase Rent Stabilization Fees to Reflect Actual State Charges

Until State Fiscal Year 2000-01 the State administered the New York City rent regulation program and required the City to provide reimbursement at a capped rate of $10 per rent-regulated unit, or approximately $8 million per year. The State Fiscal Year 2000-01 State Budget transferred the full program costs, totaling over $35 million, to New York City without allowing the City to increase the amount collected per unit. The City requests the ability to collect a per-unit fee that adequately covers the program costs, saving the City $28 million each year.

Allocate Foster Care Block Grant Equitably

While the Foster Care Block Grant (FCBG) allocation for State Fiscal Year 2003-04 was funded at the same level as the previous fiscal year, $365 million statewide, New York City's share of the grant decreased by 3 percent, or $6.6 million from the prior fiscal year, and the rest of the State's share increased 5 percent. Last year, the State revised its methodology for distributing local FCBG allocations, placing greater weight on predictors of foster care and less on the actual number of children in foster care which resulted in the City's loss of funding. New York City urges the State to distribute FCBG funds based on a locality's statewide percentage of foster care children. New York City has 66 percent of the total number of foster care children in the State, but receives only 60 percent of the FCBG. If the FCBG were allocated using this more equitable basis, New York City would receive an additional $21 million each year.

Department of Finance Administrative Efficiencies and Loophole Closing

The following proposals address a variety of problems the City has recently faced regarding the collection of certain taxes and the expansion of loopholes that currently exist. The enactment of these proposals will provide the City with a total of $18 million in revenue annually.

REIT Loophole Closer: Real Estate Investment Trusts (REITs) are pass-through entities that are allowed to deduct dividends paid to shareholders. The Federal government no longer allows shareholders of REITs to claim a dividend-received deduction for REIT dividends. However, New York State and New York City law still permit the deduction thus allowing banks and property owners to use closely-held REITs to avoid paying taxes on mortgage interest and real estate income. This proposal will close this troublesome loophole and provide the City with an additional $10 million in revenue annually.

Mortgage Recording Tax Loophole Closer: This proposal attempts to close a number of loopholes that currently allow property owners who borrow funds using their property as collateral to structure the transaction to avoid paying the mortgage recording tax. These transactions take advantage of the mortgage recording tax exemption for supplemental mortgages and other provisions in the law that were originally intended to apply to only limited types of transactions. It is estimated that closing this loophole will provide the City with $5 million annually in lost mortgage recording tax revenue.

Allow the City to Offset Tax Liability Against New York State Refunds: This proposal will allow the City to satisfy an outstanding city tax warrant and judgment debt through a claim against a state tax refund owed by the same taxpayer.

Conform Sport Utility Vehicle Provision to the State: Due to their weight, sport utility vehicles (SUVs) inadvertently are not subject to the Federal tax limits on deductions relating to luxury vehicles. Last year, the State amended its tax laws to add back the first year expense deduction for SUVs. The City is requesting the ability to provide a similar tax treatment for these vehicles as the State.

Lower Electronic Funds Transfer Threshold: This proposal mandates the payment of real property taxes by electronic funds transfer for tax payments of $300,000 or more. This change will reduce the administrative burden of processing real property tax payments and will provide the City with earlier access to funds.

Transfer Administration of the Commercial Motor Vehicle Tax (CMVT) to the State Department of Motor Vehicles: The State bills and collects the Commercial Motor Vehicles Tax (CMVT) on non-medallion livery vehicles and light trucks in tandem with the State registration of these vehicles. This proposal extends State administration to the 48,000 heavy trucks currently paying the CMVT.

Repeal the Floor on Interest Rates for Overpayments of the Unincorporated Business Tax and the Tax on Foreign and Alien Insurers: Currently there is a 6 percent floor on interest rates for overpayments of the Unincorporated Business Tax and the Tax on Foreign and Alien Insurers. This proposal will eliminate the interest rate floor paid on the overpayment of these taxes and mirrors legislation that was recently enacted for the Banking Corporation Tax and the General Corporation Tax.

Increase Fire Insurance Premiums For Out of State Companies

Since 1909, all foreign (out of state) and alien (out of country) mutual and stock insurance companies providing property and casualty insurance within the State of New York have been required to pay a 2 percent tax on (gross) fire insurance premiums. The City of New York recommends that this assessment be increased from 2 percent to 4 percent. The enactment of this proposal will generate additional revenue for all New York State localities. Furthermore, these funds are remitted directly to the New York City Fire Department which will receive $16 million in 2005 from this increase.

Conform Certain Fees to State Levels

The City proposes to increase various fees in order to recoup the costs of providing these services to the public. For the most part, these fees have not been raised for at least ten years. In the State Fiscal Year 2003-04 Budget, New York State included increases for various state fees including marriage licenses and birth and death certificates; New York City's proposal is in line with these increases.

City Clerk Fees: The City Clerk of the City of New York issues, among other things, marriage licenses and certificates, as well as certifications of appointment for Commissioner of Deeds, conducts searches for marriage licenses and issues certified copies of documents. The City Clerk has re-evaluated their fees based on a current cost analysis for providing marriage licenses, ceremonies, search and/or copy fees, and other various fees and has determined that fee increases are warranted. These fee increases are anticipated to generate and additional $1.4 million annually.

Birth and Death Certificates: The New York City Department of Health and Mental Hygiene (DOHMH) supervises the registration of births and deaths. DOHMH does not charge for an initial birth certificate but the agency charges $15 for each copy of a birth or death certificate requested. In order to cover DOHMH costs, the City is seeking to increase the fee for the issuance of these copies of birth and death certificates. These fee increases are anticipated to generate an additional $10.6 million annually.

Dog Licenses: Increases for dog license fees are necessary so that the City's Department of Health and Mental Hygiene (DOHMH) can continue to administer the animal care and control program in New York City. Fees for this purpose have not been raised since 1974. The City spends more than $7 million on animal care and control, and the current fee structure fall far short of covering those costs. These fee increases will help, but not totally alleviate this shortfall. Even with the modest increase contained in this bill, the fees in New York City will still be quite low in comparison to the cost of licenses in other large cities throughout the country. The fee changes for dog licenses will yield approximately $75,000 in additional revenue to New York City.

Court and Trust Services: The City is proposing to increase four fees collected by the Department of Finance Treasury Division pursuant to State law. These fees include bail fees, fund fees, investment fees and certification of deposit fees. These fee increases are justified by the costs incurred by the City's Department of Finance to collect and manage these funds. The fee increase is anticipated to generate an additional $1.2 million annually.

Increase the Authorization for Red Light Cameras

New York City's Red Light Camera Program has been an extremely effective public safety tool since its inception in 1993. Thousands of cars, taxis and buses have been caught running red lights by the 50 cameras currently in place throughout the City. This program has assisted in the reduction of traffic accidents and has helped modify driver behavior. The cameras have been shown to dramatically reduce the number of violations at the intersections where they are located. Given the success of this program, the City is seeking to increase the number of cameras by 50 for a total of 100. Although there will be additional expenses associated with the expansion of this program, the safety of vehicular passengers and pedestrians will be greatly increased. The City anticipates an additional $8 million in 2003 and $11 million in gross revenue when the new cameras are fully operational.

BASELINE RISKS

State Budget Baseline Risks

Medicaid Cost Shifts

While many of the cost containment actions proposed in the SFY 2004-05 Executive Budget would reduce Medicaid expenditures for both the City and the State, there are a number of measures that actually shift costs to localities. Medicaid cost shifts to New York City include the following:

Increasing the Home Care Target: The State sets a limit on the average hours per client it will reimburse the City for home health care expenses paid by Medicaid. A few years ago, the City was told that the average hours of service per client must be lowered enough to save $32 million per year. The Executive Budget proposes further restrictions to save an additional $11 million, for a total of $44 million annually. However, the number of hours per week each client receives is determined by a statutorily mandated medical evaluation that prescribes the number of hours per week of service the clients receive.

"Federalizing" the Graduate Medical Education Rate: The Executive Budget proposes to shift more of the funding for the Graduate Medical Education program from the State HCRA account to the Medicaid program. By shifting this program to Medicaid, the State will be able to leverage local and federal contributions. This proposal would save the State $63 million, but would cost the City $25 million in 2005.

Decreasing Overburden Aid: Last year, the Executive Budget proposed capping overburden aid to localities at Calendar Year 2002 levels. Overburden aid is comprised of funding from the Department of Health and the Mental Hygiene divisions. In the enacted 2004 budget, the Legislature ultimately restored funding for the reimbursement of Department of Health spending. However, the amount of money available for Mental Hygiene reimbursement was decreased by $19.5 million. Since 1983, overburden aid has been distributed to counties to cover the cost of Medicaid services for chronically mentally ill and mentally disabled individuals. Decreasing this reimbursement will force New York City and the other counties to absorb part of the cost of care for these individuals who have been the State's financial responsibility. The Executive Budget for SFY 2004-05 continues this overburden cap on mental hygiene reimbursement which would cost the City $9.5 million in 2005, if enacted into law.

Eliminating Medicaid Funding for Facilitated Enrollers: The elimination of funding for Medicaid and Family Health Plus facilitated enrollers in the SFY 2004-05 Executive Budget essentially shifts the enrollment burden onto the local social services district. Since the social services administrative cap reduces the amount of State reimbursement available for administration, the City would have to increase spending by $5.1 million.

Impact on the Health and Hospitals Corporation: Several of the SFY 2004-05 Executive Budget cost containment actions also have a significant impact on the New York City Health and Hospitals Corporation (HHC). The public hospitals and clinics in New York City provide health care to many City residents that have nowhere else to turn for medical care. However, the 0.7% assessment on gross hospital receipts, the elimination of the rate add-on for nursing homes with over 300 beds, and the change in the hospital based nursing home differential rate will significantly impact HHC's bottom line. Other cost containment initiatives in home care, long term care and the Family Health Plus program will also have a negative impact. Overall, the Executive Budget proposals would cost HHC $12 million in 2004 and $48 million in 2005.

Article 6 General Public Health

The SFY 2004-05 Executive Budget reduces funding for the State reimbursement for optional public health services provided by municipal health departments from 30 percent to 20 percent. Several years ago, the State began eroding its commitment to support public health services by reducing spending both on mandated and optional municipal health services. This year, a further reduction in State spending is proposed for optional services. While such services are categorized as optional by the State, localities are unable and unwilling to scale back care to correspond to the reimbursement level. The City currently programs the optional services reimbursement to fund dental health services for children, correctional health services for screening and treating communicable diseases, and services of the Chief Medical Examiners Office. The proposed reduction in Article 6 reimbursement for optional services from 30 percent to 20 percent would cost the City $10 million in 2005.

Reduction in TANF Transfer to Title XX

The SFY 2004-05 Executive Budget reduces the amount of money to be transferred from the TANF surplus to Title XX from 10% to 5%; a $120 million reduction. The Title XX funding stream is 100% federally funded and is used to provide child welfare services to families with children within 200% of poverty. Various services include abuse and neglect prevention services, Child Protective services, Independent Living, Adoption administration, and Aftercare Services such as counseling. Once Title XX funds are exhausted, the State reimburses localities 65% of the cost of providing these services. Therefore, a reduction in Title XX would lead to a projected cost of approximately $45 million to the City in 2005.

Juvenile Detention Block Grant

The SFY 2004-05 Executive Budget includes a proposal to block grant funds for secured and non-secured detention. The Juvenile Detention Block Grant would provide the State share of reimbursement for eligible services to counties and the City of New York. The block grant would be funded at $56 million, a 20 percent reduction based on last year's appropriation. The budget further limits reimbursement to 45 days for the credit for time served upon disposition of a case, unless it is determined that the detention in excess of 45 days is deemed in the best interest of the respondent. This changes current law which poses no time limit and asserts that payment is to be made in full until the case is disposed if it can be determined that the detention was in the best interest of the respondent or community. The absence of adequate funding within the block grant would cost the City approximately $5 million.

Reductions in Probation Aid

The SFY 2004-05 Executive Budget proposes reducing reimbursement to localities for probation services, alternatives to incarceration and other local criminal justice programs by five percent. These services ultimately save the State money since many of these individuals would be in a State prison if they were not sentenced to probation or other alternatives to incarceration. The State already reimburses the City significantly less than the statutory maximum of 50 percent, leaving the City with an enormous cost burden. For 2004, the Department of Probation estimated that it will submit approximately $68 million in eligible claims for reimbursement, and receive a payment of $14 million, only 21 percent of its costs. The Executive Budget proposal would decrease aid to the City by approximately $1 million if enacted into law.

Assigned Counsel 18-b Salary Support from the State

Last year, the State attempted to remedy an inequity within the criminal justice system that has existed for decades. Court appointed attorneys defending the State's indigent clients have not been adequately compensated since the mid 1980's. This has created both a shortage of quality indigent defense attorneys and overwhelming caseloads for the attorneys that agree to take on this challenging role. Last year's Adopted Budget included an increase in hourly compensation for these attorneys from $25 out of court/$40 in court to $60 for misdemeanor cases and $75 for family court, felony or appellate work regardless of whether the hour is spent in or out of court. In order to assist localities in paying these increased rates, an Indigent Legal Defense Fund (ILDF) was created through a number of fee increases. The State anticipates collecting approximately $65 million a year in the ILDF of which $24 million will be used to cover the total State costs of law guardians (lawyers who represent children in Family Court cases) with the approximately $40 million balancing to be divided among localities based on each locality's percentage of statewide spending on indigent defense. The payouts to localities are not scheduled to begin until 2005. However, this year's SFY 2004-05 Executive Budget begins payouts in 2004. Furthermore, the budget recommends an established level at which each locality is to be reimbursed, eliminating the use of actual expenditures as the basis. While this spin-up of indigent defense payments will generate revenue to the City a year early, the State's takeout for law guardians eliminates most of the benefits to localities in the first year. Furthermore, the proposed change in formula will reduce the City's payout from 67% to 52%, translating into a reduction of $4 million to the City each year. These two actions, taken together, will be a net revenue loss to the City's budget of approximately $20 million over the City's 2004 and 2005 fiscal years.

Rent Regulation Administration Increase

Until SFY 2000-01 the State administered the New York City rent regulation program and required the City to provide reimbursement at a capped rate of $10 per rent-regulated unit or approximately $8 million per year. The State Fiscal Year 2000-01 State Budget transferred the full program costs, totaling over $35 million, to New York City without allowing the City to increase the amount collected per unit. Ever since the full program cost was transferred to the City the cost to administer the program has increase by over $6 million. The SFY 2004-05 Executive Budget, once again, proposes to increase the administration of this program by an additional $2 million.

CONTRACT BUDGET

The Contract Budget is presented as part of the 2005 Executive Budget submission. The Contract Budget includes all projected expenditures for contracts that are personal service, technical or consulting in nature, as defined in Section 104 of the City Charter. Contracts for the purchase of supplies, materials and equipment are not included. Purchase orders and open market orders, as well as small purchases that do not require registration by the Comptroller's Office, are also included in the Contract Budget.

The 2005 Executive Contract Budget contains 17,878 contracts totaling over $6.52 billion. Over 60 percent of the total contract budget dollars will be entered into by the Department of Social Services, the Administration for Children's Services, the Department of Homeless Services and the Department of Education. The Administration for Children's Services has over $1.16 billion in contracts, 75 percent of which represents contracts allocated for Children's Charitable Institutions ($552 million) and Day Care ($318 million). Of the over $1.70 billion in Department of Education contracts, approximately 38 percent are allocated for pupil transportation contracts ($641 million).

Each agency's Contract Budget is delineated by object code within the agency's other than personal service units of appropriation. The Executive Budget Supporting Schedules further break down the Contract Budget by budget code within unit of appropriation. All object codes in the 600 object code series are included in the Contract Budget. In addition, the Executive Budget Supporting Schedules reference the 2004 Modified Budget condition for these contract object codes.

Agencies in preparing their contract budgets were requested to categorize their contracts into 50 specific contract objects. The distribution of these contracts is summarized as follows:

	Est. # of Contracts	Dollars (Millions)	% Total Dollars
Social Service Related and Health Services . . . . • Home Care, Child Welfare, Employment Services, Public Assistance, Day Care, Family Services, Homeless Programs, AIDS, Senior Citizen Programs, Health, Mental Hygiene, & Prison Health, etc.	4,549	$3,495	53.6%
Youth and Student Related Services . . . . • (including Transportation of Pupils and Payments to Contract Schools)	1,284	1,280	19.6
Other Services . . . . • Custodial, Security Services, Secretarial, Cultural Related, Employee Related, Economic Development, Transportation, etc.	3,228	771	11.8
Professional Services/Consultant . . . . • Accounting, Auditing, Actuarial, Education, Investment Analysis, Legal, Engineering & Architectural, System Development & Management Analysis, etc.	4,454	590	9.1
Maintenance & Operation of Infrastructure . . . . • Lighting, Streets, Buildings, Parks, Water Supply, Sewage and Waste Disposal, etc.	1,956	212	3.3
Maintenance of Equipment . . . . • Data Processing, Office Equipment, Telecommunications & Motorized Equipment, etc.	2,407	172	2.6
TOTAL	17,878	$6,520	100.0%

Borough Presidents' Proposed Reallocations

In accordance with section 245 of the New York City Charter, the Borough Presidents may propose modifications to the Preliminary Expense Budget during the Executive Budget process. Any recommended modifications may not result in an increase to the total appropriations proposed in the Preliminary Budget. If increases within a borough are recommended, offsetting reductions in other appropriations within the borough must also be recommended. The Queens Borough President submitted a proposal.

The Queens Borough President proposed increasing allocations by $175 million. Among the suggested increases are $12 million to the Queens Public Library, $28 million to Cultural Affairs, $26 million for youth programs, $11 million for seniors, $17.3 million for the City University of New York, $15.5 million for Sanitation to restore weekly recycling pick-ups, and $8.6 million for Parks, $1.4 million for housing programs, $6.3 million for health and mental health programs, $28.4 million for children's services and $3 million for the homeless.

The proposed funding sources come from delaying the personal income tax reduction on high income earners, eliminating the property tax exemption for Madison Square Garden, reducing homeless shelter costs through diversion, a homeless relocation assistance program, procurement consolidations and efficiencies, converting multiple dwelling registration flat fee to per unit fee, energy conservation at municipal agencies, expanding the bottle bill in New York City, capturing property tax rebates from delinquent water and sewer payers, eliminating school year jury duty for teachers and implementing sales tax on fuel sold to airlines.

The Borough President of Queens has not proposed specific borough reallocations of appropriations.

COMMUNITY BOARD PARTICIPATION IN THE BUDGET PROCESS

New York City's 59 community boards provide a formal structure for local citizen involvement in the budget process as well as other areas of City decision making. Each board represents up to 250,000 residents in a community district. The Charter mandates that the community boards play an advisory role in three critical areas: changes in zoning and land use, monitoring the delivery of City services in the community district and participating in the development of the City's capital and expense budgets.

Each community board receives an annual budget to pay for a district manager, support staff and other operating expenses. In 2005 the uniform base budget for each community board is $178,658. This excludes the cost of office rent and heat, light and power, which are in a separate unit of appropriation. Included in the rent unit of appropriation are funds which pay for the cost of moving and telephone installation for community boards which plan to move in 2005.

Each Borough President appoints board members for staggered two year terms. City Council members in proportion to each member's share of the district's population nominate half the appointments. The fifty volunteer members of the community board either live or work in the district.

Each year agencies that deliver local services consult with community boards about budget issues and the needs of the districts, prior to preparing their departmental estimates. The boards then develop and prioritize their capital budget requests (up to 40) and expense budget requests (up to 25). For 2005 community boards submitted 1,648 capital requests to 29 agencies and 1,301 expense requests to 36 agencies. Almost two-thirds of the community board capital budget requests seek improvements to streets, sewers and parks. Community board expense budget requests concentrate on Citywide programs and personnel increases.

Boards also rank agencies' local service programs by their importance to the community. For 2005 community boards ranked 85 programs within 24 agencies. The top five programs are police patrol, community youth programs, services to the elderly, parks maintenance and refuse collection. Historically, local services have been the highest ranked.

District specific budget information is available in the following geographic budget reports, which accompany the release of the 2005 budget.

Register of Community Board Budget Requests for the Executive Budget, Fiscal Year 2005 - lists the funding status for all community board proposals in priority order within community district. Also available in Council district and agency sorts.

Geographic Report for the Executive Expense Budget for Fiscal Year 2005 - details the expense budgets of fourteen agencies that deliver local services by borough and service district. Includes 2005 Executive Budget information as well as 2004 current modified budget and budgeted headcount data (as of March 31, 2004).

Executive Capital Budget for Fiscal Year 2005 - details the Mayor's Capital Budget by project within agency including two geographic sorts of the Capital Budget. One presents budget data by community district and borough. The other presents the budget by borough within project type.

Geographic Fiscal Year 2005 Executive Budget Commitment Plan - presents information on capital appropriations and commitments by community board, including implementation schedules for each month of 2004 and the succeeding four years for all active project identifications by budget line.

Geographic Project Detail Data Report, FY 2005 Executive Budget - describes for each project within a budget line in the Commitment Plan the schedule of funding from 2001 through 2004 and all projects with proposed financial support from 2005 through 2008, sorted by community board. Unique to this document is information regarding the specific location, scope summary and capital assets of each project.

ECONOMIC OUTLOOK

Overview

The U.S. economy is finally on its way to a confirmed recovery. Real Gross Domestic Product (GDP) jumped by a robust 8.2 percent in the third quarter of 2003, followed by hefty growth of over 4.0 percent in the fourth quarter. Most of this growth came from productivity gains and increased capacity utilization, as firms were able to rein in costs by keeping payrolls down. This changed in the first quarter of 2004, when firms added 500,000 jobs. The hiring could not have come at a more critical time in the business cycle, as fears of a persistently weak labor market were beginning to shake consumer and business confidence.

The momentum gained in the latter half of 2003 and early 2004 is expected to produce real GDP growth of 4.8 percent in 2004. Consumers continue to do their part, but the real push comes from investment in equipment and software, which is expected to rise by 12.3 percent. Employment is now projected to increase by 1.1 percent in 2004, a significant improvement after three years of contraction, but well below the average growth experienced in the economic recoveries of 1984-1985 (3.9 percent) and 1994-1995 (2.9 percent).

With the rebound in motion, the Federal Reserve is likely to lift interest rates a notch in the second half of 2004. Rising interest rates, along with the expiration of the Federal tax cuts, result in a more moderate trend GDP growth of 3.7 percent in the outyears.

The City's economy is also poised to grow in 2004 after three years of declines. Data on employment for the last quarter of 2003 and the first two months of 2004 have finally entered positive territory. In addition, New York Stock Exchange (NYSE) member firms recorded profits of $16.8 billion in 2003, more than double the prior year's $6.9 billion profit. It is important to keep in mind that this performance represents a rebound from the lows that followed the burst of the dot-com bubble, the devastating effects of 9/11 and the national recession. The kind of growth that the economy experienced in the carefree days of the late 1990s boom, however, is not anticipated in the near future.

With this in mind, the current forecast calls for the City's employment to slowly pick up in 2004 and accelerate in 2005 along with the national economy. Specifically, total employment increases by 34,000 jobs in 2004 and 45,000 in 2005. Job gains are expected to be balanced across the sectors except manufacturing, which continues its decline. In the outyears, 2006-2008, the City is expected to average growth of about 40,000 jobs per year, or one percent.

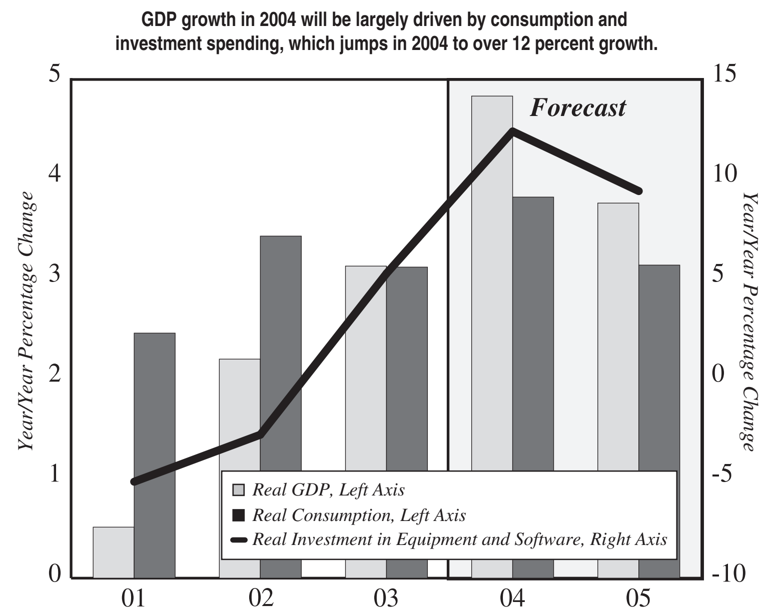
The other main indicator of the City's performance is overall wage earnings or compensation, which is largely affected by the financial health on Wall Street. Boosted by NYSE member-firm profits of $16.8 billion in 2003 and larger bonuses, compensation on Wall Street is expected to rise in 2004 by about 15 percent. This is still significantly lower than in 2000, when Wall Street's total compensation was lifted by the addition of 20 percent more employees. In 2004, NYSE member-firm profits are forecast to repeat the performance of last year as firms continue to raise revenue in a low-cost environment. Given the modest growth in the national economy and rising interest rates, the outyear forecast assumes that profits will come down somewhat to a more sustainable $14-$16 billion range. Private non-finance wage earnings rise 3-3½ percent on average per year, enough to keep wages ahead of inflation, which is forecast to grow at 2-2½ percent, at a slight premium to the nation.

Conditions in the City's commercial real estate market are also showing signs of stabilizing after three years of deterioration. However, asking rents and vacancy rates continue to feel pressure as the amount of vacant space that has become available in the City and surrounding region has more than doubled since 2000. It is anticipated that vacancy rates will fall to slightly below 10 percent by 2007.

The U.S. Economy

The U.S. economy appears to be on track after March's employment report provided the one missing piece to the recovery puzzle. More than 300,000 new jobs were added in March, which combined with upward revisions to the previous months brought total employment up over 500,000 in the first quarter. Most other recent data also indicate growth in the coming months. On the business side, industrial production has risen in eight of the past nine months and capacity utilization, which declined sharply after the dot-com bust, has climbed back to its highest level in almost three years. The ISM index, a barometer of business confidence and expectations, has recorded readings above 50 (indicating expansion) since May of last year. On the consumer side, income and spending continue to rise, aided in part by Federal tax cuts and an estimated $25 billion in additional refunds. Personal income was up 4½ percent and consumption almost six percent on a year-over-year basis in February. The recent spike in energy prices could put a dent in spending if sustained, and potentially offset much of the tax refund windfall. It is important to note, however, that the economy is less reliant on energy than in the past as production has shifted away from manufacturing to services and that in real terms gasoline prices are still well below peak levels.

U.S. GDP, CONSUMPTION, AND INVESTMENT



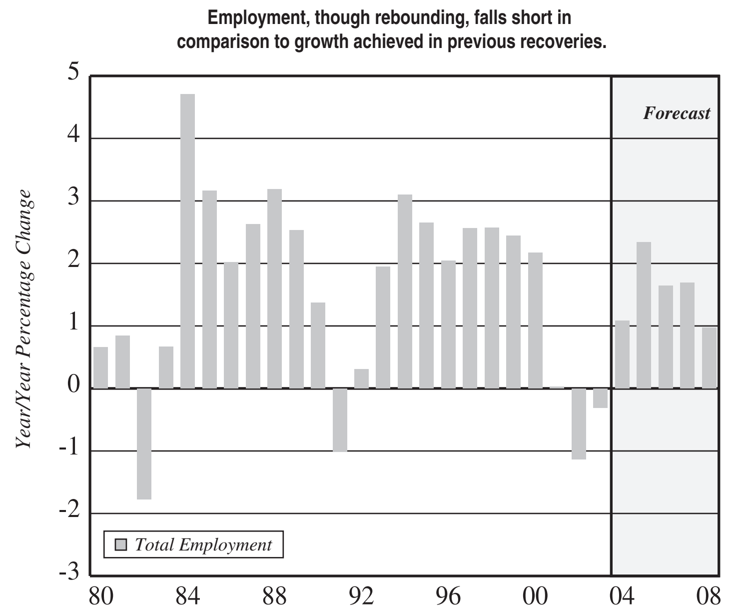
Given the current string of positive news, the economy is expected to maintain its momentum this year and then gradually decelerate in 2005. Specifically, real GDP is forecast to grow by 4.8 percent in 2004, driven largely by renewed spending on capital goods. Real consumption rises by 3.8 percent while investment in equipment and software is forecast to grow at a 12.3 percent rate in 2004, more than double last year's pace. As the effects of the tax cuts wear off and fiscal policy becomes less expansionary, overall consumption slows to three percent growth in 2005, causing overall GDP to taper off at 3.8 percent.

Total employment growth is projected at 1.1 percent (1.7 percent in non-manufacturing) in 2004, and then accelerates in 2005 to 2.3 percent (2.9 percent non-manufacturing). While this forecast is certainly encouraging after three years of waiting, it is still significantly lower than the growth rates achieved in recent recoveries. By comparison, employment increased by 2.9 percent per year in 1994-1995 and by 3.9 percent per year in 1984-1985. Furthermore, the forecast relies on accelerating employment gains in the latter part of this year to keep the economy above trend growth in 2005.

The rebound has already brought a rise in corporate profits and equity prices, with the S&P 500 index up 19 percent on a year-over-year basis in the fourth quarter of 2003 and corporate profits up 14 percent in the same period. The S&P is forecast to rise another 11 percent in 2004 (Q4 2004 vs. Q4 2003), in line with earnings. By 2005, growth in both corporate profits and the S&P begins to decelerate to under five percent.

One of the key features of the forecast is that inflation remains in check at about 2-2½ percent. This assumes that oil prices will come down from their current highs. Linked with this inflation forecast is the expectation that the Federal Reserve will only begin to raise interest rates late in 2004 as the economy picks up steam. If, however, core prices were to escalate, the Fed may have to raise rates sooner than forecast, thereby dampening growth.

U.S. TOTAL EMPLOYMENT



In the outyear forecast, growth occurs in a balanced non-inflationary manner as real GDP trends to about 3-3½ percent on average per year in 2006-2008. Consumption, the largest component of GDP, also grows at about the same rate. Employment is forecast to rise just under two percent per year in 2006-2008, a bit lower than the historical average.

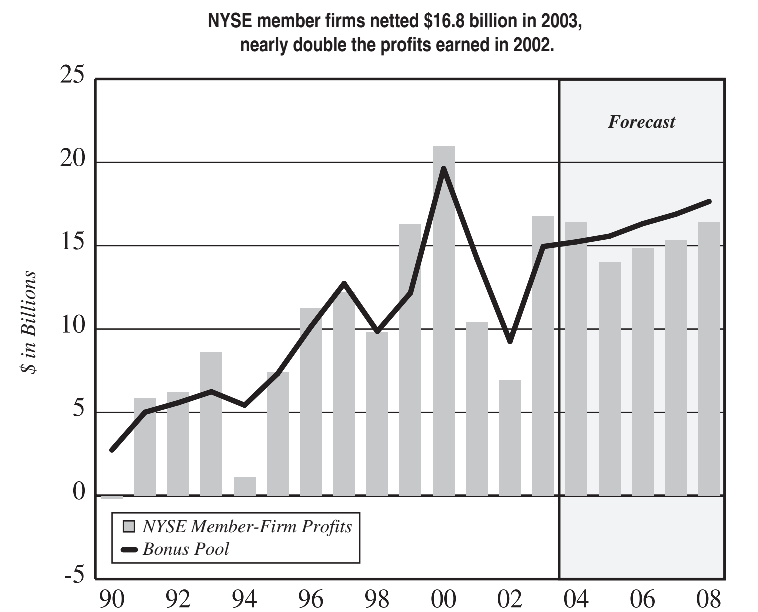
Overall, the economy is expected to recover in the near-term with accelerating GDP, as is typical in this phase of the business cycle. Employment is not forecast to match the growth rates of past recoveries and strong productivity gains could continue to dampen employment. While higher productivity is desirable for the economy to achieve long-term growth, there is still reason to be concerned that sluggish employment gains combined with high oil prices could act as a drag on consumption and investment spending. Finally, geo-political instability and the threat of terrorism still linger as do the federal budget and trade deficits.

The New York City Economy

After over two years of contraction, caused by a national recession, a plummeting stock market, the dot-com bust and 9/11, the City's economy has begun to exhibit the initial signs of a long-awaited recovery. Most encouraging, two of its major export-based industries, finance and tourism, experienced a bit of resurgence in the second half of 2003, and appear poised for further growth in the future. While there is reason to be optimistic, it is unlikely that the City will return to the record gains experienced during the dot-com bubble years of the late 1990s given the modest U.S. economic recovery.

Leading the way on the path towards recovery, New York Stock Exchange (NYSE) member firms netted $16.8 billion in 2003. This is the second best performance in history, surpassed only by the $21.0 billion earned in 2000 at the height of the equity market bubble. To attain 2003's profitability, member firms were forced to dramatically reduce compensation. They largely accomplished this by slashing their workforce, rather than by reducing their per-employee bonuses. As a result, total compensation on Wall Street[1] fell by 22 percent from 2000 to 2003, reflecting a similar decline in securities employment.

NYSE MEMBER-FIRM PROFITS AND BONUS POOL



For those who remain employed, a good portion of the $16.8 billion in profits has already begun to flow through the City's economy via robust bonus payouts. The resultant bonus pool is estimated to jump by more than 60 percent to $15 billion[2]. Following the addition of 1,000 jobs in the fourth quarter of 2003, the continued strength on Wall Street leads to the hiring of approximately 3,000 new employees by the end of 2004. Wall Street profits are expected to remain healthy at $16.4 billion in 2004. Due in part to higher interest rates, member-firm profits fall back to $14 billion in 2005 and then average $15 billion per year in 2006-2008, resulting in moderate employment growth of only 3,000 jobs per year and bonuses rising about four percent each year.

The professional & business services sector[3] is directly impacted by the health of the finance industry. Mirroring the pattern of the finance sector, the professional & business services sector declined for the first three quarters of 2003, by more than 14,000 jobs, and then rose slightly in the fourth quarter. This fourth-quarter bump is hopefully an early sign of the sector's rebound, which is expected to generate 11,000 jobs in 2004, followed by an average of 15,000 jobs per year during 2005-2008.

Along with the positive news from the finance industry, tourism has undergone a slow and steady recovery.

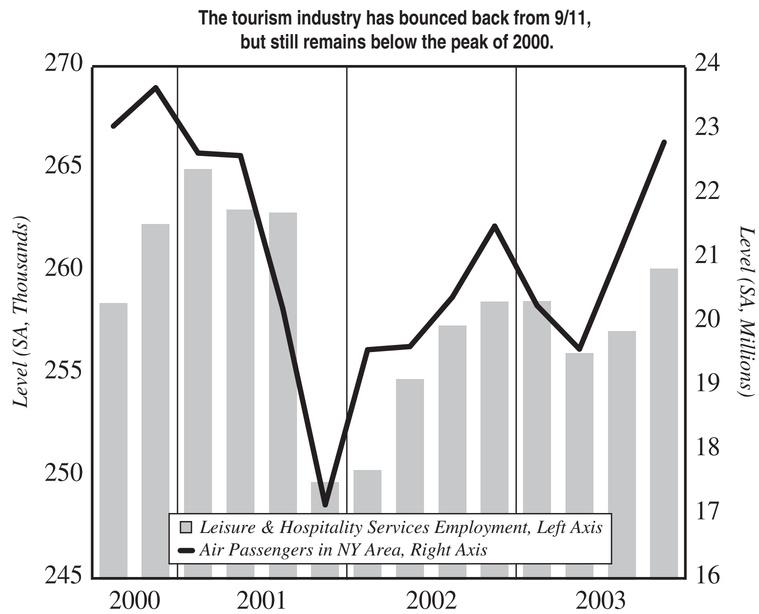
1. Source: Securities Industry Association

2. The bonus pool estimated by OMB is the aggregate of all bonuses paid to securities employees. The $15 billion represents the bonus pool in the fourth quarter of 2003 and the first quarter of 2004.

3. The sector employs approximately 530,000 people (almost 20 percent of the City's private sector), encompassing a vast array of jobs including legal services, accounting, tax preparation, architecture, computer systems design, management consulting, advertising, holding companies, and temp agencies.

The City's vital tourism industry peaked in 2000, began to decline in early 2001 and plummeted after 9/11. Although tourism has not yet returned to its 2000 peak, conditions have definitely improved. By the fourth quarter of 2003, the number of air passengers arriving in New York City had returned to pre-9/11 levels[4], boosting hotel occupancy rates to 80 percent[5] (highest since 2000), and lifting employment in retail trade and leisure & hospitality. Steady growth in tourism-related employment is forecast for 2004, with 6,000 new leisure & hospitality jobs and 5,000 new retail jobs. In the outyears, the leisure & hospitality sector and the retail sector post annual gains of over 5,000 jobs and 4,000 jobs, respectively.

LEISURE & HOSPITALITY EMPLOYMENT AND AIR PASSENGERS



The effects of the dot-com bust were most dramatically felt by the information sector, which includes publishing, movies, broadcasting, and telecommunications. The sector lost over 41,000 jobs, or 20 percent, from its peak in early 2001 through the fourth quarter of 2003. Thus far, there is no sign of the industry returning to its euphoric days. Roughly 4,000 new information jobs per year are expected in 2004-2008, a far cry from the 11,000 jobs per year gained in 1999-2001.

The non-cyclical sectors (health & social assistance, and education) continue their upward trend. After adding 14,000 jobs in 2003, a steady growth of 13,000 jobs per year is forecast for 2004-2008. Not all sectors are poised to expand. Manufacturing continues to lose approximately 5,000 jobs per year through the end of the forecast period, while construction and transportation & utilities stagnate.

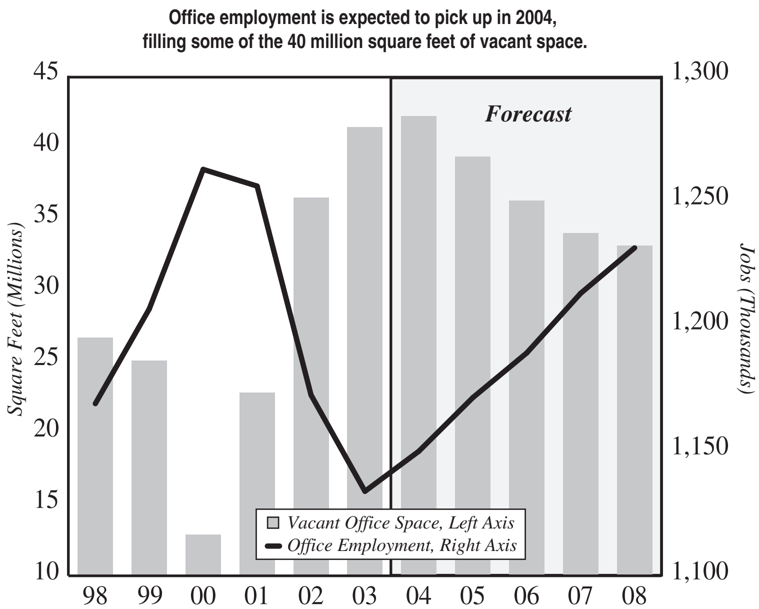
In total, the City added 4,000 jobs in the fourth quarter of 2003, after losing over 60,000 jobs in the first three quarters. This momentum should produce 34,000 jobs in 2004, growth of 1.0 percent. In conjunction with a relatively healthy appreciation in the average wage per employee of 5.3 percent[6], total wage earnings in the City climb by a respectable 6.2 percent. By 2005, total wage earnings rise by 5.2 percent as employment rises by 45,000 jobs, or 1.3 percent, and the average wage per employee increases by 3.9 percent.

For most of 2003, the City's primary office market was listless, with vacancy rates of around 12.4 percent as the minimal demand for space was easily filled by what seemed like an endless supply of sublets. With plenty of space available, over 40 million square feet of primary and secondary office space across Manhattan, landlords of prime office buildings were forced to lower their asking rents by another eight percent to $48 per square foot in 2003. Asking rents have fallen by over $15 per square foot, or nearly 25 percent, since their peak at the end of 2000.

4. *Source: Port Authority of New York and New Jersey, air passengers at JFK, LaGuardia and Newark airports.*
5. *Source: PKF Consulting, seasonally adjusted by OMB.*
6. *The private non-finance wage per employee grows by a more contained 3.4 percent in 2004.*

Towards the end of 2003 and the beginning of 2004, however, office-using employment began to expand[7]. Although slight, approximately 10,000 jobs in total, this growth was nevertheless a blessing for the City's office market, which had been battered since the end of 2000 with the loss of over 150,000 office jobs.

VACANT OFFICE SPACE AND OFFICE EMPLOYMENT



Modest office employment growth, however, will do little to tighten overall market conditions in the near term. The completion of new office buildings in 2004, offering a total of five million square feet of primary space, will provide plenty of new supply to the market. Vacancy rates are therefore expected to remain above 12 percent in 2004 and 2005. With vacancy rates slightly above the estimated equilibrium rate of 10 percent, asking rents remain practically flat through 2005. Office employment is expected to grow further in 2006-2008, but still remains well below the peak of 2000. As a result of this modest forecast, rents manage to reach an average of only $55 per square foot by 2008, also below the peak seen in 2000.

7. *Office employment is estimated as the aggregate of the professional & business, real estate, information and finance sectors of the economy.*

Executive Budget 2005
Forecasts of Selected United States and New York City Economic Indicators
Calendar Years 2003-2008

	2003	2004	2005	2006	2007	2008	1971-2001*
NATIONAL ECONOMY							
Real GDP							
Billions of 2000 Dollars	10,397	10,898	11,307	11,717	12,152	12,466	
Percent Change	3.1	4.8	3.8	3.6	3.7	2.6	3.1
Non-Agricultural Employment							
Millions of Jobs	129.9	131.3	134.4	136.6	138.9	140.3	
Change from Previous Year	-0.4	1.4	3.1	2.2	2.3	1.3	
Percent Change	-0.3	1.1	2.3	1.6	1.7	1.0	2.1
Consumer Price Index							
All Urban (1982-84=100)	184.1	187.9	191.3	194.9	199.0	203.4	
Percent Change	2.3	2.1	1.8	1.9	2.1	2.2	5.0
Wage Rate							
Dollars Per Year	39,131	40,289	41,719	43,323	45,143	47,007	
Percent Change	2.5	3.0	3.6	3.8	4.2	4.1	5.2
Personal Income							
Billions of Dollars	9,187	9,604	10,126	10,720	11,382	12,011	
Percent Change	3.1	4.5	5.4	5.9	6.2	5.5	7.8
Before-Tax Corporate Profits							
Billions of Dollars	843	1,017	1,333	1,326	1,379	1,318	
Percent Change	13.1	20.6	31.0	-0.5	4.0	-4.4	6.9
Unemployment Rate							
Percent	6.0	5.6	5.3	5.3	5.2	5.3	6.3 (avg)
10-Year Treasury Bond Rate							
Percent	4.0	4.4	5.3	5.4	5.5	6.0	8.1 (avg)
Federal Funds Rate							
Percent	1.1	1.1	2.4	3.0	3.2	4.1	7.3 (avg)
NEW YORK CITY ECONOMY							
Real Gross City Product**							
Billions of 2000 Dollars	423	446	456	469	480	493	
Percent Change	4.4	5.3	2.1	3.0	2.4	2.5	3.2
Non-Agricultural Employment							
Thousands of Jobs	3,529	3,562	3,608	3,646	3,695	3,735	
Change from Previous Year	-55.0	33.8	45.3	37.9	49.1	40.5	
Percent Change	-1.5	1.0	1.3	1.1	1.3	1.1	0.1
Consumer Price Index							
All Urban NY-NJ Area							
(1982-84=100)	197.8	203.1	207.4	212.2	217.5	222.9	
Percent Change	3.1	2.7	2.1	2.3	2.5	2.5	5.0
Wage Rate							
Dollars Per Year	59,906	63,110	65,549	67,977	70,596	73,423	
Percent Change	1.5	5.3	3.9	3.7	3.9	4.0	6.4
Personal Income							
Billions of Dollars	316	332	348	366	387	407	
Percent Change	2.1	5.4	4.7	5.3	5.5	5.3	6.7
NEW YORK CITY REAL ESTATE MARKET							
Manhattan Primary Office Market							
Asking Rental Rate***							
Dollars Per Sq Ft	48.35	47.72	48.54	49.83	52.27	54.98	
Percent Change	-8.2	-1.3	1.7	2.7	4.9	5.2	N.A.
Vacancy Rate***							
Percent	12.3	12.5	11.2	10.0	9.2	8.9	N.A.

* *Compound annual growth rates for 1971-2001. Compound growth rate for Real Gross City Product covers the period 1975-2001; for NYC wage rate, 1975-2001.*
** *GCP estimated by OMB.*
*** *Office market data are based on statistics published by Cushman & Wakefield.*

TAX REVENUE

Overview

Total tax revenue*, excluding audits, is forecast to increase 7.9 percent in 2004 and 4.0 percent in 2005. After the inclusion of tax law changes (most notably the personal income tax temporary increase, the 1/8 percent sales tax rate increase and the repeal of the sales tax clothing and footwear exemption for purchases costing under $110) and significant changes in retention by the Transitional Finance Authority (TFA) (in 2004, a decline of over $400 million from the prior year, and in 2005, an increase of over $800 million from 2004), total tax revenue is forecast to increase 17.6 percent in 2004 and decline 1.2 percent in 2005.

Non-property tax revenue in 2002 fell 12.6 percent as the national recession, the protracted bear market on Wall Street and the impact of the September 11, 2001 terrorist attack all pummeled the local economy. In 2003, non-property tax revenue declined another 2.1 percent due to the slow pace of the national economic recovery, Wall Street weakness and the loss of 63,000 jobs in the City. In 2004, with the local and national economies strengthening and a rebound in the stock market and New York Stock Exchange (NYSE) member-firm profits, which more than doubled from $6.9 billion in calendar year 2002 to $16.8 billion in calendar year 2003, non-property tax revenue is expected to grow 9.5 percent (20.2 percent after including the effects of tax law changes and TFA retention).

2004 and 2005 Tax Revenue Forecast
($ Millions)

Tax	2004 Forecast	2005 Executive Budget	Increase/(Decrease) From 2004 to 2005 Amount	Growth
Real Property	$11,353	$11,832	$479	4.2%
Commercial Rent	430	439	9	2.1
Mortgage Recording	735	514	(221)	(30.1)
Real Property Transfer	630	476	(154)	(24.4)
Personal Income†	5,240	4,586	(653)	(12.5)
General Corporation	1,526	1,673	147	9.7
Banking Corporation	269	298	29	10.9
Unincorporated Business	880	934	54	6.1
Sales and Use	3,952	3,961	9	0.2
Utility	294	283	(11)	(3.7)
Cigarette	139	136	(3)	(2.2)
Hotel	209	226	17	8.1
All Other	460	396	(64)	(13.9)
Subtotal	$26,116	$25,754	$(362)	(1.4)%
STAR Aid	677	715	38	5.6
Tax Audit Revenue	590	508	(82)	(13.9)
Property Tax Rebate	—	(250)	(250)	—
Total††	**$27,383**	**$26,727**	**$(655)**	**(2.4)%**

† *Excludes revenue for TFA debt retention of $131.4 million in 2004 and $959.8 million in 2005.*

†† *Totals may not add due to rounding.*

* *The report "Tax Revenue Forecasting Documentation" discusses the tax forecasting techniques used in this Executive Budget. The tax revenue in this section is reported on a common rate and base.*

For 2004, the personal income tax is forecast to grow 10.8 percent (33.6 percent after including the effects of the temporary tax increase and the over $400 million decline in TFA retention) due largely to rebounding bonus payouts which received no help from a flat forecast of capital gains realizations after declines of 51 percent and 38 percent in calendar years 2002 and 2003, respectively.

Business tax collections (general corporation tax, banking corporation tax and unincorporated business tax) are expected to increase 13.9 percent in 2004 as Wall Street profits are forecast to reach a near record level in calendar year 2003, the national recovery picks up momentum and as a decline in refund payouts and overpayment liquidations boost cash payments.

Sales tax collections are expected to grow a moderate 4.4 percent (11.8 percent after including the effects of the 1/8 percent rate increase and the repeal of the clothing and footwear exemption for purchases costing under $110) in 2004 reflecting expectations of trend growth in wage earnings and growth in consumption from the rebounding tourism industry.

Property tax revenue is forecast to increase 6.3 percent based upon 5.7 percent growth in billable assessed value. The property tax grows 14.2 percent on a collections basis reflecting the full-year impact of the 18.49 percent tax rate increase effective January 1, 2003. The real property transfer tax collections remain strong, growing at 21.7 percent, due to continued interest in New York City "trophy" properties and strength in sales prices. This resilience, despite the recent economic downturn, is partly due to the lack of speculative building, keeping the inventory tight. Similarly, mortgage recording tax collections are forecast to grow 40.1 percent in 2004, largely due to historically low interest rates which have spurred real estate activity and lead to a mortgage refinancing boom. The commercial rent tax is forecast to grow at 4.0 percent.

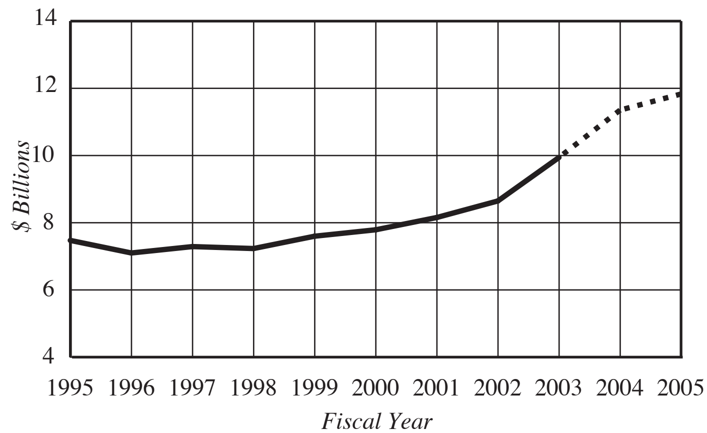
For 2005 the non-property taxes are forecast to increase 3.9 percent (a decline of 5.2 percent after including the effects of the aforementioned tax law changes and TFA retention). Employment growth improves next year and slight growth in bonuses is expected. Personal income tax revenue is expected to grow 6.8 percent (a decline of 12.5 percent after including the effects of the phase-out of the temporary rate increase and the over $800 million increase in TFA retention). Business tax collections grow 8.3 percent, with Wall Street profits almost at the same level as in calendar year 2003. Growth relies on the strengthening of the national recovery in calendar year 2004 as well as a further decline in refund payouts as overpayments are liquidated. The sales tax is forecast to grow 5.8 percent (0.2 percent after the full-year impact of the re-instatement of the clothing and footwear exemption for purchases costing under $110) reflecting growth in wage earnings.

In 2005, property tax collections are forecast to grow 4.3 percent, an increase of $479 million over 2004. The levy increases 4.2 percent over 2004, driven by growth in billable assessed value. The residential collections from the real property transfer and mortgage recording taxes are forecast to decline 24.3 percent and 37.6 percent, respectively. This slowdown, relative to the overheated level of activity seen in 2004, reflects a forecast rise in interest rates and concurrent rise in the New York City Housing Affordability Index, which indicates that mortgage payments, relative to income, are becoming less affordable in New York City. Commercial collections from the real property transfer and mortgage recording taxes are forecast to decline 24.6 percent and 11.1 percent, respectively, also reflecting a forecast rise in interest rates and decline in the inventory available for sale and refinancing. The commercial rent tax is forecast to grow only by 1.6 percent in 2005 with no improvement in vacancy rates and asking rents for commercial office space.

REAL PROPERTY TAX

The real property tax is projected to account for 44.7 percent of tax revenue in 2005, or $11,832 million.

REAL PROPERTY TAX 1995-2005



Tax Base and Administration: In December 1981, Chapter 1057 of the Laws of 1981, commonly referred to as S.7000A, amended Article 18 of the Real Property Tax Law, significantly restructuring the tax beginning in 1983. Prior to that time, a single tax rate was applied to all taxable real property, regardless of type or use.

With the enactment of S.7000A, real property was classified into four classes: Class 1, consisting of one-, two- and three-family residential property and small condominiums; Class 2, consisting of all other residential property including multi-family cooperatives and condominiums; Class 3, consisting of utility real property; and Class 4, consisting of all other real property, such as office buildings, factories, stores, lofts and vacant land.

All properties in the City are reassessed each year between June and January. In mid-January a tentative assessment roll is produced and taxpayers are notified of their new assessment level. Taxpayers may protest this tentative assessment level by applying to the Tax Commission for a hearing. Owners of Class 2, 3 and 4 properties must file their applications before March 1; Class 1 property owners must file by March 15.

The assessment may be protested because the underlying property is misclassified, or because it is unlawful, unequal or excessive. Adjustments resulting from this process or from Department of Finance (DOF) changes by notice are integrated into the final assessment roll, which is normally released in late May.

Properties are not assessed at full market value, but at some percentage of market value. The Class 1 assessment percentage has varied over time. It was 18 percent of market value in 1983, but has dropped over time to eight percent currently. The Class 2 and Class 4 assessment percentage was reduced to 45 percent from 60 percent in 1985. Class 3 properties are assessed either by the Department of Finance (DOF) or by the State Board of Real Property Services (SBRPS)[1]. Prior to 1994, locally assessed property (plant and equipment, known as real estate of utility corporations, or REUC) was assessed at 50 percent.

Special franchise property (the right to locate, maintain and operate property in the public domain including tangible property like pipelines, cables and other equipment on, below, or over public property, and also the intangible right to use the public right of way) is assessed by SBRPS, using the State equalization ratio, which fell to 22 percent in 1993. In 1994, a uniform 45 percent assessment ratio was adopted for all types of Class 3 property.

The law also established restrictions on annual assessment increases. Assessments of Class 1 properties may not increase by more than six percent annually and 20 percent over five years. Class 2 assessment increases for rental buildings of less than 11 units, and since 1994 cooperatives and condominiums of less than 11 units as well, are limited to eight percent a year and 30 percent over five years.

(1) Formerly known as the Office of Real Property Services (ORPS).

For all other Class 2 and all Class 4 properties, there are no annual restrictions on assessment increases. Instead, market value changes are reflected in actual assessments and are phased in over five years for tax purposes. Both increases and decreases are phased in. The interim value during the phase-in period is represented as the transitional assessment.

The billable or taxable assessment amount in any given year is the lower of the actual or transitional assessment. Increases due to physical changes such as new construction, demolition, alterations or change in taxable status, are taxable immediately and are not subject to the assessed value "caps" or the phase-in requirement. There are no statutory limitations on annual assessed value changes in Class 3.

Legislative History: Since 1985, a number of administrative and legislative changes have been made to the taxable base and to the assessment practices. Legislation enacted in 1985 changed the definition of telecommunications utilities' (Class 3) taxable property to include central office equipment of competitors of New York Telephone (now part of Verizon) and AT&T which had previously been exempt or taxed at lower effective rates. Telephones and other station equipment were also removed from the taxable base to reflect the increasing volume of privately owned equipment. The 1985 legislative amendments expired on December 31, 1986 and were replaced in July 1987 by State legislation which implemented a four-year phase-out of taxation on central office and telecommunication equipment at 25 percent per year, beginning in 1990.

Legislation in 1986 reclassified condominiums of three stories or less, and built as condominiums, from Class 2 to Class 1.

In 1987, the State Court of Appeals unanimously upheld Local Law No. 63 of 1986, allowing the City to require that owners of income-producing properties with actual assessed value in excess of $40,000 file annual income and expense statements. Most Class 4 properties and Class 2 properties with more than 10 residential units (or six residential units and one retail store) were affected. These taxpayers (except those who purchase property on or after August 1) must file annual income and expense statements with DOF by September 1. Failure to file means denial of a Tax Commission hearing and possible penalty assessment. Statements need not be filed for condominium or cooperative properties which are completely residential, or for properties which are wholly tax-exempt or completely owner occupied and operated. Co-ops and condos with professional or commercial space must file income and expense statements for that space. Also in 1987, assessment increases for residential rental properties with seven to ten units were restricted to eight percent annually and 30 percent over five years.

Legislative changes enacted in 1989 reclassified certain types of properties beginning with the 1991 assessment roll. Vacant land in a residential zone or adjacent to residential property with the same owner was transferred from Class 4 to Class 1 (except in Manhattan below 110th Street). Class 3 land and buildings were transferred to Class 4, leaving Class 3 with only plant and equipment. Class 2 condominiums with no more than three residential units, provided such property had previously been classified as Class 1, were transferred back from Class 2 to Class 1. As of the 1992 final roll, mixed-use residential/commercial buildings (with "Mom and Pop" stores), formerly in Class 4, were assessed as residential if more than 50 percent of the building was residential. Such properties were shifted either into Class 1 (if not more than three units) or Class 2 (if more than three units). One-family homes on cooperatively-owned land ("bungalows") were also reclassified from Class 2 to Class 1. Almost 1,500 summer cottages in Queens and the Bronx were affected by this shift.

Beginning with the fiscal year 1997 roll, telephone company central office equipment and station equipment (except public telephones) installed in public rights-of-way were exempt from real property taxation.

Beginning in 1997, an abatement program was implemented in order to reduce the disparity in property tax burden between owners of cooperatives and condominiums (Class 2) and single family homes (Class1). In the case of properties where the average assessment was $15,000 or less per unit, a tax abatement of 2.0 percent, 16.0 percent and 25.0 percent was granted in 1997, 1998 and 1999, respectively. For properties where the valuation was greater than $15,000 per unit on average, the tax abatement in 1997, 1998 and 1999 was 1.375 percent, 10.75 percent and 17.5 percent, respectively. The 1999 abatement levels were extended by an additional two years through June 30, 2001 and in 2001 by an additional three years through June 30, 2004. The City Council passed a home rule on March 24, 2004 to extend the program through June 30, 2008. The abatement is restricted to owners who own no more than three units held in the condominium or cooperative form of ownership.

The State enacted School Tax Relief (STAR) program which began in the 1998-99 school year (fiscal year 1999). It is designed to provide property tax relief to owners of one-, two- and three-family homes, cooperatives and condominiums where the property serves as the primary residence of the owner. An enhanced exemption is available for senior citizens who are 65 years or older with a household income of less than $63,750. The exemption is based on a fixed market value adjusted for differences between local and statewide median home prices, levels of assessment and the portion of the real estate tax that represents the school tax (for New York City this portion is fixed at 50 percent). Beginning in 2003, a modified STAR benefit is available for Mitchell-Lama co-op apartments, with one-third of the original exemption amount for both basic and enhanced STAR.

In addition, the State passed legislation in 2003, giving the City the authority to levy a 25 percent surcharge on Class 1 non-owner occupied properties, effective July 1, 2003, commonly referred to as the absentee landlord surcharge. This surcharge was intended to equalize the tax burden between Class 1 income generating properties and small Class 2 properties. Local legislation passed by the City Council on March 24, 2004 delayed the implementation date of the absentee landlord surcharge to July 1, 2006.

Beginning in 1996 a comprehensive plan to improve compliance by selling real property tax liens was instituted. Under the terms of the lien sale, the City forgoes future cash flows from the delinquent taxes sold in exchange for a lump sum payment and a subordinate position in any cash flows that remain after the holders of the senior position are repaid. For Class 1 or Class 2 (residential co-ops and condos only) properties, the liens are eligible for sale if the real property tax component of the liens remained unpaid for three years. For all other properties, the liens are eligible for sale if the real property tax component of the liens remained unpaid for one year. Other non-qualifying liens (water and sewer rent and surcharge and other City charges such as environmental charges, HPD charges and BID charges) are included in the sale when a qualifying property tax lien exists for the same property. Upon sale, each lien is levied a mandatory five percent surcharge and accrues interest at the rate of 18 percent per year.

The lien sale program was originally set to expire in 1997, but was repeatedly extended in 1997, 1999, 2001 and 2004. Currently the program is set to expire in 2008. The lien law was amended in 2001 to close a loophole. Certain taxpayers, after being notified of inclusion in the lien sale, paid only the property tax lien which removed them from the sale but left other tax liens unpaid. The amendments allow the sale of Class 2 (excluding residential co-ops and condos), Class 3 and Class 4 liens, which remain unpaid after the publication of the first notice of sale whether or not they include a real property tax component. In addition, the law was amended to allow the sale of water and sewer liens on Class 4 properties regardless of whether there is a real property lien on the property. Similar amendments were made for the sale of subsequent tax liens.

The sale of real property tax liens netted $169.1 million in 1996, $51.5 million in 1997, $22.5 million in 1998, $127.0 million in 1999, $73.0 million in 2000, $210.9 million in 2001, $44.5 million in 2002 and $22.6 million in 2003. Revenues in 2004 from real property tax liens are expected to be $89.3 million.

Discretionary Adjustments [1] and Class Shares

	Class 1 Discretionary Shift (%)	Class 1 Class Share	Class 2 Discretionary Shift (%)	Class 2 Class Share	Class 3 Discretionary Shift (%)	Class 3 Class Share	Class 4 Discretionary Shift (%)	Class 4 Class Share
1983	(3.88)	0.141	(2.85)	0.263	4.80	0.180	1.25	0.416
1984	(0.58)	0.139	0.00	0.260	0.00	0.180	0.53	0.421
1985	(3.22)	0.134	(0.37)	0.259	(1.28)	0.178	1.83	0.429
1986	(9.15)	0.129	(0.68)	0.255	(2.02)	0.182	1.96	0.434
1987	(4.95)	0.125	2.69	0.254	(4.60)	0.166	1.76	0.455
1988	(2.81)	0.122	0.60	0.255	(4.51)	0.157	2.07	0.466
1989	(4.36)	0.116	0.58	0.256	(4.95)	0.150	2.49	0.478
1990	(5.00)	0.111	0.23	0.257	(4.49)	0.139	2.44	0.493
1991	(5.00)	0.109	(2.18)	0.258	(4.50)	0.103	3.19	0.530
City Council's discretion to adjust class shares no longer applicable beginning in 1992.								
1992	—	0.115	—	0.280	—	0.078	—	0.527
1993[2]	—	0.113	—	0.290	—	0.066	—	0.532
1994	—	0.116	—	0.308	—	0.058	—	0.518
1995[2]	—	0.119	—	0.316	—	0.059	—	0.505
1996[2]	—	0.122	—	0.326	—	0.062	—	0.490
1997[2]	—	0.125	—	0.336	—	0.064	—	0.475
1998[2]	—	0.127	—	0.339	—	0.069	—	0.465
1999[2]	—	0.130	—	0.332	—	0.071	—	0.467
2000[2]	—	0.133	—	0.341	—	0.074	—	0.452
2001[2]	—	0.135	—	0.345	—	0.076	—	0.444
2002[2]	—	0.137	—	0.349	—	0.074	—	0.440
2003[2]	—	0.139	—	0.349	—	0.074	—	0.438
2004[2]	—	0.141	—	0.356	—	0.071	—	0.432

(1) *From 1983-1991, the City Council had authority to reallocate the tax levy among the classes, as long as the resulting share was within five percent of the prior year's share (before taking into account physical change).*

(2) *The maximum increase in the current base proportion over the prior year's share is capped at five percent by the State Constitution. The State can authorize the City to set cap rates lower than five percent and the City Council has the discretion to reapportion the excess to other classes. The State law capped the maximum increase at 2.0 percent in 1993; 2.75 percent in 1995 and 1996; 2.5 percent in 1997 through 2000; and 2.0 percent in 2001 through 2004.*

Class Shares and City Discretion: The City Council fixes property tax rates annually for each of the four classes of property. Under the provisions of the Real Property Tax Law, the total levy is apportioned to the four classes of property by the "class shares" referred to as adjusted base proportions (see following section). Once the class levies are set, the tax rate is then fixed annually by the City Council by dividing the class levy by the billable assessed value for the class.

As originally enacted, S.7000A required that the class shares for the 1981 roll be certified as base proportions. These base proportions were to be modified periodically by SBRPS for relative changes in market values among the four classes as well as for physical changes. While the adjustment for physical change took place each year, the first market value adjustment was not scheduled until 1987. At that time legislation postponed the implementation of market value changes until calendar year 1989 (for use in fiscal year 1990). This legislation also substituted the 1984 class shares for the 1981 base proportions in calculating market value changes. Legislation passed in the spring of 1989 amended S.7000A, changed the mechanics of the market value adjustment and further postponed it until 1992 in order to prevent a significant shift in tax burden towards Class 1 taxpayers in fiscal year 1990. From 1983 to 1991 the City apportioned the tax levy by using the 1981 proportions, as adjusted annually for physical changes. In addition, during this period the City Council had discretion in setting class shares as long as change in each class's share was within five percent of the previous year's share.

Since 1992, class shares have been adjusted annually for relative changes in market value (subject to a "cap" of five percent over the prior year's share) in addition to physical change. The resulting shares are called adjusted base proportions. In 1993 and 1995 through 2004, State legislation lowered the five percent cap.

Components of the Tax Levy: The real property tax is the primary source of revenue for the General Debt Service Fund. Under the State Constitution, the City's ability to levy a real property tax for the payment of principal and interest on the City's long-term debt is unlimited. However, there is a limit on the amount of real property tax that can be raised for operating purposes. This operating limit is equal to 2.5 percent of the average full value of taxable real estate for the current and prior four years, less payments for City's short-term debt and business improvement district levies. In addition, total debt outstanding including business improvement district debt may not exceed 10 percent of the five-year average full value. SBRPS estimates the full value as of January 1 for each of the five years of the average. The 2002 market value survey, which reflected the fifth increase in real estate market values since 1996, is incorporated into the calculation of 2004's operating limit.

Real Property Tax Operating Limit [1]

Fiscal Year	Operating Limit ($ Millions)	Unused Margin ($ Millions)	Unused Margin (Percent)
1983	$2,718.1	$15.1	0.6%
1984	3,181.6	209.7	6.6
1985	3,589.1	407.6	11.4
1986	4,010.5	361.7	9.0
1987	4,432.0	476.0	10.7
1988	4,969.5	537.2	10.8
1989	6,808.5	1,812.2	26.6
1990	7,789.1	2,387.8	30.7
1991	9,109.3	2,892.9	31.8
1992	10,631.8	4,369.0	41.1
1993	11,945.0	5,475.1	45.8
1994	13,853.8	7,932.9	57.3
1995	13,380.2	7,832.6	58.5
1996	8,633.4	3,451.2	40.0
1997	7,857.3	2,924.0	37.2
1998	7,599.7	1,665.5	21.9
1999	7,170.3	862.6	12.0
2000	7,268.7	45.5	0.6
2001	7,573.1	140.4	1.9
2002	8,128.0	42.1	0.5
2003[2]	8,881.0	1,158.0	13.0
2003[3]	8,925.2	230.6	2.6
2004	9,893.5	506.1	5.1

(1) *Source: Adopted Budget Tax Fixing Resolution. Figures for 1997-2002 and 2004 reflect the November 1998, September 1999, September 2000, October 2001 and November 2003 amended resolutions, respectively.*

(2) *Reflects levy fixed in June 2002.*

(3) *Reflects levy fixed in November 2002.*

The levy is also divided into a levy for education and a levy for 'other' non-education purposes. Veterans are exempt from non-education portion of the tax.

Tax Rates: From 1983 through 1992 the average tax rate grew consistently, a result of decisions to increase the tax levy at a rate in excess of the growth in billable assessed value.

Beginning in 1992 the City Council's discretion to adjust class shares was no longer applicable. With the introduction of the market value adjustment mechanism in 1992, Class 1, Class 2 and Class 4's tax rates increased significantly, while a commitment was made to freeze the average tax rate at $10.591 per $100 of assessed value. Class 3's rate declined considerably in 1994, mainly as a result of a change in the assessment percentage, which caused the class's billable assessed value to increase dramatically while the Class 3 share decreased proportionally less. The increase in billable assessed value was considered a technical change which did not yield additional tax levy. However, as a result, the "freeze" tax rate of $10.591 fell to $10.366. Effective January 1, 2003, the average tax rate was increased from $10.366 to $12.283 affecting the second half of the year.

Class Tax Rates[1]

	Class 1	Class 2	Class 3	Class 4	Average
1983...............	$8.950	$8.950	$9.109	$9.294	$9.120
1984...............	9.100	9.057	9.237	9.323	9.206
1985...............	9.100	9.150	9.051	9.460	9.255
1986...............	9.100	9.150	9.051	9.460	9.256
1987...............	9.330	9.150	9.172	9.460	9.315
1988...............	9.330	9.150	9.942	9.460	9.434
1989...............	9.452	9.272	11.289	9.582	9.703
1990...............	9.452	9.229	12.903	9.539	9.797
1991[2].............	9.840	9.154	15.079	9.924	10.135
1992...............	10.888	9.885	13.083	10.631	10.591
1993...............	10.888	9.910	12.794	10.698	10.591
1994...............	10.900	10.369	7.404	10.724	10.366
1995...............	10.694	10.552	7.702	10.608	10.366
1996...............	10.725	10.807	7.922	10.402	10.366
1997...............	10.785	11.056	7.840	10.252	10.366
1998...............	10.849	11.046	8.282	10.164	10.366
1999...............	10.961	10.739	8.800	10.236	10.366
2000...............	11.167	10.851	9.398	9.989	10.366
2001...............	11.255	10.847	10.540	9.768	10.366
2002...............	11.609	10.792	10.541	9.712	10.366
2003[3].............	12.287	10.564	10.541	9.695	10.366
2003[4].............	14.160	12.517	12.565	11.580	12.283
2004...............	14.550	12.620	12.418	11.431	12.283

(1) *Tax Rate per $100 of assessed value.*

(2) *Does not include funding for the "Safe Streets, Safe City" program, a mid-year tax increase of 8¢ for Class 1, 7.4¢ for Class 2, 12.1¢ for Class 3 and 8¢ for Class 4.*

(3) *Effective July 1, 2002 through December 31, 2002.*

(4) *Effective January 1, 2003.*

Reserve for Uncollectible Taxes: The property tax levy, approved by the City Council each year, includes a reserve for uncollectible taxes. Uncollectible taxes fall into three general categories: delinquency, cancellations of tax liability due to reductions in assessed value, and tax expenditures for a number of housing and economic development programs. In addition, there are significant cash inflows and outflows affecting the reserve, including refunds of current and past year payments due to overpayments and reductions in assessed value, collections against prior year levies[2], and payments from exempt property restored to taxable status.

The delinquency rate increased from 2.5 percent in 1989 to nearly 5.0 percent in 1994 due to a weak local economy, but with a recovery in the local economy and the beginning of the lien sale program, the delinquency rate declined to 2.9 percent by 2001. In 2002, however, the delinquency rate rose to 3.3 percent, in part due to the destruction of the World Trade Center (WTC) in the September 11th terrorist attack. The overall

Real Property Tax Collections and Delinquency
($ Millions)

Fiscal Year	Tax Levy [1]	Tax Collection on Current Year Levy [2]	Tax Collection as a Percentage of Tax Levy	Prior Year (Delinquent Tax) Collections	Refunds [3]	Cancellations, Net Credits, Abatements, Exempt Property Restored and Shelter Rent	Delinquent as of end of Fiscal Year [4]	Delinquency as a Percentage of Tax Levy	Receivable/ Lien Sale [5]
1989	$6,233	$5,913	94.9%	$108	($79)	($167)	($153)	2.45%	—
1990	6,872	6,507	94.7	110	(74)	(135)	(230)	3.35	—
1991 [6]	7,681	7,199	93.7	150	(63)	(166)	(316)	4.11	—
1992	8,319	7,748	93.1	194	(124)	(200)	(370)	4.45	—
1993	8,393	7,766	92.5	228	(107)	(215)	(411)	4.90	—
1994	8,113	7,520	92.7	223	(199)	(190)	(403)	4.97	$201
1995	7,890	7,377	93.5	211	(164)	(131)	(382)	4.84	223
1996	7,871	7,307	92.8	241	(400)	(276)	(289)	3.67	169
1997	7,835	7,371	94.1	147	(271)	(179)	(284)	3.63	44
1998	7,890	7,414	94.0	148	(345)	(199)	(277)	3.51	22
1999	8,099	7,514	92.9	133	(167)	(309)	(276)	3.40	119
2000	8,374	7,774	92.8	144	(189)	(340)	(261)	3.11	62
2001	8,730	8,069	92.4	132	(241)	(411)	(251)	2.87	196
2002	9,271	8,590	92.7	152	(134)	(375)	(306)	3.30 [7]	41
2003	10,689	9,944	93.0	126	(138)	(457)	(288)	2.70	12
2004 [8]	12,251	11,320	92.4	132	(188)	(581)	(350)	2.86	89

(1) As approved by the City Council.
(2) Quarterly collections on current year levy. Amounts for fiscal year 1994, 1995 and 1996 are adjusted to eliminate the effects of the 1994 and 1995 sales of delinquent tax receivables.
(3) Includes repurchases of defective tax liens amounting to $19.7 million, $10.8 million, $12.9 million, $10.8 million, $15.1 million, $3.9 million and $11.1 million in 1997 through 2003 respectively.
(4) These figures include taxes due on certain publicly-owned property and exclude delinquency on shelter rent and exempt property restored in 1995 and 1996.
(5) Net of defective lien reserve and repurchase of prior year defective liens.
(6) Does not include supplemental levy of $61.7 million raised in mid-year for the "Safe Streets, Safe City" program.
(7) Includes a $68.1 million delinquency from the destruction of the World Trade Center. The delinquency rate adjusting for this is 2.6%.
(8) Forecast.

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(2) In 1994 and 1995, prior year collections or receivables (along with the accrued penalty and interest) were sold as an asset of the City, netting $200.6 million and $223.1 million, respectively. Once sold, the collections of prior year levies were turned over to the purchaser until the purchase price (interest and expenses) was satisfied.

Property Tax Revenue
($ Millions)

	1998	1999	2000	2001	*2002*	*2003*	*2004f*	*2005f*
Levy	$7,890	$8,099	$8,374	$8,730	$9271	$10,689	$12,251	$12,760
Current Year Reserve[1]	(476)	(585)	(600)	(661)	(681)	(745)	(931)	(984)
Prior Year Collections	148	133	144	132	152	126	132	132
Refunds	(345)	(167)	(189)	(241)	(134)	(138)	(188)	(194)
Sub-Total	$7,217	$7,480	$7,729	$7,960	$8,608	$9,932	$11,264	$11,714
Lien Sale Proceeds [2]	22	119	62	196	41	12	89	118
Total [3]	**$7,239**	**$7,599**	**$7,791**	**$8,156**	**$8,649**	**$9,943**	**$11,353**	**$11,832**

(1) Includes cancellations, delinquency, net accruals, abatements, exempt property restored, shelter rent and STAR.

(2) Net of defective lien reserve and repurchase of prior year defective liens.

(3) Totals may not add due to rounding.

f=forecast

delinquency adjusted for WTC was 2.6 percent. In 2003, the trend of declining delinquency resumed and it dropped to 2.7 percent, reflecting a robust real estate market.

Remissions in assessed value, granted by the City's Tax Commission during the summer hearings after the final assessment roll is produced, are reflected in the reserve for cancellations. These actions represent most of the value of cancellations, which also include reductions resulting from court decisions and Law Department settlements. The reserve for refunds covers reimbursement to taxpayers who have overpaid their tax liabilities, or whose liabilities were reduced after payment was made. The level of refunds rose dramatically in the mid-90's, peaked at $400 million in 1996, and decreased to $134 million in 2002, as a result of reductions in *certiorari* settlements. There are also reserves for tax expenditures that are given in the form of tax abatements. However, it is not necessary to reserve for exemptions since they are not included in the tax base to start with.

Tax Expenditures: Each year the City forgoes revenue that it could collect under the basic tax structure in order to protect certain taxpayers or to create an economic incentive for taxpayers to take certain actions that would be beneficial to the City as a whole. The foregone revenue is commonly referred to as a tax expenditure. Generally, tax expenditures are considered a targeted preference to a specific group or activity, a clear exemption to the tax law, and specific to New York City.

Real property tax exemptions and abatements, which totaled $2,007 million in 2003, can be grouped into three general categories: economic development, housing development, and other exemptions. Economic development exemptions are granted under the City's Industrial and Commercial Incentive Program (ICIP), the Commercial Revitalization Program, the Commercial Expansion Program and by City and State development corporations. The New York City Housing Authority is the single largest source of residential exemptions. The remainder of residential tax relief is provided by a variety of legislatively mandated exemption and abatement programs. The other exemptions are for certain utility properties, public authority properties and special incentives to promote cultural institutions. The Department of Finance, which administers many of the City's taxes and maintains records of these expenditures, aids in the estimation of their value (see the table titled: "Estimated Value of Real Property Tax Exemptions and Abatements").

Estimated Value of Real Property Tax Exemptions and Abatements 1995-2003
($ Millions)

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Economic Development Exemptions									
I.C.I.B/I.C.I.P.	$107.1	$105.7	$99.3	$111.9	$132.5	$144.6	$177.7	$193.4	$249.2
Battery Park City Authority [1]	113.7	94.2	87.2	81.6	79.5	71.2	79.8	72.8	89.3
Industrial Development Agency [1]	52.6	48.5	47.2	47.8	61.5	84.5	66.0	66.6	62.8
Urban Development Corp.	78.3	77.0	76.9	80.0	84.5	101.0	107.6	113.1	141.1
Economic Development Corp.[1]	4.3	3.7	3.4	4.1	7.4	3.8	3.9	7.1	11.5
World Trade Center [1]	80.7	79.8	64.0	54.7	61.5	60.5	59.0	5.4	n.a.
Teleport, Port Authority	0.9	2.2	1.1	1.3	1.5	6.7	6.7	6.9	6.9
Madison Square Garden	9.0	8.8	8.7	8.6	8.7	8.5	8.3	8.8	10.6
Commercial Revitalization and Expansion Program	—	—	1.3	3.6	7.0	14.1	18.1	19.3	15.4
Subtotal	$446.6	$419.9	$389.1	$393.6	$444.1	$494.9	$527.1	$493.4	$586.8
Residential Exemptions									
Public Housing									
Housing Authority [1]	$295.2	$281.7	$264.0	$255.3	$241.2	$239.5	$244.0	$254.1	$297.5
Private Housing									
J-51 (exemption)	70.8	67.9	59.5	54.6	54.9	55.9	60.8	65.9	78.0
J-51 (abatement)	113.8	108.7	105.4	104.6	105.7	106.9	99.5	96.5	97.8
421-a New Multiple Dwelling	117.2	103.4	96.5	87.9	78.9	104.8	111.3	130.0	181.6
421-b New Private Housing	10.9	10.3	9.9	9.5	9.8	10.5	11.7	14.6	13.9
Senior Citizen Homeowner Exemption	15.1	17.2	18.2	19.8	21.1	25.6	26.7	28.4	27.8
Senior Citizen Rent Increase Exemption (abatement)	59.8	91.9	54.1	61.0	62.5	63.5	63.5	80.2	66.5
Division of Alternative Management Programs	3.9	3.7	4.0	4.3	4.6	5.4	5.8	6.7	8.5
Veteran Exemption	10.1	9.1	10.0	11.0	16.1	18.0	18.5	19.0	16.1
Co-op/Condo Abatement	—	—	9.0	91.8	152.7	157.8	170.1	181.3	215.0
Lower Manhattan Conversion	—	—	—	—	—	—	—	19.9	22.7
Other [2]	287.4	270.3	257.7	252.1	234.2	235.8	236.6	248.2	297.7
Subtotal	$984.2	$964.2	$888.3	$951.9	$981.7	$1,023.7	$1,048.5	$1,144.8	$1,323.1
Other Exemptions									
NY Power Authority	$31.8	$34.5	$35.5	$38.5	$41.3	$44.7	$49.4	$50.3	$80.1
Jamaica Water Supply	6.8	7.2	7.4	7.8	8.2	8.6	9.5	9.5	10.4
Trust for Cultural Resources	5.1	4.8	4.8	5.7	5.7	5.7	5.8	5.7	6.1
Subtotal	$43.7	$46.5	$47.7	$52.0	$55.2	$59.0	$64.7	$65.5	$96.6
TOTAL	**$1,474.5**	**$1,430.6**	**$1,325.1**	**$1,397.5**	**$1,481.0**	**$1,577.6**	**$1,640.5**	**$1,703.7**	**$2,006.5**

Source: Department of Finance

(1) *Net of Payments in Lieu of Taxes (PILOTs) and other miscellaneous payments.*

(2) *"Other" includes miscellaneous State-assisted housing, housing development fund companies, limited dividend housing companies, redevelopment companies, limited profit housing companies and the Urban Development Action Area Program, net of Payments in Lieu of Taxes (PILOTS).*

Notes:

- *The revenue estimates of assessed value exemptions and abatements are calculated by multiplying the exempted (or abated) assessed value by the applicable statutory tax rate for each fiscal year.*
- *Urban Development Corp., J-51, 421-a and "Other" Residential include commercial and residential properties.*
- *Totals may not add due to rounding.*

Forecast: The real property tax revenue is forecast at $11,353 million in 2004, an increase of $1,410 million over the prior year, and growth of 14.2 percent. The forecast is increased $18 million over the January Plan. The property tax revenue is forecast at $11,832 million in 2005, growth of 4.2 percent over 2004 and an increase of $23 million over the January Plan.

The increase in 2004 results from the full-year impact of 18.49 percent tax rate increase, effective January 1, 2003, and growth in billable assessed value seen on the 2004 final roll. The forecast increase of $18 million from the January Plan results from a lower delinquency forecast generating $40 million additional cash collections and $10 million in collections from prior year lien trusts, partially offset by the postponement of $32 million in lien sale proceeds to 2005. Monies from the prior year lien trusts are additional cash collections from the remaining liens that continue to generate cash flows through the collection efforts of the servicer, after the initial lien trusts were terminated and the bondholders paid off.

The 2005 property tax revenue forecast is based on the tentative roll, released by the Department of Finance on January 16, 2004. The tentative roll billable assessed value (before veterans and STAR exemptions) increased by $5.9 billion to $105.7 billion, growth of 5.9 percent over last year.

Class 1 properties (one-, two- and three-family homes) posted the market value growth of 21.7 percent, on the tentative roll, the highest since 1991, and billable assessed value growth of 4.1 percent over 2004[3]. Class 2 properties (apartments, condominiums and cooperatives) also saw a high market value growth of 21.2 percent on the tentative roll, again the highest since 1992, and billable assessed value growth of 6.6 percent. The surge in market values of these classes is due to the strength in the City's real estate market and a revised assessment guideline methodology implemented by DOF this year to account for specific situations where the previous guidelines could not effectively capture value. Class 3 properties (utility) saw market value growth on the tentative roll of 3.3 percent, slightly higher than last year, with the billable assessed value growth of 2.3 percent over 2004. Class 4 properties (office and commercial space) saw market value growth of 7.3 percent on the tentative roll, higher than last year's 4.5 percent, and the billable assessed value increased 6.2 percent compared to the 5.7 percent growth seen in 2004.

The final roll, to be released in May, is currently estimated to be about $1.7 billion lower than the tentative roll level as a result of Tax Commission actions, Department of Finance changes by notice and completion of exemption processing.

In 2005, the levy is expected to increase by $509 million to $12,760 million, growth of 4.2 percent over 2004 due to the steady growth in the billable assessed value. The levy forecast is reduced by $97 million from the January Plan as a result of the upward revision to the tentative to final roll reduction. Revenue from the property tax is forecast at $11,832 million, an increase of $479 million and growth of 4.2 percent over 2004. The forecast increase of $23 million over the January Plan results from a $97 million reduction in levy, offset by a lower delinquency forecast, yielding $40 million in collections from the 2005 current year levy, a reduction to the refund forecast of $38 million, the additional lien sale proceeds of $32 million from the rescheduled 2004 spring sale and an additional $10 million in collections from the prior year lien trust.

Substantial pipelines[4] are expected to be generated by the strong market value growth in 2005. Although the overall market value growth posted a vigorous level of 17.2 percent, the phase-in amount is anticipated to be curtailed by the assessed value cap on Class 1 and the Class 2 four-to-ten family properties. Class 2 market value growth of 21.2 percent stems principally from the 104.2 percent increase in the four-to-ten family property market values, the majority of which does not translate into assessed value growth due to the statutory restrictions imposed on the annual assessment increases. Nonetheless, the current year pipelines in

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(3) The operation of the real property tax law (S.7000A) limits the annual assessment increases for Class 1 properties to no more than six percent annually and 20 percent over five years..

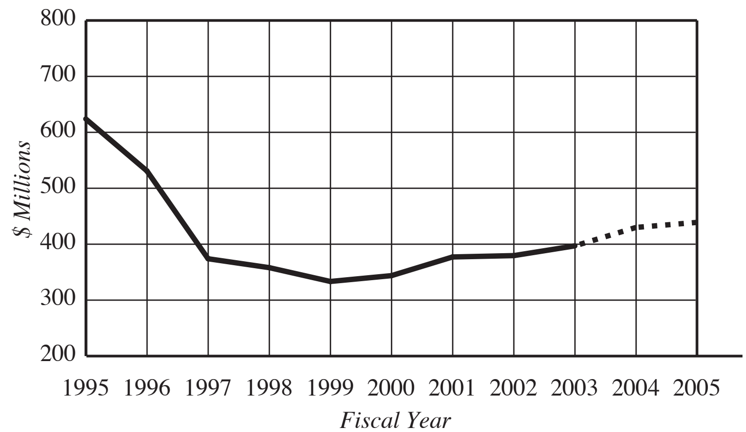
(4) Increases and decreases in value are phased into billable assessments over five years for Classes 2 and 4. Increases in value not yet phased into billable assessed value are referred to as the pipeline.

Class 2 and Class 4 amount to a considerable level, stemming from the market value growth of 7.1 percent in the rest of Class 2 and Class 4 properties combined. In addition, the existing pipelines of assessed value have been accumulating through the high market value growth recently seen in Class 2 and Class 4, averaging 6.6 percent over the past four years. With the current year market value growth and the phase-in of the existing pipeline, the billable assessed value on the final roll is projected to grow 4.2 percent in 2005. Buoyed by forecast market value growth slightly above the long-term average, the billable assessed value growth is projected to average 4.8 percent from 2006 through 2008. The real property tax revenue is also expected to grow at 4.6 percent on average from 2006 through 2008.

COMMERCIAL RENT TAX

The commercial rent tax is projected to account for 1.7 percent of tax revenue in 2005 or $439 million.

COMMERCIAL RENT TAX 1995-2005



Tax Base and Rate: The commercial rent or occupancy tax is imposed under Chapter 7 of Title 11 of the New York City Administrative Code, on the rental of space in New York City for commercial or professional purposes. The tax is levied only on tenants who rent space in Manhattan south of 96th Street at an effective rate of 3.9 percent. Tenants whose base rents are less than $250,000 per year do not pay tax; those whose base rents are in excess of $250,000 but less than $300,000 receive a sliding-scale credit.

Legislative History: The commercial rent tax was first imposed on June 1, 1963 at a rate of five percent on base rents of $2,500 and over. On June 1, 1970, a graduated rate schedule was adopted:

Base Rent	Tax Rate
$0 to $2,499	2.50%
$2,500 to $4,999	5.00
$5,000 to $7,999	6.25
$8,000 to $10,999	7.00
$11,000 or over	7.50

In 1977, the City began a tax reduction program that effectively reduced the tax rate by 20 percent over four years. The maximum rate was reduced to 6.75 percent as of June 1, 1977, to 6.375 percent in 1980 and to 6.0 percent in 1981. Effective June 1, 1981, a tenant whose annual base rent was less than $5,000 was exempt from the tax. The base rent exemption was increased to $8,000 on June 1, 1984 and to $11,000 on December 1, 1984.

In 1985, the City instituted a tax reduction program which lowered the commercial rent tax for taxpayers in certain locations. As of January 1, 1986, the base rent for taxable premises located in Manhattan north of 96th Street and in the Bronx, Brooklyn, Queens and Staten Island was reduced by 10 percent. The base rent was reduced by 20 percent as of June 1, 1987, and by 30 percent as of June 1, 1989 for a total reduction worth $34 million in 1995. In 1994, a 25 percent tax credit was granted to taxpayers located in Manhattan below 96th Street whose base rent was between $11,000 and $14,000, and to those located north of 96th Street in Manhattan or in the other boroughs whose base rent was between $15,715 and $20,000. In 1995, this credit expanded to a full exemption for taxpayers with base rent up to $21,000 in central and lower Manhattan and up to $30,000 elsewhere.

Beginning in 1996, the base rent exemption was raised to $31,000 in central and lower Manhattan and $44,286 elsewhere. In addition, primary tenants became eligible to deduct the rent received from sub-tenants, even if the sub-tenant was exempt from tax. This legislation raised the base rent exemption for tenants located in Manhattan south of 96th Street to $40,000 in 1997, allowed a sliding scale of credit for base rents ranging between $40,000 and $59,999, and completely eliminated the commercial rent tax in the rest of the City. However, legislation passed in 1995 accelerated the effective date of these changes to September 1, 1995. The 1995 legislation further allowed tenants to reduce rent subject to the tax by 15 percent for the tax period from March 1, 1996 to May 31, 1996, and by 25 percent for tax years beginning on or after June 1, 1996, which brought the effective tax rate down to 5.1 percent as of March 1, 1998 and to 4.5 percent as of June 1, 1998.

For tax years beginning on or after June 1, 1997, tenants with annual base rents of less than $100,000 were exempt from the tax, and a sliding scale of credit was allowed for base rents ranging between $100,000 and $140,000. From September 1, 1998, tenants were allowed to reduce their base rent subject to tax by 35 percent, which brought the effective tax rate further down to 3.9 percent.

Effective December 1, 2000, the base rent exemption was further increased to $150,000 with a sliding scale of credit up to $190,000. The base rent exemption was again increased to $250,000 with a sliding scale of credit up to $300,000, effective June 1, 2001.

Under the Commercial Revitalization Program, qualifying tenants in the lower Manhattan abatement zone are eligible for a three- or five-year special reduction to their commercial rent tax liability. The tax reduction period is determined by the number of employees the tenant employs, the length of the initial lease term and the lease execution date.

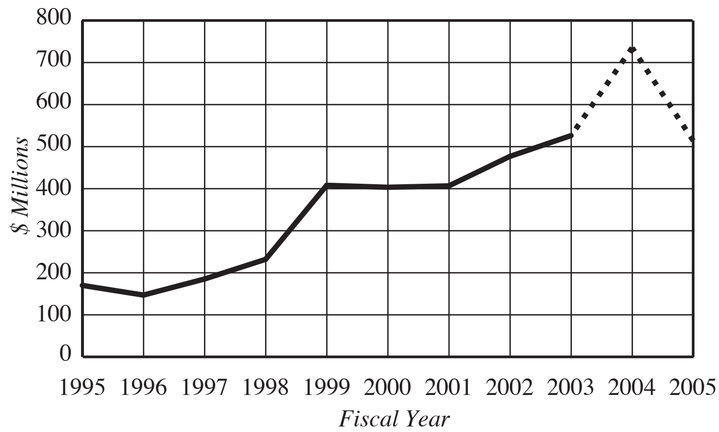
Forecast: Commercial rent tax revenue is forecast at $430 million in 2004, 8.3 percent growth from the 2003 level and an increase of $10 million from the January Plan level. The strong growth over 2003 stems from the full year impact in 2004 of the pass-through of the recent property tax rate increase. The 2005 commercial rent tax revenue is forecast at $439 million, growth of 2.1 percent over 2004 and an increase of $9 million from the January Plan. The slowdown in growth for 2005 is due to both steady vacancy rates and nearly flat asking prices for commercial space forecast through calendar year 2005. Asking rents are forecast to begin to increase slightly while the vacancy rate begins to decline in calendar years 2006 through 2008. Commercial rent tax collections are, therefore, projected to grow an average of 2.9 percent from 2006 through 2008.

MORTGAGE RECORDING TAX

The mortgage recording tax is projected to account for 1.9 percent of tax revenue in 2005, or $514 million.

Tax Base and Rate: The mortgage recording tax is imposed on the recording of real estate mortgages in New York City. The tax rate ranges from 1.0 percent for mortgages securing a debt of under $500,000 to 1.75 percent for commercial mortgages securing a debt of $500,000 or more. In addition, the State imposes a 1.0 percent tax, half of which is dedicated to the Metropolitan Transportation Authority (MTA) and the State of New York Mortgage Agency (SONYMA).

MORTGAGE RECORDING TAX 1995-2005



Mortgage Recording Tax Rates

Distribution of Revenue	All Mortgages Under $500,000	Mortgages of $500,000 or More on 1, 2 & 3 Family Homes	Commercial Mortgages of $500,000 or More
State Taxes			
NYC General Fund	0.500%	0.500%	0.500%
MTA/SONYMA	0.500	0.500	0.500
City Taxes			
NYC General Fund	1.000	1.125	1.125
NYCTA, Paratransit and Franchised Bus Operators	—	—	0.625
Total	**2.000%**	**2.125%**	**2.750%**

Legislative History: The City's mortgage recording tax revenue is composed of two separate taxes, one levied by the State and the other a City tax established by local law under State authority. The State mortgage recording tax was established in 1906 at a rate of 0.5 percent on the amount of the mortgage. The tax was imposed statewide, with the law calling for the proceeds to be paid to county treasurers in counties outside of New York City, and in the case of New York City, to the general fund.

In 1969, a surcharge of 0.25 percent of the amount of the mortgage was added to the statewide tax. Inside the MTA region, the proceeds from the tax were required to be paid to the MTA. Counties outside the MTA region were given the option to suspend the surcharge by local law.

In 1979, another 0.25 percent surcharge was imposed, with the funds dedicated to SONYMA. Taxpayers, however, were allowed to credit payments of this surcharge against their liability for the State general corporation tax, personal income tax or banking corporation tax. In 1987, the State Legislature amended this second surcharge so that the MTA receives tax revenue from mortgages made on one- to six-family homes within the MTA region. In addition, the credit provision was altered to allow taxpayers to take payments as a deduction against taxable income rather than as a credit against liability.

The New York City mortgage recording tax dates from 1971, when the rate was set at 0.5 percent on the amount of the mortgage. In 1982, the tax was increased for mortgages securing a debt of $500,000 or more. For these large mortgages, the rate on one-, two- and three-family homes was increased to 0.625 percent; on other large mortgages, the rate was increased to 1.25 percent. Half of the collections from large nonresidential mortgages were paid to the City's general fund, and the other half was dedicated to the New York City Transit Authority (NYCTA), the City paratransit system and certain private bus operators franchised by the City.

Effective July 1, 1989, several "loophole-closing" provisions were enacted with regard to the City and State mortgage recording taxes. The provisions: (1) permit the aggregation of related mortgages for the purpose of determining whether the higher rates apply; (2) require payment of the City's tax if the lien of a mortgage recorded outside the City is "spread" to realty located in the City; (3) treat an assignment of rents, given as security for an indebtedness, as a mortgage for purposes of the tax; (4) eliminate the practice of securing new debt under a previously recorded, but since repaid, mortgage by requiring that a certificate of discharge be issued when a mortgage has been repaid; (5) limit the "condominium credit" to initial sales of condominium units only if the first unit in the project is sold within two years from the recording date of the construction or blanket mortgage, or if the proceeds of a blanket mortgage were used to purchase the condominium property or, if the purchase occurred no more than two years before the declaration of the condominium; and (6) increase the rate of interest payable on underpayments and overpayments and increase nonpayment penalties.

Effective August 1, 1990, the New York City mortgage recording tax was raised across-the-board by 0.5 percent. Total revenue dedicated to the general fund from both State and City mortgage taxes is based on a tax rate of 1.5 percent for mortgages under $500,000 and 1.625 percent for all mortgages of $500,000 or more. The combined City and State mortgage recording tax rates for mortgages recorded in New York City are 2.0 percent for mortgages under $500,000, 2.125 percent for residential mortgages of $500,000 or more, and 2.75 percent for large commercial mortgages.

Beginning in 1996, credit line mortgages (i.e. mortgages which allow a series of advances, repayments, and readvances) under $3 million are not subject to additional mortgage recording taxes. Previously, this advantage was available only to credit line mortgages on owner-occupied one- to six-family homes. Readvances under other mortgages remain taxable.

Forecast: The mortgage recording tax for 2004 is forecast at $735 million, 39.7 percent growth over the prior year and an increase of $163 million from the January Plan level. In recent years, mortgage recording tax collections have reached unprecedented levels, reflecting the boom in refinancing activity, continued strength in real estate values and increased real estate sales activity. Supporting the overall strength in mortgage activity are the lowest interest rates seen since the early 1960's.

This upward forecast revision is based on an analysis of year-to-date collections through March, as well as the increase in real estate transactions and mortgage refinancings spurred by the continued decline in mortgage rates during 2004. In addition, an analysis of the City's trust and agency accounts for real estate transaction taxes has revealed a considerable backlog of transactions pending the completion of processing and recognition as City fund revenues.

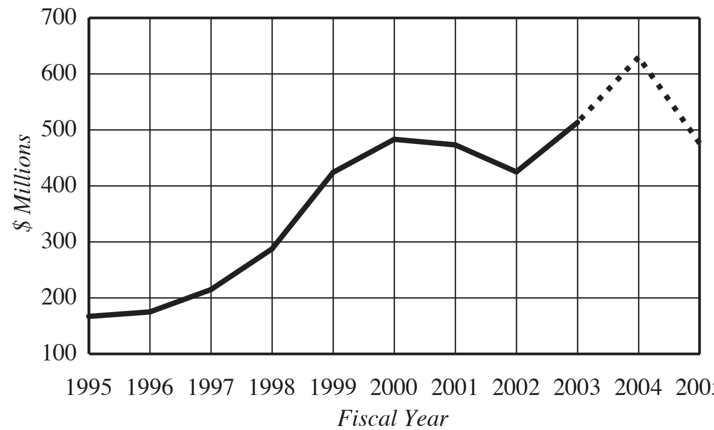
Residential collections in 2004 are forecast at $527 million, growth of 51.1 percent over 2003. The surprising strength in the residential collections reflects the continued boom in residential sales and refinancing. The Mortgage Bankers Association index of mortgage originations indicates continued strength in purchases through the end of 2004, but also indicates significant retrenchment in the refinancing market on expectation of higher interest rates in 2005. Collections from commercial transactions in 2004 are forecast at \$208 million, up 17.1% from 2003. The strength of commercial transactions has also been robust this year, a result of the sales of several large office towers and the continued investment appeal of New York City real estate.

For 2005, the mortgage recording tax is forecast at \$514 million, a decline of 30.1 percent from 2004. Collections from both commercial and residential mortgage recording activities are forecast to decline in 2005 as real property sales, as well as mortgage refinancing retreat from the overheated transaction levels seen in 2004 due to a forecast rise in interest rates and a decline in the inventory available for sale or refinancing. From 2006 through 2008, the tax averages growth of 1.8 percent.

REAL PROPERTY TRANSFER TAX

The real property transfer tax is projected to account for 1.8 percent of tax revenue in 2005, or $476 million.

REAL PROPERTY TRANSFER TAX 1995-2005



Tax Base and Rate: The real property transfer tax is imposed on each deed at the time of transfer from the seller to the buyer. The tax is payable by the grantor, normally the seller. If the grantor is exempt from the tax, it is payable by the grantee. The rate is 1.0 percent of the sales price for residential properties of $500,000 or less. For residential properties of more than $500,000 and for commercial sales of $500,000 or less, the rate levied is 1.425 percent. For large commercial transactions, the tax is 2.625 percent of the sales price or consideration. These rates went into effect August 1, 1989. Of the tax collected from large commercial transactions, 38.1 percent goes to a special fund for the New York City Transit Authority (NYCTA), the City paratransit system and certain private bus operators franchised by the City. This amounts to a rate of 1.0 percent of the consideration on these transactions. The State also imposes a real estate transfer tax on deed recordings at a rate of 0.4 percent. Current State and local tax rates on transfers in New York City are presented below.

Legislative History: The real property transfer tax became effective in 1959. In 1982, the tax was raised from the initial rate of 1.0 percent to 2.0 percent for transfers with a sale price of $500,000 or more. Revenue from the rate increase is dedicated to the NYCTA, paratransit and certain private bus operators franchised by the City. At the same time, the base of the tax was expanded to include leasehold transfers and to disallow the deduction for continuing liens.

Real Property Transfer Tax Rates

Distribution of Revenue	Residential Sales of $500,000 or Less	Commercial Sales of $500,000 or Less and Residential Sales over $500,000	Commercial Sales over $500,000
State Tax			
NYS General Fund [1]	0.400%	0.400%	0.400%
City Tax			
NYC General Fund	1.000	1.425	1.625
NYCTA, Paratransit and Franchised Bus Operators	—	—	1.000
Total	**1.400%**	**1.825%**	**3.025%**

(1) The State real estate transfer tax includes an additional tax of one percent on residential transfers valued at over $1 million.

Legislation further expanded the base beginning in 1987 by including transfers of a majority interest in an entity which owns real property in New York City (the "Pan Am" tax). Only the value of the property is taxable, not the value of the entire interest. This change was enacted to prevent avoidance of the tax when a transfer takes place but formal ownership of the property remains unchanged. Initial transfers of cooperative apartment units as well as subsequent transfers (resales) were also made subject to the "Pan Am" tax.

In August 1989, general fund revenue was increased by raising the transfer tax rate from 1.0 percent to 1.425 percent for commercial transactions of $500,000 or less and residential transactions of more than $500,000. For commercial sales with consideration greater than $500,000, the tax rate rose from 1.0 percent to 1.625 percent. The same legislation expanded the tax base to include resales of residential cooperative apartments, the remaining category of untaxed cooperative transactions.

In June of 1994, a State law was passed which provided a temporary 50.0 percent reduction in the rate of the real property transfer tax for certain transfers to newly organized Real Estate Investment Trusts (REITs). This provision is now permanent. In addition, a 50.0 percent reduction is applicable to transfers to pre-existing REITs occurring between July 13, 1996 and August 31, 2002, provided the transferor receives and retains for at least two years of ownership interest in the REIT. Starting July 1, 1997, a deduction on the real property transfer tax payable on the transfer of a one- to three-family home, or an individual residential co-op or condo unit, is allowed for the amount of any mortgage assumed by the transferee.

In 2003, the law was amended to close a loophole on the transfer of controlling economic interest in an entity that owns or has an economic interest in real property. This amendment provided that the consideration subject to tax will be equal to the value of the real property or economic interest in real property, and is apportioned based on percentage of the ownership in the entity transferred for the purpose of determining the tax liability.

Forecast: The real property transfer tax for 2004 is forecast at $630 million, year-over-year growth of 22.7 percent and an increase of $151 million from the January Plan level. Like the mortgage recording tax, the real property transfer tax has reached record levels in recent years, reflecting the continued strength in real estate sales attributable to record low interest rates.

The upward forecast revision in 2004 is based on an analysis of year-to-date collections through March as well as an increase in real estate transactions spurred by the continued decline of interest rates during 2004. In addition, an analysis of the City's trust and agency accounts for real estate transaction taxes has revealed a considerable backlog of transactions pending the completion of processing and recognition as City fund revenues.

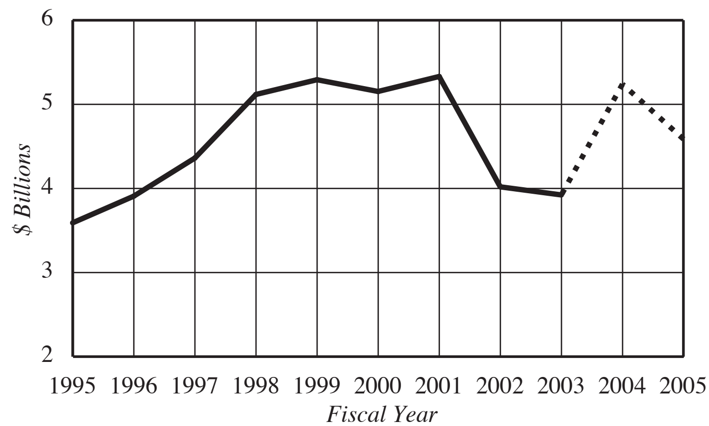
Residential collections in 2004 are forecast at $378 million, or growth of 24.2 percent over 2003. Collections growth from residential transactions has continued into 2004 due to increases in property values and transaction volume. Collections from commercial transactions in 2004 are forecast at $252 million, growth of 20.6 percent over 2003. Commercial activity remains strong due to the continued attractiveness of New York City real estate as an investment. The low level of new construction in New York City during the 1990's (between 1982 to 1990, 61 million square feet of office space was built in the City, while only 8.3 million square feet was built between 1998 and 2001) has kept the supply tight and maintained high prices for commercial real estate throughout the late 90's boom. During the recent economic slowdown, the lack of speculative building has buoyed commercial prices by keeping the inventory relatively constant. The record sale of the GM building for $1.4 billion in August of 2003 and continued sale of other 'trophy' buildings demonstrate the sustained investment appeal of Manhattan real estate.

For 2005 the real property transfer tax is forecast at $476 million, a decline of 24.4 percent from 2004. Collections from residential transactions are forecast to decline 24.3 percent due to anticipated interest rate increases, while collections from commercial transactions are forecast to decline 24.6 percent. From 2006 through 2008, the tax is expected to grow an average of 4.0 percent.

PERSONAL INCOME TAX

The personal income tax is projected to account for 17.3 percent of tax revenue in 2005, or $4,586 million.

PERSONAL INCOME TAX 1995-2005



Note: Personal income tax revenue after Transitional Finance Authority retention.

***Tax Base and Rate*:** The personal income tax is imposed on the taxable income of New York City residents, estates and trusts. The starting point for determining taxable income is Federal adjusted gross income (AGI). This amount is adjusted for statutory modifications to yield New York AGI. Taxable income results from subtracting the New York deduction and New York exemptions from New York AGI. Taxpayers may claim the New York standard deduction or the New York itemized deduction (the Federal itemized deduction amount subject to New York modifications). High income taxpayers are subject to percentage reductions in their New York itemized deductions. Finally, taxpayers are allowed a flat amount exemption for each dependent. There are different tax rate schedules for single (and married taxpayers filing separately), head of household, and married taxpayers filing jointly. These separate schedules were introduced in 1987. The rates and brackets have changed over the years. The current top rate is 4.45 percent.

2004 Rate Schedule

	Over	But Not Over	Pay	Plus	Of the Amount Over
Rate Schedule for Single Filers	$ 0	$12,000	$ 0	2.907%	$ 0
If net income is:	12,000	25,000	349	3.534	12,000
	25,000	50,000	808	3.591	25,000
	50,000	100,00	1,706	3.648	50,000
	100,000	500,000	3,530	4.175	100,000
	500,000		20,230	4.450	500,000
Rate Schedule for Joint Filers	$ 0	$21,600	$ 0	2.907%	$ 0
If net income is:	21,600	45,000	628	3.534	21,600
	45,000	90,000	1,455	3.591	45,000
	90,000	150,000	3,071	3.648	90,000
	150,000	500,000	5,260	4.175	150,000
	500,000		19,872	4.450	500,000
Rate Schedule for	$ 0	$ 14,400	$ 0	2.907%	$ 0
Head of Household Filers	14,400	30,000	419	3.534	14,400
If net income is:	30,000	60,000	970	3.591	30,000
	60,000	125,000	2,047	3.648	60,000
	125,000	500,000	4,418	4.175	125,000
	500,000		20,075	4.450	500,00

Effective January 1, 2003, legislation added two new upper income brackets and rates along with a tax table benefit recapture provision, which were enacted for tax years 2003 through 2005. A new temporary rate schedule for tax years 2003 through 2005 replaced both the base rate and 14 percent additional tax. The two higher rates for tax year 2003 include the current top marginal rate of 4.45 percent and 4.25 percent for the second highest income bracket. In tax years 2004 and 2005, the increase is phased out by dropping the first additional rate to 4.175 percent in 2004 and to 4.05 percent in 2005. In addition to the base tax, taxpayers who make extensive use of tax preferences are liable for a tax of 2.5 percent on their New York minimum taxable income.

From 1971 through June 30, 1999, an earnings tax was levied on nonresidents' New York City source income at a rate of 0.45 percent on wages and 0.65 percent on net earnings from self-employment. From 1966 through 1970, the earnings tax was levied at 0.25 percent on wages and 0.375 percent on net earnings from self-employment. The tax was eliminated by the State Legislature, effective July 1, 1999.

***Legislative History*:** New York City has imposed a personal income tax on residents and nonresidents since 1966 at various rates. The values of the dependent or personal exemptions and standard deductions have also varied as shown in the following table.

New York Dependent or Personal Exemptions and Standard Deductions, 1966-2004

Tax Year	Exemption	Standard Deduction
2003 - 04	None for taxpayers, $1,000 for each dependent	$7,500 for individual, $10,500 for head of household, $14,600 for joint filers, and $3,000 for dependent taxpayers
2002	Same as above	$7,500 for individual, $10,500 for head of household, $14,200 for joint filers, and $3,000 for dependent taxpayers
2001	Same as above	$7,500 for individual, $10,500 for head of household, $13,400 for joint filers, and $3,000 for dependent taxpayers
1997 - 00	Same as above	$7,500 for individual, $10,500 for head of household, $13,000 for joint filers, and $3,000 for dependent taxpayers
1996	Same as above	$7,400 for individual, $10,000 for head of household, $12,350 for joint filers, and $2,900 for dependent taxpayers
1995	Same as above	$6,600 for individual, $8,150 for head of household, $10,800 for joint filers, and $2,800 for dependent taxpayers
1989 - 94	Same as above	$6,000 for individual, $7,000 for head of household, $9,500 for joint filers, and $2,800 for dependent taxpayers
1988	Same as above	$5,000 for individual, $6,000 for head of household, $8,500 for joint filers, and $2,800 for dependent taxpayers
1987	$900 *(Available for taxpayers and each dependent)*	$3,600 for individual, $4,600 for head of household, $5,300 for joint filers, and $2,800 for dependent taxpayers
1986	$850	$2,600 for individuals, $3,000 for married couples and heads of households
1985	Same as above	$2,500 for individuals, $2,750 for married couples and heads of households
1982 - 84	$800	17% of AGI subject to a minimum of $1,500 ($2,000 for married couples) and a maximum of $2,500
1981	$750	Same as above
1980	Same as above	16% of AGI subject to a minimum of $1,400 ($1,900 for married couples) and a maximum of $2,400
1979	$700	Same as above
1978	$650	Same as above
1976 - 77	Same as above	15% of AGI subject to a minimum of $1,000 ($1,500 for married couples) and a maximum of $2,000
1966 - 75	$600	For all taxpayers 10% of AGI or $1,000, whichever is less

For 1982 through 1984, the City imposed a temporary surcharge on the personal income tax of every City resident, estate and trust. For calendar years 1982 and 1984, taxpayers with City adjusted gross income below $15,000 paid no surcharge. Taxpayers with adjusted gross income between $15,000 and $20,000 paid a surcharge of 2.5 percent of their tax liability, and taxpayers with adjusted gross income above $20,000 paid a 5.0 percent surcharge. For tax year 1983, the surcharge rates were doubled.

In 1985, New York State enacted a tax cut to be phased in over three years. Standard deductions and personal exemptions were raised, marginal tax rates were reduced, the real property tax credit was increased and a new benefit for married taxpayers called the "family adjustment" was introduced. Only changes to the standard deductions and the personal exemption flowed through to City tax liability. The standard deduction became a flat amount instead of being calculated as a share of adjusted gross income. It was to increase from $2,500 in 1985 to $2,800 in 1987 for single taxpayers and from $2,750 in 1985 to $3,800 in 1987 for married couples and head of household filers. The personal exemption was to increase from $800 to $900. The final year of this program, 1987, was superseded by subsequent tax reform legislation.

The Tax Reform Act of 1986 substantially altered the Federal personal income tax code. The definition of gross income, the deductions and exemptions allowed in the computation of taxable income, and the rates applied to such income were altered. Because State law conforms to Federal definitions of income and deductions, the State tax base was significantly broadened. In response, New York State altered its tax code in April 1987. The State legislation phased in a tax cut and a restructuring of the tax over five years beginning in tax year 1987.

Both the Federal and State changes significantly altered the definition of City taxable income. Since the City's personal income tax base was broadened, the City would have received a "windfall" if it had taken no action. The New York City Tax Reduction Act of 1987 was enacted to return this windfall to taxpayers and reduce income taxes for fiscal year 1988 by an additional $75 million. The City's five-year tax cut plan was designed to conform to State actions and combined new rate schedules and a low-income credit with the modified definition of taxable income. In 1987, the City introduced new rate schedules for single taxpayers, joint filers, and heads of households. Each schedule had six brackets rather than the 14 used in 1986. At the same time the top rate was reduced to 4.1 percent. By 1991, the legislation would have reduced the top rate to 3.4 percent and the number of tax brackets to four. A 0.5 percent credit for net capital gains income and a two-earner married couple deduction were transitional measures only in effect during tax year 1987.

The most significant changes to the law were large increases in the standard deduction and the introduction of a household credit to replace the low-income exclusion. For a joint filer with two dependents, these changes raised the threshold below which no tax is due from $11,000 in calendar year 1986 to $14,025 in 1987, $15,550 in 1988, and $16,046 in 1989 and 1990. Imposition of the 14 percent increase in 1991 lowered the threshold to $15,484 from 1991 to 1994. The taxable threshold increased again in 1995 to $16,691 and in 1996 to $17,499, as a result of increases in the standard deduction. An increase in the base rates in 1997 lowered the threshold to $15,001 from 1997 to 1998. The taxable threshold grew to $16,164 in 1999 as a result of the STAR program, and increased to $17,831 in 2000, with an increase in STAR credits and rate cuts. In 2001, the taxable threshold grew to $20,079, with the full phase-in of the STAR program, the reduction in the 14 percent additional tax and the increase in the joint filer standard deduction. In 2002, the taxable threshold grew to $20,518, the result of further increases in the joint filer standard deduction. In 2003 the taxable threshold grew to $20,918 due to another increase in the joint filer standard deduction, and remains unchanged in 2004.

Progressivity in the tax has been enhanced by placing limitations on the amount of itemized deductions allowable for New York purposes. Since 1989, itemized deductions for single filers with New York adjusted gross income over $100,000 and joint filers with New York adjusted gross income over $200,000 have been reduced up to 50 percent (20 percent in 1988).

As part of New York State's budget for fiscal year 1990-91, the last two years of the five-year tax reduction program were postponed. The legislation retained the 1989 tax rate schedule, standard deductions and the household credit for 1990. The scheduled phase-in of tax rates and deductions was to be completed by 1994. In order to avoid distortions in tax burdens which would result from coupling the City's 1990 rate schedule with the State's 1989 deductions, the City also retained its 1989 rate schedule for tax year 1990. Changes to the City rate schedules were made for tax years 1991 through 1994 in proportion to changes the State made to the standard deductions. For tax years 1991 through 1994, changes to the State's tax rate schedule, standard deductions and household credit were deferred. Consequently, the City retained the rate schedule in effect in 1990 for tax years 1991 through 1994.

Effective for tax years 1990, 1991, and 1992, the City imposed a temporary income tax surcharge on City residents. The top rate was increased to 3.91 percent from 3.4 percent. Single taxpayers with AGI below $15,000, married taxpayers with AGI below $25,000, and heads of households with AGI below $16,500 were not subject to the surcharge. In February of 1991, the "Safe Streets, Safe City" program was signed into law. Part of the program's funding came from the extension of this surcharge for tax years 1993 through 1996. The surcharge subsequently was extended through tax year 1998, and was then allowed to expire.

Beginning in tax year 1991, the City imposed a three-year 14 percent additional income tax increase on City residents, increasing the top rate from 3.91 percent to 4.46 percent through tax year 1998. Low income taxpayers were not exempt from the increase. The increase has been extended four times, in 1993, 1995, 1997 and 1999. State legislation in 1999 extended the increase through tax year 2001, while also granting local authority to lower by local law the 14 percent additional tax, effective July 24, 2000. Subsequently, the 14 percent additional tax was reduced, effective January 1, 2001. The reduction in the additional tax was structured as follows: for taxable income below the top tax bracket for each filing type ($50,000 for single filers, $90,000 for joint filers and $60,000 for head of household filers) the 14 percent additional tax was reduced to 7 percent. For taxable income at or above the top tax bracket the additional tax remained 14 percent. As part of the Adopted Budget for 2002, the 14 percent additional tax was again reduced, retroactive to January 1, 2001. The reduction, intended as an across the board 3.5 percentage point cut effective for one-half year, was implemented as a retroactive 1.75 percentage point cut effective for the full-year. The reductions in the 14 percent additional tax were expected to extend beyond tax year 2001. However, after September 11, 2001, the extension of the reductions in the 14 percent additional tax was no longer sought. Consequently, the full 14 percent additional tax was re-instated, effective January 1, 2002.

The additional tax was scheduled to expire December 31, 2003. This did not occur; instead, effective January 1, 2003, the base tax and the additional tax were replaced by a temporary rate schedule in effect for tax years 2003 through 2005.

Federal tax law changes, to which State law conformed, have also altered the City's income tax. Effective for tax years beginning in 1991, taxpayers with AGI exceeding $100,000 were subjected to percentage reductions in their Federal itemized deductions. The $100,000 threshold is adjusted annually for inflation. Regulations issued by the State provide that the Federal limitation also applies in calculating New York State taxable income. Another Federal law change, to which the State conformed, revised rules governing payment of estimated taxes by certain high-income filers. Beginning in tax year 1992, these taxpayers were no longer allowed the "safe harbor" of submitting the same tax paid the previous year; estimated payments needed to equal at least 90 percent of their current year liability. This required taxpayers to calculate tax liability on a quarterly basis and "pay-as-you-go." The Omnibus Budget Reconciliation Act of 1993 again revised Federal rules governing estimated tax payments and the State enacted conforming legislation for the State and City for tax year 1994. The new rules repealed the "pay-as-you-go" requirement and allowed all taxpayers with New York AGI over $150,000 to pay estimated taxes based on either the safe harbor of 110 percent of the previous year's liability or 90 percent of current year liability. The legislation also reduced the period within which refunds must be made without payment of interest from 90 to 45 days after the due date for final returns.

As part of New York State's budget for fiscal year 1995-96, the State enacted an enhanced version of the 1987 tax cut, which had been on hold since 1990. For tax years 1995 through 1997, the State reduced its tax rates, increased standard deductions and the earned income tax credit, and reduced the number of tax brackets. The City rates effective for 1997 and 1998 reflected the City Tax Reduction Act of 1987, the 12.5 percent surcharge effective 1990 through 1998 and the 14 percent increase enacted in 1991.

In July of 1997, the State's Tax Appeals Tribunal issued a ruling changing the calculation of State itemized deductions for certain high-income taxpayers subject to the Federal limitation on itemized deductions. The new calculation decreases the amount of State and City taxes subtracted from Federal itemized deductions for these taxpayers, increasing State itemized deductions and lowering their taxable income. This is estimated to reduce City liability by approximately $20 million per liability year.

As part of New York State's budget for fiscal year 1997-98, the State enacted the School Tax Relief program (STAR) to provide school tax relief to localities. In addition to reductions in the property tax, the STAR program reduces City personal income tax liability through both a rate cut and a refundable credit for resident filers. The STAR rate cut is an across the board reduction in tax rates starting in tax year 1999 with a 1.25 percent reduction, increasing to 2.5 percent in tax year 2000, and to 5.9 percent in tax year 2001. The State reimburses the City for the foregone personal income tax revenue. As part of New York State's budget for fiscal year 1998-99, the State accelerated the STAR program credit against the City resident personal income tax for senior citizens. Beginning with tax year 1998, seniors receive a credit of $125 if they file jointly and $62.50 if they use other filing statuses. Non-seniors received a credit of $12 in tax year 1998, and the credit increased to $125 for joint filers and $62.50 for other filers by tax year 2001.

State Sponsored Personal Income Tax Reductions
($ Millions)

	2001	2002	2003	2004	2005	2006	2007	2008
STAR Program:								
Credit	($180)	($252)	($252)	($252)	($252)	($252)	($252)	($252)
Rate Cut	(235)	(268)	(288)	(288)	(308)	(312)	(358)	(394)
STAR Program Total	($415)	($520)	($540)	($540)	($560)	($564)	($610)	($646)

Also in 1997, the State enacted legislation enabling the City to establish a credit against the resident personal income tax for owners of unincorporated businesses for a portion of their distributive share of unincorporated business tax liability, effective beginning with tax year 1997. The credit is based on a sliding scale, and ranges from 65 percent of unincorporated business tax liability for taxpayers with NYS AGI of $42,000 or less, down to 15 percent of liability for taxpayers with NYS AGI of $142,000 or more.

Beginning in 1998, the personal income tax cash flow to the City has changed with the introduction of the Transitional Finance Authority (TFA). The TFA gives the City an additional financing vehicle to meet capital commitments beyond the constitutional debt limit, which is based on the market value of real property. The new authority has first claim on personal income tax revenue to meet its debt service and administrative costs, with the remaining personal income tax revenue to be distributed to the City by the end of each month.

On May 17, 1999, the State Legislature passed, and on May 27, 1999 the Governor signed into law a selective repeal of the City's nonresident earnings tax, limiting the nonresident earnings tax to commuters who live outside of New York State, effective July 1, 1999. Recognizing that this selective application of the City nonresident earnings tax posed possible constitutional problems, the legislation provided that if the exemption of State residents from the tax was found unconstitutional, the entire tax would be repealed effective July 1, 1999. After passage, individuals from New Jersey and Connecticut, and the State of Connecticut filed complaints against New York State, arguing that selective imposition of the nonresident earnings tax violated the Privileges and Immunities Clause, the Commerce Clause, and the Equal Protection Clause of the United States Constitution. Additionally, the City filed a complaint against New York State seeking a declaration that the legislation violated the home rule provisions of the New York State Constitution. The New York Supreme Court and the Appellate Division found that the law violated the Privileges and Immunities Clause and the Commerce Clause of the United States Constitution. The courts also ruled against the City, finding that the law did not violate State constitutional home rule requirements. The decisions were appealed by the State and City to the Court of Appeals, the State's highest court. On April 4, 2000, the Court of Appeals upheld the lower court's decisions. This decision activated the provision in the State's legislation to extend the repeal to out-of-state nonresidents, retroactive to July 1, 1999.

As part of New York State's budget for fiscal year 2000-2001, the State took several actions which reduced both State and City liability. In order to reduce the marriage penalty, the State increased the standard deduction for married families filing jointly from $13,000 to $13,400 in tax year 2001, to $14,200 in tax year 2002, and to $14,600 thereafter. The State also enacted a college tuition benefit, granted either through a refundable credit (which does not affect the City return) or an itemized deduction (which does), for college tuition expenses paid by resident taxpayers on behalf of the taxpayer, the taxpayer's spouse, or dependents who enroll or attend a qualified institution of higher learning. The credit and deduction are available for undergraduate study. The allowable itemized deduction is limited to $10,000 of tuition expenses and is phased in over four years. For 2001, 25 percent of the tuition expense was deductible, reaching 100 percent in 2004.

As a result of the September 11, 2001 terrorist attack, the filing deadline for the quarterly estimated tax payment due through December 10, 2001 was extended to December 10, 2001. In addition, allowance was made for late filing of payroll withholding until December 10, 2001.

The Federal Job Creation and Worker Assistance Act of 2002 includes an extension of two nationwide business relief tax provisions, a 30 percent depreciation allowance and net operating loss extensions. Additionally, this act established the New York Liberty Zone (NYLZ) in New York City and provides a number of special tax incentives for businesses within the NYLZ. Since the New York City tax laws couple to Federal definitions, the Federal tax reduction flows directly through to the New York City tax base and is consequently expected to reduce personal income tax collections beginning in 2003 by approximately $12 million with the largest components of the cost relating to a 30 percent depreciation deduction.

Tax relief for the victims of the September 11, 2001 terrorist attack was provided under New York State Law as part of Chapter 85 of the Laws of 2002. For tax year 2000 and after, New York State will forgive the New York State, New York City and Yonkers income tax liabilities of decedents who died as a result of the attack. Income tax is forgiven for these decedents whether they were killed in the attack or in rescue or recovery operations. Any forgiven tax liability owed but not paid will not have to be paid. Any forgiven tax liability that has already been paid will be refunded. This tax relief is estimated to have reduced revenues by $7 million in 2003.

As part of New York State's budget for fiscal year 2003-2004, the State authorized the City to raise revenue through State legislation. Effective January 1, 2003, State and local law was amended imposing a temporary personal income tax increase through a new rate schedule which superseded the existing base rate schedule and the 14 percent additional tax. The temporary rate schedule combined the base rates with the 14 percent additional tax, at the existing brackets, and added two new upper income brackets and rates.

A tax table benefit recapture provision was also imposed. The temporary rate schedule along with the recapture provision are scheduled to expire January 1, 2006, at which time, unless legislation is passed to re-impose the base rates and the 14 percent additional tax, a lower rate schedule with a maximum rate of 1.61 percent is to become effective.

The temporary rate schedule sets the new brackets at $100,000 in taxable income for single, $150,000 for joint and $125,000 for head of household filers and at $500,000 for all filers. The two new higher rates are 4.25 percent and 4.45 percent in tax year 2003. The temporary increase is phased out by dropping the first additional rate to 4.175 percent in 2004 and to 4.05 percent in 2005.

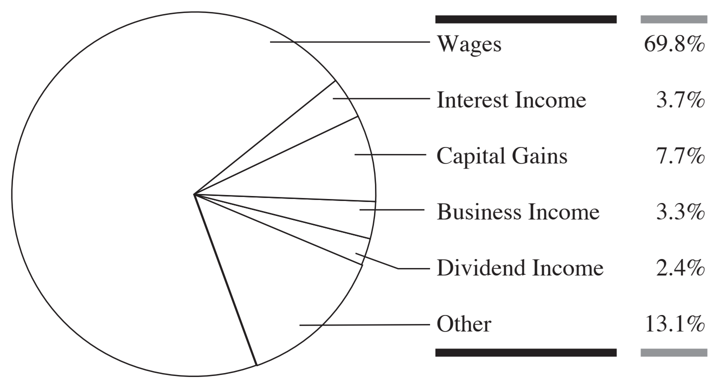
The tax table benefit recapture provision applies a supplemental tax to adjusted gross incomes over $150,000 which "recaptures" the benefit that upper income taxpayers receive because lower tax rates are applied to the lower portions of their taxable incomes. The supplemental tax recaptures a fraction of the benefit previously accorded taxpayers with adjusted gross incomes of between $150,000 and $200,000, and would recapture all of the benefit for taxpayers with over $200,000 of adjusted gross income (a taxpayer of any filing status with adjusted gross income over $200,000 would be taxed at the top rate on all of his or her income).

Distribution of Liability: A sample of 2001 tax returns reveals that the majority of resident returns were filed by taxpayers with adjusted gross income less than $50,000 (see charts on this and following page). However, the 26 percent of taxpayers with income greater than $50,000 paid 84 percent of the tax. Wage income was 70 percent of total reported income on resident returns. Capital gains realizations account for eight percent of income, a seven percentage point drop from the share of income in 2000. Interest income accounts for approximately four percent of total reported income. Generally, higher income taxpayers earned most of the nonwage income in the City.

Administration: The New York City personal income tax has been administered by New York State since 1976. All collection information received is from the New York State Department of Taxation and Finance. Daily collection and refund reports are produced by the Accounting Bureau and sent to the City. At the end of the month the City receives a letter from the State Comptroller verifying the final amount of personal income tax revenue by component due to the City for that

COMPONENTS OF INCOME

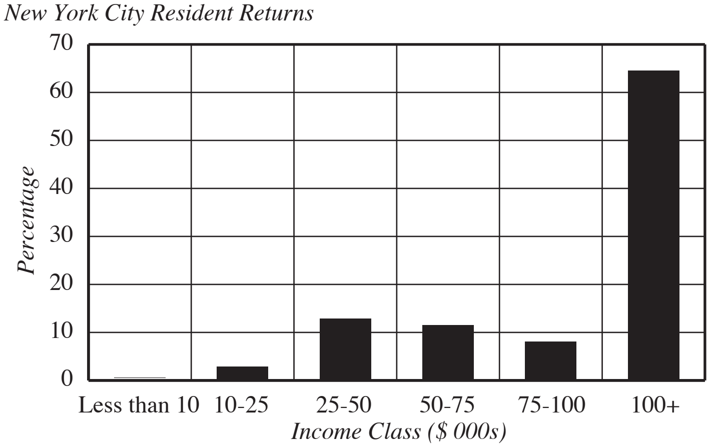
New York City Resident Returns—Tax Year 2001



Source: NYC Department of Finance, Office of Tax Policy

SHARE OF LIABILITY

Tax Year 2001
New York City Resident Returns

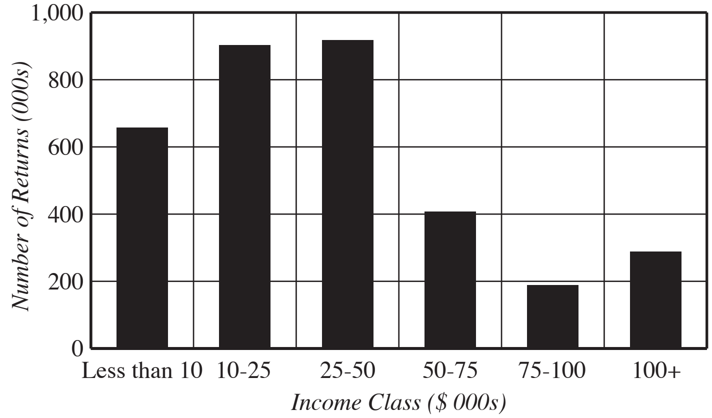


Source: NYC Department of Finance, Office of Tax Policy

month. Each month the State charges the City for the administration of the tax. The charge is based on State expenditures for data entry, processing of tax returns and taxpayer services which can be attributed to the City. For 2003, the administrative charge paid by the City was $34 million.

NUMBER OF FILERS

Tax Year 2001
New York City Resident Returns



Source: NYC Department of Finance, Office of Tax Policy

Withholding Tables: Withholding tables are adjusted to reflect changes made to tax rates, standard deductions or the dependent exemption. To implement the New York City Tax Reduction Act of 1987, withholding tables were adjusted in October 1987, October 1988 and October 1989. To implement the temporary surcharge, withholding tables were changed in October 1990 and again in October 1991 to reflect the implementation of the 14 percent increase. Withholding tables were changed in January 1999 to reflect the expiration of the 12.5 percent surcharge and again in July 1999 to reflect a reduction in rates due to implementation of the STAR program. Effective January 1, 2000, the City nonresident withholding tables were changed to reflect a reduction in nonresident rates from 0.45 to 0.25 percent on wages, and from 0.65 to 0.375 percent on net earnings from self-employment. The lower rates applied to out-of-state nonresidents only, as in-state nonresidents were exempt from the nonresident earnings tax from July 1, 1999 and thereafter. The nonresident earnings tax repeal did not apply to out-of-state nonresidents until April 4, 2000. Effective January 1, 2001, the withholding tables were changed to reflect the first reduction of the 14 percent additional tax and the last installment of the STAR program rate cut. In response to the second reduction of the 14 percent additional tax effective for tax year 2001, the withholding tables were changed again, effective October 1, 2001. On June 1, 2002, the withholding tables were changed to reflect the full re-imposition of the 14 percent additional tax. Effective July 1, 2003, the withholding tables were changed to reflect the enactment of the temporary tax increase with two new higher income brackets and rates for tax years 2003 through 2005. In order to capture the full year liability change in six months of withholding, the increase in withholding table rates doubled for half of tax year 2003. Effective January 1, 2004, withholding tables were changed again to reflect the full-year impact of the temporary tax increase with two new higher income brackets and rates for tax year 2004.

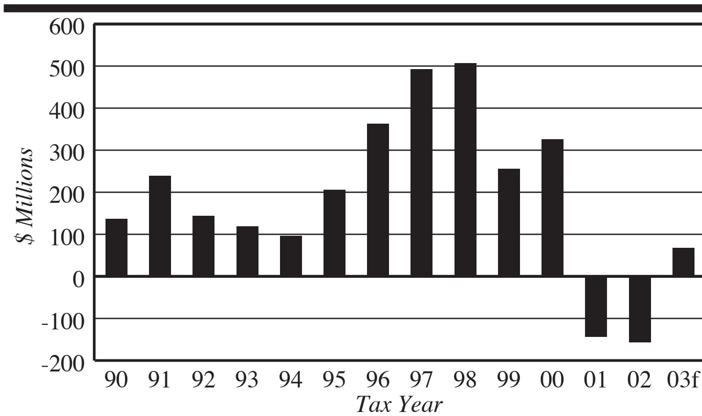
Forecast: The personal income tax is forecast at $5,240 million in 2004, growth of 33.6 percent over the prior year and an increase of $117 million from the January Plan forecast. In 2005, the personal income tax is forecast at $4,586 million, a decline of 12.5 percent from the prior year and an increase of $199 million from the January Plan forecast. The decline is in most part due to an increase in the TFA retention from $131.4 million in 2004 to $959.8 million in 2005. In addition, the recently enacted temporary personal income tax increase is expected to yield revenues of $681 million, $538 million, and $308 million in 2004, 2005 and 2006, respectively. After adjusting for this tax law change and the TFA retention, the personal income tax is forecast to grow 10.8 percent in 2004 with growth slowing to 6.8 percent in 2005.

Personal income tax receipts are rebounding after two years of decline since personal income tax collections peaked in 2001. The recovering national and local economies and the substantial increase in profits on Wall Street in calendar year 2003 have increased the income subject to the personal income tax. The finance sector bonus payout in calendar year 2003 has jumped following the profit increase. As a result, personal income tax collections on a common rate and base are forecast to grow 10.8 percent in 2004, after falling 8.7 percent in 2003 and 18.5 percent in 2002, following average growth of 14.1 percent from 1996 through 2001.

In 2004, withholding is forecast to grow 8.0 percent on a common rate and base, after a decline of 3.0 percent in 2003. This strength stems from a 5.4 percent increase in wage earnings in 2004 following the 2.8 percent decline in the previous year. Supporting wage earnings growth are the near record Wall Street profits for calendar year 2003 ($16.8 billion) and growth of 61.5 percent in the bonus payout on calendar year 2003 earnings. From July through November, withholding collections on a common rate and base declined 1.5 percent as job losses continued through the third quarter. From December through March (the bonus period), withholding collections grew 18.7 percent on a common rate and base, after a decline of 6.2 percent the prior year. During the remaining quarter of the year, withholding is forecast to increase 4.9 percent on a common rate and base, in line with the wage earnings forecast for the period.

Installment payments on liability year 2003 increased 2.7 percent on a common rate and base after a 33.2 percent decline in 2002. Installment payments have stabilized, as growth in capital gains realizations is expected to be flat in calendar year 2003, after an estimated 38 percent decline in calendar year 2002. Growth in other nonwage income sources, in particular proprietor's income, which grew 4.7 percent in calendar year 2003, contributes to growth in installment payments on 2003 liability. On a collections basis installments are expected to grow 27.9 percent in 2004 as the temporary increase lifts installment payments in the second half of the year. Because the increase was enacted in June, 2003, after the deadline for the first two installments on calendar year 2003 liability, many taxpayers failed to pay the full liability increase through installment payments. It is expected that over $100 million of the liability increase fell into settlement payments, principally extension payments.

SETTLEMENT PAYMENTS



Note: Adjusted for the City/State final return reconciliation.
f = Forecast

Settlement payments (final returns, extensions, State/City offsets and refunds) on tax year 2003 are forecast to increase by $223 million from the prior year. Total liability on tax year 2003 is forecast to increase 1.1 percent (common rate and base), and 13.0 percent after including the impact of the new temporary tax increase and other tax law changes. Refunds on tax year 2003 are expected to increase slightly from last year's level of $775 million. Refunds on tax year 2002 were suppressed due to under-withholding that occurred from January 1 to June 1, 2002 prior to the implementation of the new withholding table reflecting the expiration of the cut and restructure of the 14 percent additional tax. The remaining components of the spring are also expected to increase from prior year levels. In particular, a substantial increase in extension payments is expected due to the inability of prepayments to fully capture the full value of the liability increase in tax year 2003.

In 2005, personal income tax revenue, including TFA retention, is forecast at $4,586 million, a decline of 12.5 percent from the prior year. This is an increase of $199 million from the January Plan forecast, with $13.3 million of this increase due to a reduction in TFA retention from the January Plan. On a common rate and base, the personal income tax is forecast to grow 6.8 percent in 2005.

Withholding growth in 2005 is expected to be suppressed at 4.0 percent. This reflects a decline in withholding collections from the temporary increase in 2005 from the level collected in 2004. In 2004, six quarters of withholding liability from the increase is collected due to the need to capture four quarters of withholding in tax year 2003 in the first two quarters of fiscal year 2004. This doubled impact was incorporated into the withholding tables enacted July 1, 2003. Effective January 1, 2004, withholding tables were changed again to reflect the full-year impact of the new income brackets and rates for tax year 2004. On a common rate and base withholding collections are forecast to grow 6.5 percent in 2005, reflecting the wage earnings growth forecast of 5.5 percent for the year and strong Wall Street profits of $16.4 billion for calendar year 2004.

Installment payments are forecast to increase 19.6 percent in 2005, reflecting a 10.0 percent growth in forecast for capital gains realizations in tax year 2004. Additionally, installment payments are rebounding as upper income taxpayers incorporate the full value of the temporary tax increase, which was suppressed in their tax year 2003 installments, into the tax year 2004 installments. The estimated tax payments are forecast to grow at 4.2 percent in 2005 on a common rate and base.

Personal income tax revenue is forecast to average 5.6 percent growth from 2006 through 2008, on a common rate and base, as wage and nonwage income sources rebound with the national economy and return to trend growth paralleling the continued national recovery and stable equity markets.

Personal Income Tax Collections By Component
($ Millions)

	2002	2003	2004 *f*	2005 *f*
Withholding	$3,797	$3,901	$4,522	$4,702
Estimated Payments [1]	933	738	997	1,047
Final Returns	248	218	316	271
Other [2]	341	401	343	329
Gross Collections	$5,319	$5,257	$6,177	$6,350
Refunds	(849)	(798)	(806)	(804)
Net Collections	$4,470	$4,460	$5,371	$5,546
Less TFA Retention	(451)	(537)	(131)	(960)
Total	$4,019	$3,923	$5,240	$4,586

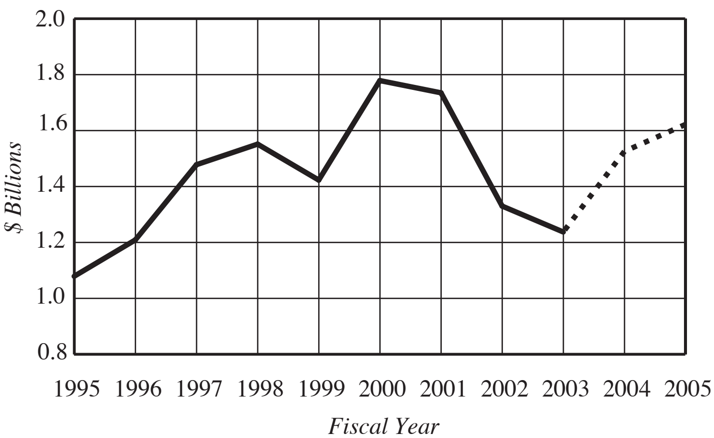
(1) Includes extension payments.

(2) Offsets, charges, assessments less City audits.

f= Forecast. Totals may not add due to rounding.

GENERAL CORPORATION TAX

GENERAL CORPORATION TAX 1995-2005



The general corporation tax is projected to account for 6.3 percent of tax revenue in 2005, or $1,673 million.

Tax Base and Rate: New York City's general corporation tax was first enacted in 1966 and is imposed on all corporations, domestic and foreign, for the privilege of doing business, employing capital, owning or leasing property or maintaining an office in New York City. Banking companies are subject to the banking corporation tax and therefore do not pay the general corporation tax. Insurance firms, nonprofit corporations and residential mortgage insurance corporations (REMICs) are exempt from the general corporation tax. For taxable years beginning on or after January 1, 1998, the general corporation tax also does not apply to an alien corporation whose activities in New York City are limited solely to investing or trading in stocks, securities or commodities for its own account.

To determine tax liability, a corporation is required to make three alternative calculations and compare these to a fixed minimum tax of $300. The tax due is the largest of the four amounts. The three alternative tax calculations are: (1) net income: 8.85 percent of the firm's entire net income allocated to the City; (2) income–plus–compensation: 2.655 percent of the sum of allocated net income plus the compensation paid to individual shareholders owning at least five percent of the firm; and (3) allocated capital: 0.15 percent of the firm's business and investment capital allocated to the City. There is an additional tax on subsidiary capital allocated to the City, at the rate of 0.075 percent. The sum of the liability paid on the highest of the four alternative bases and the tax on subsidiary capital is the firm's total tax liability.

The starting point for determining the net income base, 80.4 percent of corporate liability in tax year 2000, is Federal taxable income, which must be modified to account for differences between New York City and Federal treatment of various items, including depreciation, tax-exempt interest and net operating loss deductions. This modified income must be divided between business income and investment income, and then allocated between income derived from New York City activities and income derived from activities outside of the City. Business income is defined as the firm's entire net income less its investment income (dividends and interest from nonsubsidiary operations). Investment income is allocated according to the amount of capital employed in New York City by the issuing corporation. The allocation formula used by most firms for business income is the average of the following ratios: (1) New York City tangible property to total property; (2) New York City receipts to total receipts; and (3) New York City payroll to total payroll. Manufacturing firms are allowed to "double weight" the receipts factor for tax years beginning on or after July 1, 1996. Slightly over half of the general corporation tax paid on the net income basis is from firms which allocate business income because they have operations both inside and outside of New York City.

The income–plus–compensation base accounted for approximately 11.3 percent of corporate tax liability in tax year 2000. The purpose of this alternative base is to tax firms which may lower their taxable income by disguising dividends (which are not deductible) as salaries and other forms of compensation (which are deductible). The starting point for determining this base is New York City allocated net income, to which must be added back the compensation paid to shareholders owning more than five percent of the corporation's outstanding stock. After a statutory deduction of $40,000, the firm applies the 8.85 percent rate to 30 percent of this base (hence the 2.655 percent effective tax rate).

The alternative tax on allocated capital accounted for approximately 4.5 percent of all corporate tax liability in tax year 2000. This base is designed to tax firms which have low net income, either because of temporary financial difficulties or because of extensive use of tax preferences, such as deductions and net operating loss carryforwards. To determine the tax obligation under this base, a firm must compute the value of its business and investment assets, deduct liabilities against those assets and, if eligible, allocate a portion of the business capital and investment capital to the City using the same allocation formulas described previously. The 0.15 percent rate is then applied.

The additional tax on subsidiary capital (defined as a corporation of which over 50 percent of the outstanding voting stock is owned by the taxpayer) is imposed because entire net income excludes income derived from subsidiary operations. Subsidiary capital is allocated according to the amount of capital employed in New York City and taxed at a rate of 0.075 percent. All taxpayers are eligible to allocate subsidiary capital.

Legislative History: Prior to 1977, the tax rate on net corporate earnings was 10.05 percent. In 1977, the rate was reduced to 9.5 percent and, in 1978, the rate was again lowered to 9.0 percent where it remained until 1987, when it was reduced to 8.85 percent.

In response to business tax reform initiatives at the Federal and State levels, New York City has altered the general corporation tax. The Federal Economic Recovery Tax Act of 1981 and the Tax Equity and Fiscal Responsibility Act of 1982 substantially altered Federal business taxes by instituting the Accelerated Cost Recovery System (ACRS) and more liberal leaseback provisions. Under the provisions of ACRS, property could be rapidly depreciated in the first few years of service. Since the general corporation tax uses the Federal definition of net taxable income as the starting point in determining tax liability, firms depreciating property under ACRS would have been able to drastically lower their New York City tax obligation. To avoid a substantial loss of revenue, the City uncoupled from the Federal ACRS in 1982 and required firms to depreciate assets under the Asset Depreciation Range. In 1985, however, the City joined with New York State in allowing New York State assets to be depreciated under ACRS. In 1994, ACRS was extended to property placed in service outside New York State.

The Federal Tax Reform Act of 1986 substantially broadened the State and City corporate base by limiting or eliminating various deductions (such as entertainment expenses and natural resource depletion allowances) and accelerating taxable income by requiring corporations to recognize income earlier than under previous law. In order to return the business tax "windfall" which was expected to result from this change, New York State passed the Business Tax Reform and Rate Reduction Act (BTRRRA) in 1987. The City also took steps to return the windfall by lowering its corporate tax rate by 0.15 percentage points, to 8.85 percent, effective for tax year 1987. In July of 1988, the State Legislature passed a bill to conform the City tax law to changes made as part of BTRRRA. As part of this legislation, which became effective in tax year 1988, the City: (1) exempted residential mortgage insurance corporations (REMICs) from the tax; (2) established a ceiling on the alternative capital base of $350,000; (3) amended the definitions of subsidiary, investment and business capital to allow for the deduction of long-term debt; (4) required leased personal property to be included in the formula for calculating the business allocation percentage; (5) eliminated the deduction for franchise, income or similar taxes paid to other states and localities; and (6) repealed the interest add-back rule which required that 90 percent of the interest paid to a shareholder owning more than five percent of issued capital stock be added back to income when computing entire net income.

In June of 1989, the City's tax law was amended again. This time it was to conform to changes which were made to the Article 9-A tax as part of the State's fiscal year 1989-90 tax program. As part of this legislation, which generally became effective in tax year 1989, the City: (1) increased the flat fee minimum tax from $125 to $300; (2) eliminated net operating loss carrybacks; (3) limited tax benefits for merger and acquisition activity; (4) repealed the transportation tax, moving these taxpayers to the general corporation tax; (5) amended the provision which allowed taxpayers to exclude from entire net income 50 percent of dividends from nonsubsidiary corporations by disallowing the deduction when the shares of stock are held for less than 45 days; (6) disallowed the option to use the business allocation percentage or the investment allocation percentage based upon whether the taxpayer was predominantly a business corporation or an investment corporation; and (7) clarified the rules for issuer's allocation percentage of a corporate issuer of stock.

Effective July 1, 1990, the general corporation tax was amended by local law to conform the filing schedule for estimated payments to the schedule used at the Federal and New York State levels. Estimated payments by calendar year corporations are now due in September and December.

The Federal Omnibus Budget Reconciliation Act of 1993 enacted a host of tax law changes including a number of provisions affecting corporate taxes which flow through to the City tax. Among the major provisions are a mark-to-market inventory valuation rule change for securities dealers, a reduction in the business meals and entertainment deduction and an increase in the capital investment limit allowed for small businesses.

In 1994, New York State enacted legislation which allowed for the formation of a new type of business entity in New York State, a limited liability partnership or company (LLC). LLCs have some of the limited liability aspects of corporations and the tax treatment of partnerships for Federal, State and local tax purposes. LLCs pay a fee to the State, and those conducting business in the City are subject to the City unincorporated business tax. Over time, the number of corporations is expected to decline as new businesses increasingly opt for the LLC business form. The shift of filers from the general corporation tax base to the unincorporated business tax base is forecast to decrease the corporation tax collections by an estimated $145 million in 2004 and $165 million by 2008.

The income–plus–compensation alternative tax computation of the general corporation tax has been modified by phasing out the portion of the tax that applies to compensation paid to corporate officers and by increasing the per-firm statutory deduction. For tax years beginning on or after July 1, 1996, 25 percent of officers' compensation was exempted from the tax. For tax years beginning on or after July 1, 1997, the statutory deduction per firm was raised from $15,000 to $30,000. For tax years beginning on or after July 1, 1998, 50 percent of officers' compensation was exempted from the tax and the statutory deduction per firm was raised from $30,000 to $40,000. For tax years beginning on or after July 1, 1999, a 100 percent exemption for officers' compensation applies. Compensation paid to individual shareholders owning at least five percent of the firm remains fully subject to the alternative tax.

For tax years beginning on or after July 1, 1996, "the place of business" requirement for allocation of taxable income for the general corporation tax has been repealed. Under City tax law, a business operating in the City with a place of business outside the City is allowed to apportion its business income according to a three-factor formula based on the share of its total property, payroll and receipts in New York City. The right to apportion income was previously not available to firms that sold goods or services throughout the country or the world, but only had a City business location. These firms were required to pay tax on all taxable income. All taxpayers conducting business outside the City are now allowed to allocate income with the elimination of the "place of business" requirement.

For tax years beginning on or after July 1, 1996, manufacturing firms are allowed to "double weight" the receipts factor in the allocation formula for the general corporation tax. This enables City located manufacturers to allocate more of their income outside the City, thus reducing their City business income taxes and aiding their competitiveness.

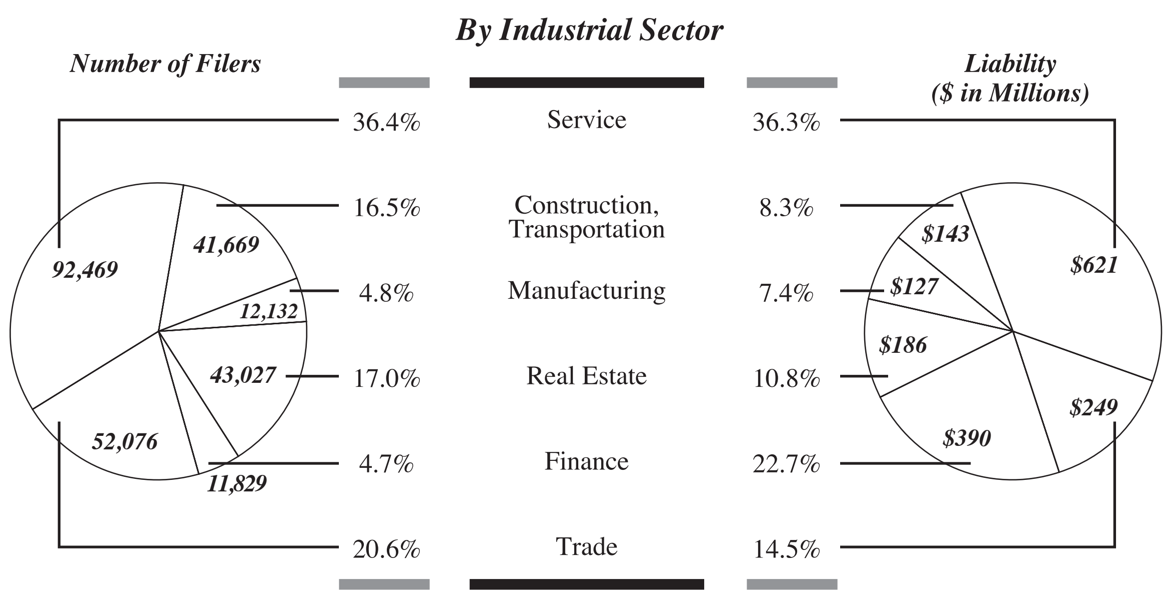
In an effort to promote greater uniformity between the State and City corporate income tax laws, amendments were made to the City's tax in 2001 which include: (1) repeal of City tax provisions enacted in 1990 that penalized certain highly leveraged mergers, consolidations and acquisitions for tax years beginning after 1999, (2) modification to the calculation of the mandatory first estimated tax installment to allow credits to be deducted in determining the amount of the prior year's tax used to calculate the first installment, (3) amendment of various tax provisions governing deficiencies and overpayments attributable to net operating loss carrybacks to include deficiencies in overpayments attributable to carrybacks of capital losses.

As a result of the September 11, 2001 terrorist attack, the filing deadline for the quarterly estimated tax payment due September 17, 2001, was extended to December 17, 2001.

The Federal Job Creation and Worker Assistance Act of 2002 allows taxpayers an additional 30 percent depreciation deduction in the first year "qualified property" is placed in service. A similar depreciation deduction for "qualified property" in the New York Liberty Zone (NYLZ) and the Resurgence Zone is allowed. The NYLZ generally encompasses the area in the borough of Manhattan below Canal Street and the Resurgence Zone encompasses the area between Canal Street and Houston Street. Additionally, the Act also allows NYLZ leasehold improvements to be depreciated over a five-year period using a straight line method as well as an additional first-year expense deduction of up to $35,000 for "qualified NYLZ property". To avoid a significant loss of revenue, New York City General Corporation Tax law was amended to limit the depreciation deductions to "qualified property" within the NYLZ and the Resurgence Zone only and to limit the additional first-year expense deduction to "qualified NYLZ property".

Industrial Mix of General Corporation Tax Revenue: The following chart is based on data from a statistical report of corporate returns for tax year 2000 (the latest year for which data is available from the Department of Finance (DOF)) and reflects the distribution of City tax liability and number of filers by industrial sector. In 2000, the service sector (information, professional/technical/managerial and other services) and finance sector accounted for over half of general corporation tax liability. The service and trade sectors accounted for the largest number of taxpayers, 37 percent and 21 percent, respectively.

GENERAL CORPORATION TAX *(Tax Year 2000)*



Source: NYC Department of Finance, Office of Tax Policy

Since 1990 the general corporation tax total liability has increased 77 percent from $972 million to $1,716 million in 2000. A large portion of the growth in liability is a result of growth in the finance sector, more specifically in securities and commodities firms. Securities and commodities liability has grown 441 percent from $64 million in 1990 to $346 million in 2000. This sector now accounts for over 20 percent of general corporation tax liability up from 7 percent in 1990. This sharp increase, however maps a trough to peak period for the securities industry. When 2001 data becomes available securities sector liability and its share of corporate tax liability will no doubt experience a correction

During the 1990s the securities industry grew rapidly in New York City. Strength in the stock market and robust earnings for investment banking firms increased tax liability. In addition to the finance sector, the real estate sector grew significantly during the 1990s. Real estate liability more than doubled and the number of firms has steadily increased as well. During the 1990s, the number of firms paying the general corporation tax increased from 203,223 in 1990, to 253,202 in 2000.

However, not all sectors have been growing. Manufacturing firms have been steadily moving out of the City. In 1990, 18,115 manufacturing companies accounted for 19.4 percent of general corporation tax liability. In 2000 there were only 12,132 manufacturing companies in the City which accounted for only 7.4 percent of general corporation tax liability.

Until 1998, liability was reported in five main categories with 27 sub-categories (classified according to Standard Industrial Classifications (SIC) codes). Starting in 1998 reported liability was broken into eight categories with 40 sub-categories. Now they are grouped according to North American Industrial Classification (NAICs) codes. Definitions for certain categories were also changed in 1998.

Forecast: The 2004 general corporation tax is forecast at $1,526 million, an increase of 23.3 percent from the prior year and an increase of $72 million from the January Plan forecast. For 2005, the general corporation tax is forecast at $1,673 million, growth of 9.7 percent from the prior year, and a $106 million increase from the January Plan forecast. On a common rate and base, general corporation tax revenue is forecast to grow 16.7 percent in 2004 and 8.7 percent in 2005.

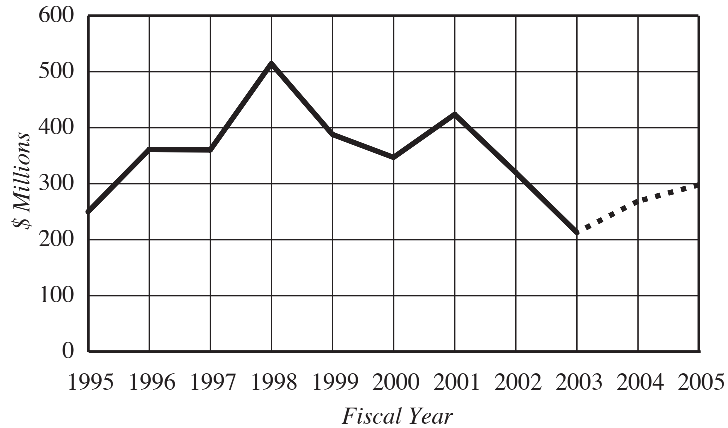
Through March, general corporation tax collections have increased 22.5 percent from the prior year period. The increase in collections reflects the strengthening economic recovery in calendar year 2003 at the national and local levels, as well as the strong performance in the City finance sector. New York Stock Exchange (NYSE) member-firm profits reached $16.8 billion in 2003, the highest since 2000, and significantly higher than the previous year's reported profits of $6.9 billion. Revenue at securities firms increased in most business areas, but particularly trading and principal investing. Revenue from trading and investments grew 82.7 percent in calendar year 2003 to $25.3 billion. Revenues from underwriting grew 14.5 percent to $15.1 billion during calendar year 2003. NYSE member-firms also increased profits by cutting costs; total expense costs were down 9.9 percent for calendar year 2003. Finance industry firms are expected to continue to report solid earnings during 2004 and 2005. Additionally, strong reported earnings for the first quarter of calendar year 2004 from the large investment banks indicate that June collections, which represent declarations of estimated tax on calendar year 2004, will be strong. Finance liability for corporate taxpayers is estimated to have increased 17.9 percent in calendar year 2003, after declines of 1.9 percent in 2002 and 12.3 percent in 2001.

The non-finance sector of the City's economy also returned to growth in calendar year 2003 after declines of 5.4 percent in 2002 and 4.4 percent in 2001. The impact of nominal Gross City Product growth of 7.0 percent in calendar year 2003 was dampened by the loss of 47,000 jobs over the course of the calendar year, leading to non-finance sector liability growth of 2.1 percent. With a forecast year-over-year decline in refund payouts, signaling the liquidation of overpayments held on account, and increased cash collections, general corporation tax revenue is forecast to grow at 23.3 percent in 2004.

The national economy in calendar year 2004 is expected to grow at a faster pace than the moderate growth in calendar year 2003. NYSE member-firm profits are estimated to be $16.4 billion for calendar year 2004, less than calendar year 2003 profits, but still historically high. The finance sector liability is forecast to grow at 4.5 percent in calendar year 2004. Non-finance liability is forecast to grow 7.7 percent in 2004 on the strength of the accelerating national economic recovery. The forecast of high Wall Street profits and continued strength in the national recovery leads to liability growth of 6.9 percent in calendar year 2004 yielding general corporation tax revenue growth of 9.7 percent in 2005. Modest growth is projected for the securities industry and national pre-tax corporate profits, economic profits on a continuing basis, from calendar year 2006 through 2008 yielding revenue growth of 4.7 percent on average (common rate and base) from 2006 through 2008.

BANKING CORPORATION TAX

BANKING CORPORATION TAX 1995-2005



The banking corporation tax is projected to account for 1.1 percent of tax revenue in 2005, or $298 million.

Tax Base and Rate: The banking corporation tax is imposed on banking corporations for the privilege of doing business in New York City. Corporations subject to the tax include commercial banks, savings banks, savings and loan associations, bank holding companies and foreign banks. Investment banks, securities brokers and other non-bank financial institutions subject to the general corporation tax are exempt.

Banks make three calculations of tax liability, compare the results to a fixed minimum tax of $125 and pay whichever amount is greatest. The three alternative calculations are: (1) nine percent of entire net income allocated to the City (Federal taxable income with certain New York modifications); (2) three percent of alternative entire net income allocated to the City (entire net income adjusted to eliminate the effect of certain tax benefits allowed in the calculation of entire net income); and (3) one-tenth of a mill of each dollar of taxable assets located in the City. Ailing thrifts are exempt from the last alternative, and foreign banks must calculate this base as 0.26 percent of the face value of issued capital stock allocated to the City.

Legislative History: The banking corporation tax has been imposed since 1966. The current law was enacted in 1985 and closely resembles the New York State bank tax law.

In July 1985, State legislation was enacted which restructured the banking corporation tax effective January 1, 1985. Recognizing that the line between bank and non-bank financial institutions had become blurred, the amendments were designed to make the tax more analogous to the general corporation tax. The law lowered the nominal tax rate on allocated entire net income from 13.823 percent (12.134 percent for savings banks) to nine percent for all banking corporations. This rate reduction was coupled with a number of base-broadening provisions. In addition, the separate accounting method of allocating entire net income was replaced by formula allocation, based on payroll, receipts and deposits. The factors included in the formula, with the exception of deposits, are similar to those used by non-banking corporations. The adoption of the three-factor allocation formula also provided consistency in the jurisdictional apportionment of income since these same allocation factors are commonly used in other states.

In addition, the 1985 bank tax law established two new alternative bases: alternative entire net income and taxable assets. Alternative entire net income adds back certain deductions allowed in the calculation of entire net income. These deductions are: (1) 17 percent of interest from subsidiary capital; (2) 60 percent of dividend income and gains and losses from subsidiary capital; and (3) 22.5 percent of the interest income earned on holdings of obligations of the United States, New York State and localities within the State. Taxable assets are the average value of assets reflected on a bank's balance sheet.

The 1985 changes maintained the 1978 provisions authorizing an exemption for net income generated by the operation of an international banking facility (IBF). Deposits in an IBF are not subject to reserve requirements or interest rate ceilings and the IBF is not required to pay FDIC premiums. State law exempts income generated by an IBF from both State and City taxation. These exemptions were designed to enhance the ability of banks to conduct international business in New York City.

The major difference between the State and City banking corporation tax laws is the treatment of foreign banks under the alternative tax base on assets. For banks organized under the laws of another country, New York State imposes the alternative tax on assets, while New York City imposes the alternative tax on capital stock.

Effective in tax year 1987, the banking corporation tax was uncoupled from Federal bad debt deduction guidelines. The Federal Tax Reform Act of 1986 required that large commercial banks, those with assets over $500 million, deduct only actual loan losses when determining taxable income, rather than deducting an addition to a loan loss reserve account based on a percentage of loans outstanding. These banks were required to recapture into income portions of their outstanding loan loss reserves over a four-year period beginning in 1987. Uncoupling allowed banks to use the more liberal pre-reform bad debt reserve deductions for State and City tax purposes. For thrifts and mutual savings banks, Federal tax reform retained the percentage-of-taxable-income method of deducting bad debts but reduced the excludable percentage from 40 to eight percent.

Effective in tax year 1990, the banking corporation tax was amended, changing the deadline for estimated payments to conform to Federal and State schedules. Estimated payments are now due in September and December for banks with a January through December fiscal year.

The Federal Omnibus Budget Reconciliation Act of 1993 again altered the definition of corporate net income for Federal income tax purposes, the starting point for calculating the City bank tax. The major provision affecting City banks is a mark-to-market inventory valuation change for securities dealers.

As a result of major revisions in the Federal bad debt deduction guidelines applicable to thrifts passed in tax year 1996, the City and the State decoupled from the Federal bad debt deduction guidelines in order to preserve the status quo and to avoid an increase in the City tax liability of thrifts (effective for tax years beginning on or after January 1, 1996). The existing New York methodologies were maintained.

The receipts factors of the income allocation formula of the City's banking corporation tax were amended, effective for tax years beginning on or after January 1, 2000, to permit receipts from management, administration or distribution services performed for regulated investment companies (mutual funds) to be allocated based on the domicile of the mutual fund's shareholders.

The Federal Job Creation and Worker Assistance Act of 2002 allows taxpayers an additional 30 percent depreciation deduction in the first year "qualified property" is placed in service. A similar depreciation deduction for "qualified property" in the New York Liberty Zone (NYLZ) and the Resurgence Zone is allowed. The NYLZ generally encompasses the area in the borough of Manhattan below Canal Street and the Resurgence Zone encompasses the area between Canal Street and Houston Street. Additionally, the Act also allows NYLZ leasehold improvements to be depreciated over a five-year period using a straight line method as well as an additional first-year expense deduction of up to $35,000 for "qualified NYLZ property". To avoid a significant loss of revenue, New York City Banking Corporation Tax law was amended to limit the depreciation deductions to "qualified property" within the NYLZ and the Resurgence Zone only and to limit the additional first-year expense deduction to "qualified NYLZ property".

Banking Industry Trends: In the 1990s, regulatory reform, technological change and globalization unleashed competitive forces in the banking industry.

For years banks had faced competition from securities firms whose product innovations in debt underwriting, loan syndication and brokerage offerings put pressure on the traditional bank profit centers of commercial lending and retail saving. In response, banks pushed for reform of the Glass-Steagall Act and sought to, expanding on their ability to underwrite some bonds, underwrite securities and offer investment services. Even before the repeal of Glass-Steagall, banks were expanding into the securities industry in the U.S. and abroad through the acquisition of securities firms as subsidiaries. Passage of the Gramm-Leach-Bliley Act in November 1999 effectively repealed Glass-Steagall, allowing banks, insurers and securities firms to affiliate under a financial holding company. This reform has altered the playing field for banks and securities firms. The merger of Citicorp and Salomon Smith Barney under Travelers Group has been consummated, creating one of the largest financial conglomerates in the world. The result is that now banks provide a variety of financial services to the commercial and retail market directly or through subsidiaries, previously available only through securities firms.

At the same time, fueled by technological innovation and the global integration of financial markets, American banks have sought to expand their international presence while foreign banks have increased their presence in the U.S. Deutsche Bank increased its U.S. presence with the purchase of Bankers Trust in 1999. The following year, Credit Suisse, which already owned First Boston, a U.S. investment banking firm, bought Donaldson, Lufkin & Jenrette, to gain market share in high yield bond underwriting. With an increase in investment banking and mergers and acquisitions in European and Asian markets, American banks and brokerage firms have expanded their presence in these regions by acquiring local financial institutions.

Simultaneously, banks have sought to reduce overcapacity, to achieve global economies of scale and increase automation, in an unrelenting quest for cost reductions. This drive for economies of scale and reduction in overcapacity is seen in many of the recent bank mergers, like J.P. Morgan Chase, taking shape from the predecessors of Chase, J.P. Morgan, Chemical and Manufacturers Hanover. With such mergers the order of the day, many bank branches have been closed and consolidated across the country. In New York City alone, this has resulted in a decline of almost 40 percent in bank employment since 1990. The introduction of ATM's and on-line computer banking is another visible indication of this drive to cut costs.

As a result of these changes, large New York City banks now have diverse revenue sources and in many ways behave more like investment firms than traditional banking institutions. Some banks actually earn more of their revenues from investment banking services and fees than interest income. For example, banks' share of lead-managed underwriting deals in the U.S. has increased from less than 13 percent in 1994 to over 50 percent in 2000 for corporate bonds, from 33 percent to over 50 percent for asset-backed bonds, and from three percent to 33 percent for equities.

In the second half of the 1990s, banks for the most part have been highly profitable. A soaring stock market and a strong national economy, with high levels of consumer borrowing, have led to record revenues. This streak of profitability continued into the first half of calendar year 2000, with banks participating in the record levels of underwriting and merger-and-acquisition activity in the U.S. and overseas. In the second half of calendar year 2000, volatility slowed underwriting and pushed some trading desks and venture capital investments quickly from profit to loss. However, operating earnings at most banks for calendar year 2000 were close to or exceeded the prior year's levels, despite the fact that mergers-and-acquisitions charges resulted in year-over-year declines in profits at several banks.

Like the securities industry, money center banks struggled in calendar year 2001. Pre-tax net income fell significantly at most large banks with all business areas experiencing a decline. While banks benefited from lower interest rates as lending activity increased, higher provisions for loan losses resulted in lower net interest revenue. In the fourth quarter, interest revenue was further weakened as banks were forced to make huge provisions for loan losses related to Enron debt, Argentine bonds and other commercial loans that had deteriorated. Revenue from capital markets activity also slowed throughout the year and although some banks profited from the rise in corporate bond underwriting, weakness in trading and other revenues offset these gains. Non-interest earnings at large banks were also overwhelmed by the write-downs in the value of venture capital investments from the previous two years and the stock market bubble of that period.

In calendar year 2002, pretax profits continued to decline at most money center banks. Economic conditions weakened throughout the year leading to a decline in commercial lending and an increase in non-performing commercial loans. This was offset to some degree by record levels of consumer lending, but net interest income fell at most banks. Non-interest revenue fell as a result of lower volumes of underwriting, merger and acquisition advisory activity and trading. Venture capital investing did not result in increased profits for banks involved in this business and the adjustment in the value of these investments also reduced earnings. Money center banks did manage to lower operating costs, however, in line with lower revenues and reported positive pretax net income in most cases.

Calendar year 2003 was a prosperous year for large commercial banks. Savings and Loans (S&Ls) and thrifts showed only marginal earnings improvement in the tough interest rate environment. Mergers and acquisitions activity picked up substantially, with the JP Morgan Chase BankOne merger and the Bank of America Fleet merger. These consolidations will create significant layoffs for the combined entities. Bank of America will layoff about 9,000 workers and JP Morgan Chase about 10,000. Both JP Morgan Chase and Bank of America pursued the mergers to expand their geographic presence in retail banking. Chicago based BankOne will move its corporate banking operations to New York while the retail business will continue to be headquartered in Chicago.

The financial markets performed well during the year compared to the previous three years resulting in significant profit growth from trading and principal investments among the large commercial banks. Fixed income sales and trading were particularly strong during calendar year 2003. The equity markets rebounded during the year with S&P 500 growth of 26 percent in 2003, December-over-December, compared to declines of 23 percent in calendar year 2002 and 13 percent in calendar year 2001. Additionally, banks private equity portfolios increased in value, helping to boost earnings.

The increased revenue from trading and principal investments more than offset declines and flat revenue growth from other revenue sources. Fees and commissions revenue growth was basically flat across the major New York based commercial banks during 2003. Investment banking revenue growth was also flat, although the second half of 2003 showed significant improvement, compared to the first half and the prior year period. Debt issuance was the main revenue driver for investment banking activities, while advisory and equity underwriting fees continued to improve. Compensation and other expenses increased only moderately at most large commercial banks. However, only moderate expense increases added to the bottom line.

Banks with less capital markets related business, regional commercial banks, S&Ls and thrifts, struggled with lackluster business lending, low interest rate margins and a slowdown in the mortgage refinancing boom at the end of 2003. With interest rates so low, corporate borrowers opted for the public bond markets to finance capital needs instead of bank loans. Low interest rates have also squeezed net interest margins. On the other hand earnings were helped by strong consumer demand for loans and improving credit quality among all borrowers. After several years of losses and weak performance by the equity markets, investors have shifted considerable savings from equities to retail bank deposits. This has provided an opportunity for smaller retail banks to increase deposits and therefore profitability. As a result, competition for retail banking business has increased, as commercial banks have added new branches at the fastest rate since 1998. In the New York area retail banks such as Washington Mutual and Commerce Bank have moved aggressively opening many new branches and offering competitive pricing to consumers. The New York City area gained a net of 72 branches from July 1, 2002 to July 1, 2003.

Forecast: The 2004 banking corporation tax is forecast at $269 million, an increase of 26.2 percent from the prior year and an increase of $28 million from the January Plan forecast. The banking corporation tax is forecast at $298 million in 2005, growth of 10.9 percent from the prior year, and an increase of $7 million from the January Plan forecast.

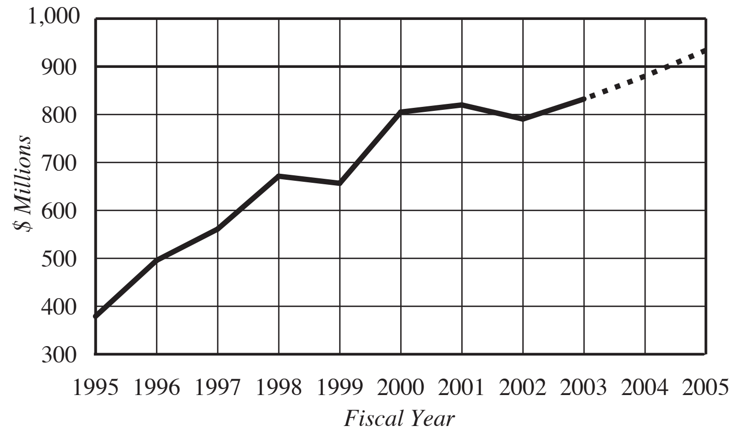
Through March, banking corporation tax collections are up 127.0 percent from the prior year period when the liquidation of overpayments suppressed cash payments and led to refund issuance at a historically high level. The increase in collections is to a great extent due to the continued decline in refund issuance this fiscal year. The forecast of refund issuance in 2004 is about 68 percent of the level seen in the prior year.

In 2005, gross collections for the banking corporation tax are forecast to increase 10.5 percent and refunds are forecast to increase from the low level seen in 2004, leading to growth of 10.9 percent in revenue. In the outyears of the plan, 2006 through 2008, banking corporation tax collections are forecast to grow on average 10.5 percent. This forecast is based upon an expectation of a continued strong performance on Wall Street coupled with the national economic recovery.

UNINCORPORATED BUSINESS TAX

The unincorporated business tax is projected to account for 3.5 percent of tax revenue in 2005, or $934 million.

UNINCORPORATED BUSINESS TAX 1995-2005



Tax Base and Rate: The unincorporated business tax is levied on the business income of all proprietorships and partnerships doing business in New York City. The tax is paid in addition to the City's personal income tax. Unincorporated businesses include trades, professions or occupations conducted by individuals or unincorporated entities, such as partnerships, estates, trusts and limited liability companies (LLCs). The unincorporated business tax rate has been 4.0 percent since its imposition in 1966.

Entities engaged in the purchase and sale of property on their own account, except as a dealer holding property primarily for sale to customers in the ordinary course of trade or business, are excluded from the unincorporated business tax base. This exclusion includes the purchase, sale or writing of stock option contracts. The self-trading exemption was expanded for tax years beginning on or after January 1, 1996 to reflect the changing marketplace. Qualifying property now specifically includes not only stocks and securities but also foreign currencies, publicly traded commodities and derivative financial instruments (including options and futures contracts).

Every unincorporated business which operates in New York City must file quarterly declarations of estimated tax if its estimated tax can reasonably be expected to exceed $1,800. Final returns must be filed by every partnership having unincorporated business gross income exceeding $25,000 or having unincorporated business taxable income exceeding $15,000. Unincorporated businesses other than partnerships must file final returns if their unincorporated business gross income exceeds $75,000 or their unincorporated business taxable income exceeds $35,000. The unincorporated business tax base starts with the Federal definition of net profits from business operations plus other business income and is then modified to reflect differences between City and Federal rules. The income is allocated if the business is conducted both inside and outside the City. Income allocation is determined either by a separate accounting method or by a three-factor formula based on payroll, property and gross income.

After income is determined and allocated, a taxpayer is allowed a deduction equal to reasonable compensation for the taxpayer's personal services. This deduction equals the lesser of 20 percent of allocated income or $5,000 per individual or active partner. In addition, taxpayers are allowed to exempt the first $5,000 of income from taxation. The tax rate of four percent is applied to the remaining base. Beginning with tax year 1997, taxpayers whose liabilities are $1,800 or less are entitled to a credit which eliminates their liability. The credit is reduced for taxpayers with liabilities between $1,800 and $3,200, and for liabilities of $3,200 and above no credit is allowed.

Legislative History: New York City has imposed the unincorporated business tax on sole proprietorships and partnerships since 1966. Since its imposition, the tax rate has remained at four percent. Major amendments to the tax became effective in tax years 1971, 1987, 1994, 1996 and 1997.

Prior to 1971, exemptions were made for professions where capital was not an income-producing factor and where more than 80 percent of the gross income was derived from personal service. This primarily affected attorneys, doctors, accountants and other professionals. Beginning in tax year 1971, all such professionals were added to the City's unincorporated business tax base.

Two significant amendments were enacted in 1987. The unincorporated business tax credit was raised from $100 to a maximum of $600 and the taxable income threshold for making estimated payments was raised from $2,500 to $15,000. The higher credit removed approximately 30,000 taxpayers from the tax rolls.

In July of 1994, several reforms were enacted. First, the self-trading exemption was broadened to allow firms, which are generally exempt from the unincorporated business tax under this provision, to retain the exemption on their self-trading income if they have gross receipts of $25,000 or less from business activities (normally subject to the tax). Second, owners and operators of real property with income from business activities were able to retain the exemption on income from their real estate activity if the business income was incidental and carried on solely for the benefit of the tenants as in the case of a garage or health club. Finally, partners which are corporations or unincorporated businesses subject to City tax were granted a credit for the share of taxes paid by the partnership in lieu of the exemption for the distribution which existed prior to the change.

Also in July 1994, New York State passed legislation allowing the formation of limited liability companies (LLCs). These business entities have the limited liability of corporations, but the organizational flexibility and tax treatment of partnerships. At the Federal level, LLCs are not taxed as separate entities, but partners are taxed on their share of the income. For New York State tax purposes, LLCs pay a $50 per partner fee, with a minimum fee of $350 and a maximum of $10,000. In New York City, LLCs pay the unincorporated business tax. It is expected that businesses will increasingly opt to form LLCs rather than corporations. As a result, a shift of taxpayers is expected from the general corporation tax base to the unincorporated business tax base and unincorporated business tax revenues are expected to increase by $77 million in 2004 through 2008.

The City's 1996 tax program made several important changes to unincorporated business tax law. The unincorporated business tax credit was raised from a maximum of $600 to $1,000 over a period of two years. The maximum credit was $800 for tax year 1996, growing to $1,000 for tax years 1997 and thereafter. The level of tax liability at which the credit is phased out was also raised to $1,000 in 1996 and to $2,000 in 1997. To correspond to the new higher credit, the thresholds for making estimated payments and for filing annual returns were also raised.

Changes were also made to the rules governing the allocation of business income. The "regular place of business" requirement was repealed, allowing businesses to allocate income to sales outside the City, even when they have no regular place of business outside the City. Manufacturers are now allowed to "double weight" the receipts factor when allocating income. All businesses with receipts from the sale of tangible goods, as opposed to services, no longer have to allocate income to the City for goods shipped to points outside the City. Finally, broadcasters and publishers are now allowed to allocate income based upon audience location.

Beginning in 1996, certain unincorporated businesses (including LLCs) treated as corporations for Federal and State tax purposes are subject to City general corporation tax. This law lists several exceptions for businesses subject to unincorporated business tax in 1995, which may elect irrevocably to continue in that status.

Also in 1996, a number of the tax reform measures passed in July of 1994 were enhanced. The exemptions for other sources of income for "self-trading" entities and for real estate management companies were extended. Provisions were enacted that exempted income from self-trading activities for unincorporated entities that were primarily engaged in trading for their own account or in the ownership, as an investor, of interests in unincorporated entities engaged in unincorporated business activities in the City. This provision is in addition to the self-trading exemption. An unincorporated entity qualifying for the partial exemption is allowed to exclude from its unincorporated business gross income any income and gains from activity qualifying for the self-trading exemption. Prior to the change, any amount of income could "taint" the trading income, causing all of it to be taxed. Further, rules for apportioning investment income subject to tax were conformed to the general corporation tax (issuer's allocation percentage). Additions also were made to the number of financial instruments used by self-traders and a "primarily engaged" test was established, which defines taxpayers as self-trading according to the nature of their assets.

The City's tax program for 1998 revised the unincorporated business tax credit increase granted in the 1996 tax program. For tax years 1997 and after, the maximum credit was lifted to $1,800 with the level of liability at which the credit phases out at $3,200. The new credit eliminates unincorporated business tax for sole proprietors with net income up to $55,000. Partnerships have similar benefits, with the "no tax threshold" varying with the number of partners. In addition, beginning in tax year 1997, unincorporated business owners are able to take a partial credit against their City resident personal income tax liability for their share of the business' unincorporated business tax payments. The credit ranges from a maximum of 65 percent of the unincorporated business tax paid (the distributive share for partners) for personal income taxpayers with NYS AGI of $42,000 or less, to 15 percent for those with NYS AGI of $142,000 or more.

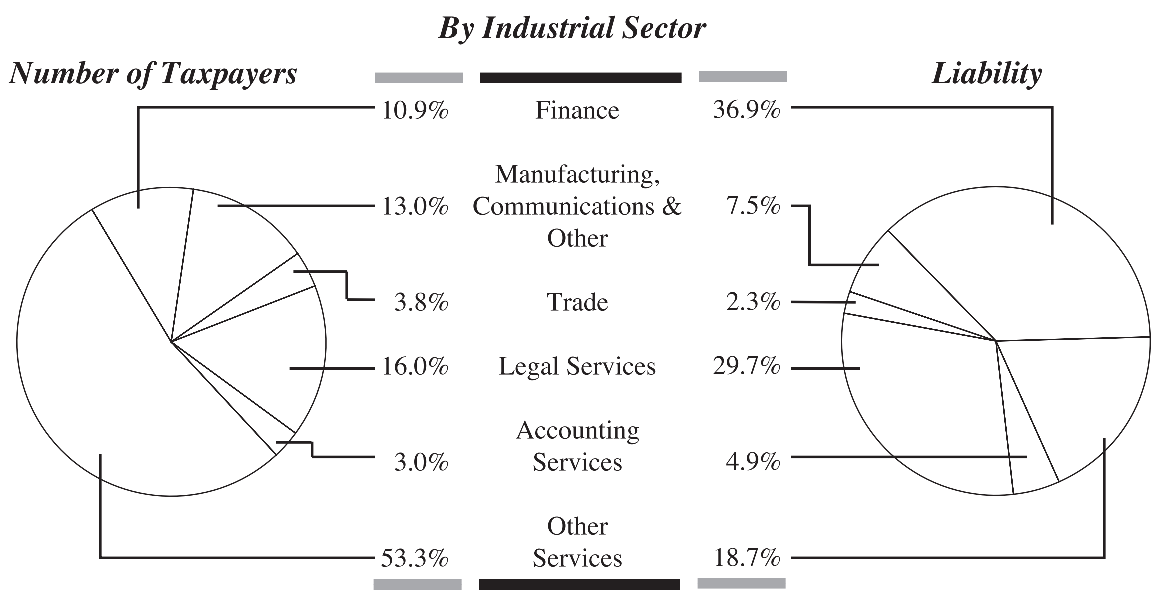
Effective for tax years on or after January 1, 2000, the receipts factor of the income allocation formula of the City's unincorporated business tax was amended to permit receipts from management, administration or distribution services for regulated investment companies (mutual funds) to be allocated based on the domicile of the mutual fund's shareholders.

As a result of the September 11, 2001 terrorist attack, the filing deadline for the quarterly estimated tax payment due September 17, 2001, was extended to December 17, 2001.

The Federal Job Creation and Worker Assistance Act of 2002 allows taxpayers an additional 30 percent depreciation deduction in the first year "qualified property" is placed in service. A similar depreciation deduction for "qualified property" in the New York Liberty Zone (NYLZ) and the Resurgence Zone is allowed. The NYLZ generally encompasses the area in the borough of Manhattan below Canal Street and the Resurgence Zone encompasses the area between Canal Street and Houston Street. Additionally, the Act also allows NYLZ leasehold improvements to be depreciated over a five-year period using a straight line method as well as an additional first-year expense deduction of up to $35,000 for "qualified NYLZ property". To avoid a significant loss of revenue, New York City Unincorporated Business Tax law was amended to limit the depreciation deductions to "qualified property" within the NYLZ and the Resurgence Zone only and to limit the additional first-year expense deduction to "qualified NYLZ property".

Distribution and Industrial Mix of Filers: In 2000, there were 185,337 partnership and sole proprietorship filers of which 26,085 paid tax. Sole proprietorships comprised 74.9 percent of all taxpayers but paid only 13.6 percent of total liability. Partnerships accounted for 25.1 percent of all taxpayers and paid 86.4 percent of total liability. Because of the tax credit and exemptions, 85.9 percent of filers in 2000 were exempt from the tax. Proprietorships with net income less than $25,000 (64.3 percent of all filers) paid no unincorporated business tax. The additional exemption for each partner creates higher thresholds for partnerships (21.6 percent of all filers in 2000 were partnerships with no liability). The service sector, made up of the legal, accounting and other services, accounted for 53.3 percent of total unincorporated business tax liability. Legal services and finance comprised only 26.9 percent of taxpayers but incurred 66.6 percent of total liability.

UNINCORPORATED BUSINESS TAX *(Tax Year 2000)*



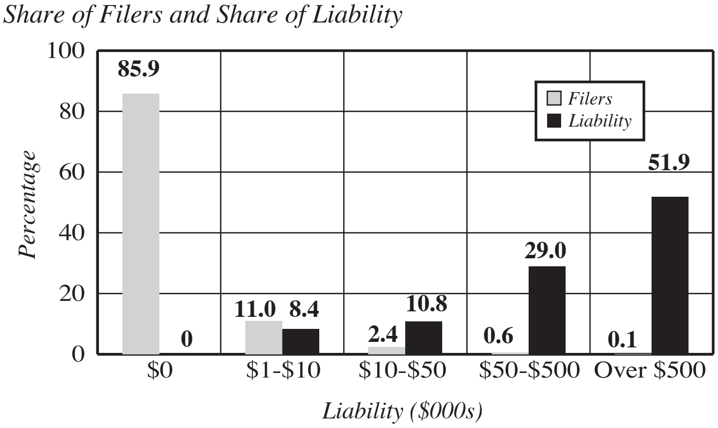
Source: NYC Department of Finance, Office of Tax Policy

Until 1998, liability was reported in five main categories with 27 sub-categories (classified according to Standard Industrial Classifications (SIC) codes). Starting in 1998 reported liability was broken into eight categories with 40 sub-categories. Now they are grouped according to North American Industrial Classification (NAICs) codes. Definitions for certain categories were also changed in 1998.

Forecast: The unincorporated business tax is forecast at $880 million in 2004, an increase of 5.7 percent from the prior year and unchanged from the

UNINCORPORATED BUSINESS TAX ***(Tax Year 2000)***

Share of Filers and Share of Liability



Source: NYC Department of Finance, Office of Tax Policy

January Plan forecast. The unincorporated business tax revenue is forecast at $934 million in 2005, growth of 6.1 percent over the prior year, an increase of $8 million from the January Plan forecast.

Unincorporated business tax revenues in the late 1990's were particularly robust, with average annual growth from 1996 through 2001 reaching 13.7 percent. This growth can partially be accounted for by the unprecedented strength seen in New York Stock Exchange (NYSE) member-firm profits during that period. Non-finance sector collections were also robust during these years due to record growth in the service sector employment in 1993 through 2000. In 2000, unincorporated business tax revenues grew 22.6 percent reflecting the robust growth in NYSE member-firm profits in calendar year 1999 and substantial private sector job growth in 2000. In 2001, however, unincorporated business tax revenues grew at just 1.8 percent over the prior year, reflecting a liquidation of overpayments that had been built up through 2000. By 2002 the impact of the September 11, 2001 terrorist attack, the 50 percent decline in NYSE member-firm profits in calendar year 2001, and the national recession resulted in a 4.5 percent decline in total liability in tax year 2001 and a 3.6 percent decline in 2002 revenue. In 2003, unincorporated business tax revenues rebounded moderately, 5.3 percent growth over the prior year, reflecting the national and local recoveries.

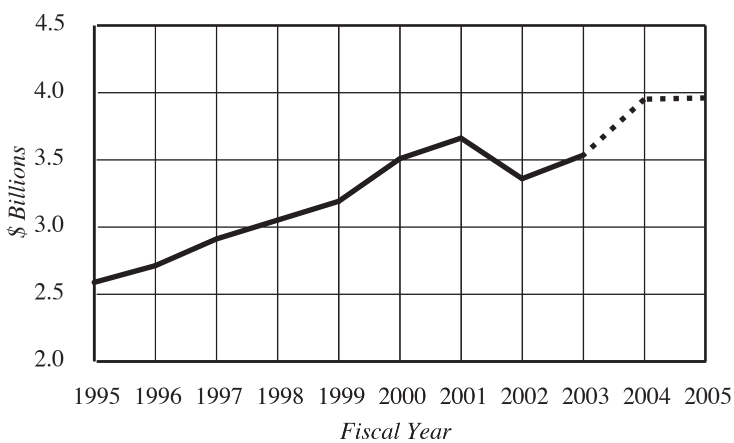
In 2004, a substantial increase in NYSE member-firm profits, from $6.9 billion in calendar year 2002 to $16.8 billion in calendar year 2003, has led to an estimated 27.8 percent increase in finance liability in tax year 2003. Non-finance sector liability grew an estimated 2.6 percent over the prior year period, reflecting the 1.7 percent growth in non-finance wage earnings in calendar year 2003. The combined liability is now expected to increase 9.0 percent on tax year 2003. Through March 2004, collections have increased 9.4 percent over the same prior year period. An increase in refund payouts over the prior year brings the unincorporated business tax revenue forecast to 5.7 percent growth in 2004.

In 2005, the unincorporated business tax is forecast to grow 6.1 percent as NYSE member-firm profits remain high and the pace of the national recovery accelerates in calendar year 2004. In 2006 through 2008, unincorporated business tax revenue is forecast to average 4.6 percent growth, as both the NYSE member-firm profits and the national economy achieve sustainable growth.

SALES AND USE TAX

The sales and use tax is projected to account for 15 percent of total tax revenue in 2005, or $3,961 million.

SALES TAX 1995-2005

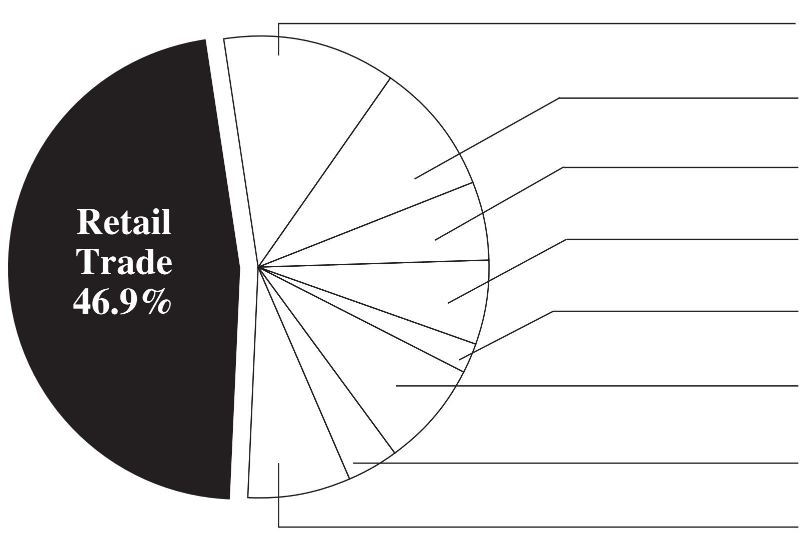


Tax Base and Rate: The sales tax rate is 4.125 percent and applies to: (1) sales and use of tangible personal property and services; (2) sales of gas, electricity, steam, refrigeration, and intrastate telephone and telegraph services; (3) food and beverages sold by restaurants and caterers; (4) hotel and motel occupancies; (5) admission charges to certain places of amusement; and (6) club dues. Exemptions include food (except certain drinks, candies and alcoholic beverages), rent, prescription and non-prescription drugs, newspapers and periodicals, textbooks for college students, and public transportation. These exemptions are designed to reduce the regressivity of the tax. Exemptions are also allowed for purchases of tangible goods and services intended for resale. The tax does not apply at the time of purchase for resale, but rather at the time the items are sold at retail. Other exemptions include fuel sold to airlines, energy used for research and development, transmission and distribution of energy, certain promotional materials, internet access services, interstate and international telecommunications services, and clothing and footwear purchases under $110 through May 31, 2003. The clothing and footwear exemption was repealed effective June 1, 2003 through May 31, 2004. With the State sales tax rate of 4.25 percent, and a 0.25 percent sales tax in the Metropolitan Commuter Transportation District, the aggregate sales tax rate in the City is 8.625 percent.

Retail trade, which includes sales of building materials, general merchandise, restaurant meals and drinks, cars, apparel and furniture, comprised of 46.9 percent of the sales tax base, is the largest expenditure category.

COMPONENTS OF THE SALES TAX BASE

March 1999 – February 2000



Services	12.1%
Business Services	9.3%
Manufacturing	5.5%
Communication	5.9%
Construction	2.1%
Electric & Gas	7.4%
All Other	3.6%
Wholesale Trade	7.2%

1934 New York City imposes a two percent tax on the sales and use of tangible personal property and services.

1959 The tax rate is increased to three percent for most sales and to five percent for restaurant meals and drinks costing one dollar or more.

1963 The basic rate is increased to four percent and the five percent rate on restaurant meals is extended to include catering services.

1965 New York State introduces its own two percent sales tax and begins to collect, administer and enforce the sales tax for all localities. New York City lowers its own tax rate to three percent. Sales tax on any motor vehicle purchased by an out-of-state resident is repealed (effective date: August 1, 1965).

1969 The State raises its tax rate to three percent.

1970 The City imposes a six percent tax on motor vehicle parking and garaging services (effective date: September 1, 1970).

1971 The State raises its tax rate to four percent.

1974 The City raises its tax rate to four percent (effective date: July 1, 1974).

1975 A four percent Municipal Assistance sales and use tax is levied in lieu of the City's sales tax. The revenue from this tax is pledged to the Municipal Assistance Corporation (MAC) to meet the interest payments on bonds issued by the corporation. Revenue resulting from future expansions of the City's sales tax base does not belong to MAC but flows directly to the City (effective date: July 1, 1975). On July 1, 2008, the sales tax imposed by the City will again be in effect. At that time the City-imposed sales tax will take effect at the rate of three percent.

Protective and detective services and credit reporting and collection services are added to the City's non-MAC tax base (effective date: September 1, 1975).

1976 Barber and beauty shops and health and weight control salons are added to the City's non-MAC tax base (effective date: March 1, 1976).

1977 Sales and use taxes paid on machinery used in the production of tangible personal property, gas, electricity or refrigeration, and steam for sale can be claimed as a credit against the City's general corporation, unincorporated business or utility taxes (effective date: July 1, 1977).

1980 An eight percent tax surcharge on motor vehicle parking and garaging services is imposed in the borough of Manhattan and is added to the City's non-MAC tax base (effective date: September 1, 1980), bringing the total City, State and MTA sales tax on parking in Manhattan to 18.25 percent.

Total Manhattan Parking Tax

NYS	4.00%
NYC	6.00%
Manhattan Surcharge	8.00%
MTCD	0.25%
Total Parking	**18.25%**

1984 Sales tax on electricity or electric service used in the production of tangible personal property by manufacturing, processing or assembling can be claimed as a credit against the unincorporated business or general corporation taxes (effective date: July 1, 1984).

1985 Manhattan residents are exempt from the eight percent parking and garaging surcharge, reducing the City's non-MAC tax base (effective date: September 1, 1985).

1987 Under the Competitive Business Energy Costs Program (CBECP), sales tax on sales of energy to commercial or industrial users is exempted in annual increments of 25 percent per year (effective date: July 1, 1988).

1988 Implementation of the CBECP is delayed until July 1, 1990, when it is due to resume on the original schedule (i.e., 75 percent).

1989 Interior decorating, contract cleaning and maintenance services are added to the City's non-MAC tax base (effective date: December 1, 1989). Service charges on floor covering installations are added to the State and MAC tax bases (effective date: June 1, 1989). Excise taxes on cigarettes (effective date: June 1, 1989) and tobacco products (effective date: July 1, 1989) are included in the calculation of the sales tax, and are added to the State and MAC tax bases. The City's credit for sales tax paid on machinery and equipment used in the production of tangible personal property is changed to an exemption, reducing the MAC base (effective date: December 1, 1989).

1990 Entertainment services provided or delivered by telephone or telegraph through 500, 700, 800 and 900 telephone numbers, as well as such services delivered by private telephone line, cable or channel are added to the State's tax base and, consequently, the City's MAC tax base (effective date: September 1, 1990). Protective and detective services, and interior decorating, contract cleaning and maintenance services, previously taxed exclusively by the City, are added to the State's tax base (effective date: June 1, 1990).

The State and City sales taxes due on automobile and boat leases of duration greater than one year are due in total at the inception of the lease and are no longer spread over the life of the lease (effective date: June 1, 1990). The implementation of the CBECP is delayed indefinitely.

1991 Shipping, transportation, postage and similar delivery charges, telephone answering services, and sales of prewritten software are added to the State's tax base and, consequently, the City's MAC tax base (effective date: September 1, 1991).

1992 The additional cost of a new alternative fuel vehicle (AFV) above the sales price of a comparable gasoline or diesel powered vehicle and parts and labor charges related to converting a gasoline or diesel powered vehicle to an AFV, are exempted from the State's tax base and, consequently, the City's MAC tax base. This exemption, set to expire five years after the effective date of September 1, 1992, was subsequently extended through 2004.

1995 Interior decorating and design services are exempted from the City tax, reducing the City's non-MAC tax base (effective date: December 1, 1995). The State requires cigarette stamping agents to prepay State and local sales taxes (at a seven percent blended rate) on sales of cigarettes distributed to licensed wholesalers, chain stores and retailers (effective date: September 1, 1995).

1996 The retail sale of shopping papers to the publishers and related printing services are exempted from State and City's MAC sales tax base (effective date: September 1, 1996). The State and City repealed their taxes on clothing and footwear purchases under $500 during the week of January 18-24, 1997, reducing the State's tax base and, consequently, the City's MAC tax base.

Printed promotional materials delivered through the mail and associated shipping services are exempted from State and City taxes, reducing the State's tax base and, consequently, the City's MAC tax base (effective date: March 1, 1997). Vehicles leased by Manhattan residents are exempted from the eight percent parking and garaging surcharge, reducing the City's non-MAC tax base (effective date: December 1, 1996).

Parking charges paid to municipally-owned and operated parking facilities are exempted from State and City sales taxes, other than the eight percent Manhattan parking surcharge (effective date: December 1, 1996). Certain parts, tools, supplies and services used or consumed in production processes, including film production, are exempted from the City tax, reducing the City's MAC tax base, and bringing City tax law into conformity with the State (effective date: September 1, 1996).

This law was amended October 1, 1997 to include live theatrical performances. The services of installing, repairing, maintaining and servicing tangible personal property used to produce a product for sale by manufacturing, processing and assembling are exempt from the City tax, reducing the City's MAC tax base, and bringing City tax law into conformity with the State (effective date: September 1, 1996).

1997 The State and City repealed their taxes on clothing purchases under $100, excluding footwear, during the week of September 1-7, 1997, and repealed their taxes on clothing and footwear purchases under $500 during the weeks of September 1-7 and January 17-23, 1998, reducing the State's tax base, and consequently, the City's MAC tax base.

The State permanently repealed its 4 percent sales tax on clothing and footwear purchases under $110, and gave local governments the option to match the repeal. If a locality within the MCTD opts for repeal, clothing will also be exempt from the 0.25 percent MCTD sales tax. The locality will reimburse the MCTD for one half of the tax forgone and the State will reimburse the MCTD for the other half (effective date: December 1, 1999).

Emissions inspection equipment purchased by an official inspection station are exempt from the State's tax base and, consequently, the City's MAC tax base (effective date: September 1, 1997).

Bus purchases and repairs, coin-operated car washes, coin-operated bulk vending machines and photocopying machines at fifty cents or less, temporary transportation devices sold through coin-operated equipment, food or drink (except hot drinks or sandwiches) sold through coin-operated vending machines, wine or wine product furnished by the official agent of a farm, winery, wholesaler, or importer at a wine tasting, and receipts from admissions to all circuses are exempt from the

State's tax base and, consequently, the City's MAC tax base (effective date: December 1, 1997).

Internet access services, defined as the service of providing connection to the internet and including the provision of communication or navigation software, an E-mail address, E-mail software, news, headlines, space for a website and website services are exempt from the State's taxable base and, consequently, the City's MAC tax base (effective date: February 1, 1997). Additionally, exempt from the State tax base and, consequently, the City's MAC tax base, are receipts from the sale of the service of installing alternative fuel refueling property (property used for storing and/or dispensing fuel) and receipts from the retail sale of alternative fuel refueling property (effective date: March 1, 1998 through February 29, 2004).

1998 The State and City repealed their taxes on clothing and footwear purchases under $500 during the week of January 17-24, 1999, reducing the State's tax base and, consequently, the City's MAC tax base. Textbooks purchased by full or part-time college students for their courses at accredited institutions are exempt from the State's tax base and, consequently, the City's MAC tax base (effective date: June 1, 1998).

Computer system hardware used or consumed directly and predominately in designing and developing computer software for sale is exempt from the State's tax base and, consequently, the City's MAC tax base (effective date: June 1, 1998). Coin phone calls costing 25 cents or less are exempt from the State's tax base, and consequently, the City's MAC tax base (effective date: September 1, 1998).

The exemption for telephone central office equipment or station apparatus is expanded to include equipment used directly and predominately in receiving, amplifying, processing, and transmitting telephone or telegraph signals, reducing the State's tax base and, consequently, the City's MAC tax base (effective date: September 1, 1998).

Parking charges paid to homeowners' associations (including co-op and condominium housing) by its members, for parking space in a facility owned or operated by the association, are exempted from the 6 percent City sales tax and the 8 percent Manhattan parking tax (effective date: September 14, 1998).

Additionally, the 1997 law that exempts parking charges from the State sales tax when the parking facility is operated by a homeowners' association has been amended to include facilities owned by such an association even though operated by a third party.

1999 The State and City repealed their taxes on clothing and footwear purchases under $500 during the weeks of September 1-7, 1999 and January 15-21, 2000, reducing the State's tax base and, consequently, the City's MAC tax base. The State and, consequently, all participating localities, delayed the permanent exemption of clothing and footwear purchases under $110 scheduled to become effective December 1, 1999 until March 1, 2000.

The exemption for hot drinks and certain food items sold from vending machines is extended to include vending machines which accept credit or debit cards (effective date: December 1, 1999). The exemption for computer system hardware used in designing and developing computer software is extended to include computer system hardware used in designing and developing internet websites (effective date: March 1, 2001).

Machinery, equipment or apparatus used or consumed directly and predominately to upgrade cable television systems to allow for the receiving, amplifying, processing, transmitting, re–transmitting, switching or monitoring of telecommunication services for sale and communications equipment used in the transmission of internet access services are exempt from the State's tax base and, consequently, the City's MAC tax base (effective date: March 1, 2001).

Tangible personal property sold to a contractor, subcontractor or repair person for use directly and predominately in the production phase of farming is exempt from the State's tax base and, consequently, the City's MAC tax base (effective date: March 1, 2001). The base for computing the use tax on self-produced items which a manufacturer used in its business operations is modified from a use tax based on the manufacturer's normal selling price to a use tax based on the manufacturer's cost of materials (effective date: March 1, 2001).

The sales tax special recordkeeping and on-site inspection requirements for Manhattan parking garages is extended until November 30, 2004. These special requirements were originally enacted in 1992 to improve sales tax compliance.

2000 Purchases of gas and electricity from out-of-state suppliers are subject to State and local compensating use taxes (effective date: June 1, 2000).

A sales tax exemption phased in over a four-year period on purchases of the service of transporting, transmitting or distributing gas or electricity, when such services are bought from a company other than the vendor of the gas or electricity (effective date: September 1, 2000). For the one-year period, beginning September 1, 2000, the tax on such services was reduced by 25 percent (additional 25 percent reductions occurred in the following three years) and such services were fully exempt beginning September 1, 2003.

Additionally, a sales tax exemption will apply to purchases of gas or electricity used in operating a gas pipeline or gas distribution line or an electric transmission or distribution line. These exemptions will reduce the State's tax base and, consequently, City's MAC tax base (effective date: June 1, 2000).

Fuel, gas, electricity, refrigeration or steam used in the production of tangible personal property for sale, previously claimed as a credit against general corporation tax and unincorporated business tax, are exempted from City tax, reducing the City's MAC tax base and bringing City tax law into conformity with the State (effective date: November 1, 2000).

Machinery, equipment, and certain other specified tangible personal property used by an operator of an internet data center that sells internet web site services, as well as, services to the exempt property, and certain other services used in the internet data center, are exempt from the State's tax base and, consequently, the City's MAC tax base (effective date: September 1, 2000).

The existing narrow exemptions for telecommunications equipment is expanded to include tangible personal property used in providing telecommunications services for sale or internet access services for sale. Additionally, machinery, equipment, parts, tools, supplies and certain related services used in upgrading cable television systems to enable them to offer digital cable TV service for sale or internet access service for sale are exempt from the State's tax base and, consequently, the City's MAC tax base (effective date: September 1, 2000; cable TV exemption expires: September 1, 2003).

Machinery, equipment, and specified tangible personal property used by a broadcaster in the production of live or recorded programs for broadcast or in the transmission, as well as services to the exempt property are exempt from the State's tax base and, consequently, the City's MAC tax base (effective date: September 1, 2000).

The 1998 exemption for promotional materials is extended to prospectuses, paper, ink, mechanicals, layouts, artwork, photographs, color separations and similar property furnished to a printer for use in producing promotional materials that are then sold to the furnisher of those items (effective date: retroactive to March 1, 1997).

Exempted from the State's tax base and the City's MAC tax base are food and non-alcoholic beverages sold at dining facilities located in senior citizen residences, where use of the dining room is limited to residents and their guests, and where the food and drinks are served only in the dining room or a resident's room (effective date: December 1, 2000).

Purchases of tangible personal property and services used or consumed by qualified enterprises located in Empire Zones are exempt from State's tax base for the next 10 years. Localities have the option to include this exemption (effective date: March 1, 2001).

Manufacturing and industrial pollution control, prevention, and abatement equipment and machinery are exempt from the State's tax base and, consequently, the City's MAC tax base (effective date: March 1, 2001).

Sales taxes are repealed for candy, soda and certain fruit drinks sold for 75 cents or less through vending machines, reducing the State's tax base and the City's MAC tax base (effective date: September 1, 2000).

The 1965 sales tax exemption on motor vehicle purchases by out-of-state residents is extended to purchases of vessels and trailers sold for use with the vessel, reducing State's tax base and, consequently, the City's MAC tax base. Rules that apply to motor vehicles purchased in one New York sales tax jurisdiction by residents of another New York sales tax jurisdiction, and which subject the purchase to the rules and rates of the resident's tax jurisdiction, are amended to cover purchases of vessels and their trailers (effective date: March 1, 2001).

Tangible personal property and building materials used in farm production, as well as utility services, and services provided to farm real property are exempt from the State's tax base and, consequently, the City's MAC tax base. Additionally, commercial horse boarding operations receive the same exemptions as farms (effective date: September 1, 2000).

2001 As a result of the September 11, 2001 terrorist attack, the filing deadlines for the monthly and quarterly sales tax returns due after September 11, 2001 through December 10, 2001 were extended to December 10, 2001.

2002 A temporary exemption was allowed for tangible personal property, excluding motor vehicles, motor fuel, diesel motor fuel, cigarettes, tobacco products, alcoholic beverages and building materials, under $500 in the Liberty and Resurgence zones of lower Manhattan for three weekends: June 9-11, July 9-11 and August 20-22, 2002. The Liberty Zone is defined as on or south of Canal Street, East Broadway (east of its intersection with Canal Street), or Grand Street (east of its intersection with East Broadway) in the borough of Manhattan. The Resurgence Zone is defined as the area between Canal Street and Houston Street.

2003 The City raises its tax rate to 4.125 percent during the period from June 4, 2003 through May 31, 2005.

The higher rate is effective as of September 1, 2003 for the special City sales taxes on credit rating and reporting services, cleaning and maintenance services, protective and detective services and personal services such as beauty, barbering, manicuring and health salon services sold by weight control and gymnasium facilities. The rate will revert to 4.0 percent on June 1, 2005. (The State rate also increased from 4.0 percent to 4.25 percent effective June 1, 2003 through May 31, 2005. The total general sales and use tax rate in the City, including the .25 percent MTA rate will be 8.625 percent through May 31, 2005).

The State and City sales tax exemption for clothing and footwear purchases under $110 has been suspended from June 1, 2003 through May 31, 2004. During the period the exemption has been suspended, the State and City have repealed their taxes on clothing and footwear purchases under $110 during the weeks from August 26 through September 1, 2003 and from January 26 through February 1, 2004. The permanent exemption will be restored June 1, 2004.

The City excise tax on cigarettes was added to the sale price of cigarettes on which the State and City sales and use taxes are calculated (effective date: September 1, 2003). (The NYS cigarette tax has been included in the sales and use tax base since 1989).

An existing sales tax exemption for coin-operated motor vehicle vacuuming equipment located in car washes has been expanded to cover such equipment located at facilities other than car washes.

Business services and other services combined account for 21.4 percent of the sales tax base. Since 1981 the proportion of business services in the taxable base has increased from 3.5 percent to 9.3 percent, making it the fastest growing component of the base. Various business and utility expenditures make up the remainder of the tax base

Administration: New York State and local sales tax laws provide that the State Department of Taxation and Finance will administer the sales taxes imposed by both the State and the localities. A general sales tax is collected from approximately 589,861 vendors in New York State. The State charges an administrative fee for this service, which is allocated to each locality based on the locality's share of statewide collections. For 2003, the administrative charge paid by the City was $21 million.

Vendors are responsible for collecting the sales tax from the purchaser at the time of sale. These vendors must file tax returns periodically. The frequency and timing of filing is determined mainly by their level of receipts. Large vendors submit estimated payments to the State without filing a return using the State's electronic funds transfer (EFT) program (PROMP Tax Program) for the first two months of each reporting quarter. In the third month they submit a quarterly return for part-quarterly filers and remit any tax due for complete quarterly collections as part of their next PROMP tax payment. Small vendors submit returns quarterly or annually. The State distributes estimated monthly payments to the City based on prior year payment patterns. At the end of a reporting quarter remittances are conveyed to the City based on vendor returns received by the end of the third month. In subsequent months, the State reviews returns for accuracy and processes late returns. This may lead to substantial reconciliations of the distributions made in prior periods giving rise to what are known as prior period adjustments (PPAs).

Forecast: The sales tax revenue is forecast at $3,952 million in 2004, 11.8 percent growth over the prior year and a $40 million increase over the January Plan forecast. The 2005 sales tax revenue is forecast at $3,961 million, growth of 0.2 percent from 2004 and a $74 million increase over the January Plan forecast. Adjusting for recently enacted tax law changes the sales tax is forecast to grow 4.4 percent in 2004 and 5.8 percent in 2005.

Sales tax revenue growth was strong through 2001, averaging 8.2 percent from 1997 through 2001 (common rate and base). Historic employment gains and strong growth in the tourism industry spurred sales tax revenue growth over this period. Increased discretionary income in the City, as robust Wall Street profits were translated into strong bonus payouts and a wealth effect, resulting from the steep appreciation of equities held by households, also buoyed consumption. This era of robust City-wide consumption came to an end in 2002 due to the September 11, 2001 terrorist attack and the national recession. Visitor spending fell as hotel occupancy and room rates plummeted. Sales activity in lower Manhattan was severely hampered in the months following the attack, as the area was nearly inaccessible. Sales tax revenue declined 7.4 percent (common rate and base) in 2002. This decline exceeded those seen in the severe local recession of the early 1990s and all other downturns back to the 13.5 percent decline seen in 1966 when the City enacted a rate cut of 25 percent. However, 2003 sales tax revenue grew 4.3 percent (common rate and base) as recovery in consumption from the severely suppressed levels of 2002 began.

In 2004, sales tax revenue is forecast to increase $417 million from the prior year level of $3,535 million, growth of 11.8 percent (growth of 4.4 percent on a common rate and base). The moderate common rate and base growth reflects forecast wage earnings growth of 5.4 percent, and increased consumption resulting from the continued recovery within the hotel and tourism industry. In addition, legislation which became effective at the end of 2003, added 9.0 percent growth to the 2004 sales tax revenue forecast. This legislation included a 1/8 percent increase in the sales tax rate (from 4.0 percent to 4.125 percent effective June 4, 2003 through May 31, 2005), the repeal of the clothing and footwear exemption for purchases under $110 (effective June 1, 2003 through May 31, 2004), and two tax-free weeks for clothing and footwear purchases under $110 (August

26, 2003 through September 1, 2003 and January 26, 2004 through February 1, 2004). Sales tax collections through March have increased 11.6 percent over the same prior year period, including the impact of the aforementioned legislation. After adjusting for these legislative changes, collections through the first three quarters grew only 2.2 percent.

In 2005, sales tax revenue is forecast to increase only 0.2 percent from the prior year level. The re-instatement of the clothing and footwear exemption (a revenue reduction of $277 million in 2005) accounts for the suppressed collections growth. On a common rate and base the sales tax is forecast to increase 5.8 percent based upon forecast growth in wage earnings of 5.5 percent, and the continued recovery in the hotel and tourism industry.

The deregulation of the energy industry and consequent legislative actions, have had a large impact on the sales tax revenue forecast. Beginning in 1997 the Public Service Commission (PSC) and Con Ed, and subsequently other utilities, entered into agreements that set a schedule for competitive retail access and the deregulation of the electric industry in New York State. The natural gas industry has been deregulated since 1991. The deregulation of electricity created a large loophole in the sales tax when the commodity portion of the electric bill was unbundled from the transmission and distribution (T & D) service. Transportation services have typically been exempt from the sales tax. This loophole was closed administratively by the State on April 1, 2000. Subsequently, the State enacted utility reform legislation that phases out the State and local sales and use tax on the T & D portion of the electric and natural gas charge. Effective September 1, 2000, the State and local sales tax rates on T & D were reduced by 25 percent. The phase-out of the sales tax on T & D was completed by September 1, 2003. Additionally, the State imposed a use tax on the commodity component of energy purchased from out-of-state vendors at the sales tax rate (currently 4.125 percent).

The impact of deregulation on the City sales tax revenue depends also upon the participation of businesses and individual consumers in competitive gas and electric retail access. Prior to November 1, 2000, the portion of the Con Ed electric load available for competitive retail access was set by PSC agreement. On November 1, 2000, 100 percent of the Con Ed electric load was made available to competition. Estimates of the participation in competitive retail access continue to be revised, and in recent modifications these estimates have been trending downward, thereby reducing estimated losses. Estimates of participation in competitive electric and gas retail access remain unchanged from the January Plan forecast. The impact of energy deregulation and State utility reform legislation is estimated to reduce sales tax revenue by approximately $14 million in 2004 and, with increasing public participation in the deregulated market, will reduce revenues by almost $56 million in 2008.

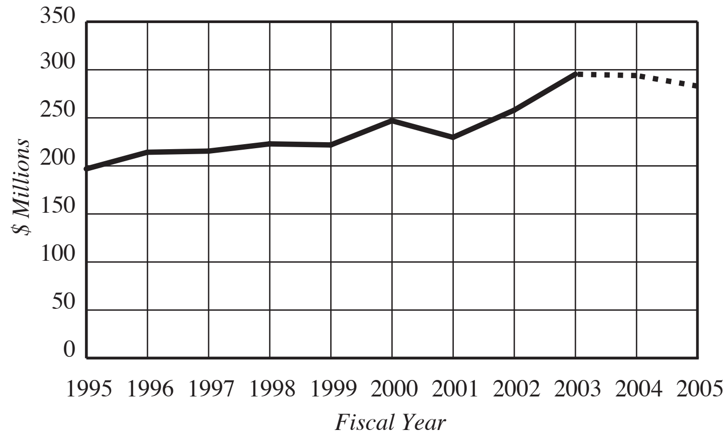
Sales tax revenue is forecast to grow only 1.7 percent in 2006, the result of trend growth from wage earnings being offset by the expiration of the 1/8 percent rate increase. Sales tax revenue is forecast to grow an average of 3.9 percent on the continuing base in 2007 and 2008, as the City wage and employment forecasts return to trend growth.

UTILITY TAX

The utility tax is projected to account for 1.1 percent of tax revenue in 2005, or $283 million.

Tax Base and Rate: The City imposes a tax on all utilities and vendors of utility services, including operators of omnibuses. The tax is levied at a rate of 2.35 percent on the gross income of taxpayers. Currently this tax applies to electric and natural gas utilities as well as telecommunications firms whose services include wireless, fiber optic and other types of transmission.

UTILITY TAX 1995-2005



Legislative History: In 1933 enabling legislation allowed New York City to levy a gross income tax on utilities and vendors of utility services. The current rate of 2.35 percent was imposed on January 1, 1966. Since 1985, utility tax collections have been reduced by the Energy Cost Savings Program (ECSP) which granted a 30 percent rebate on electricity charges and a 20 percent rebate on natural gas charges to eligible nonresidential users operating in Brooklyn, the Bronx, Queens, Staten Island and Manhattan north of 96th Street. Non-retailers outside the City which relocate to the designated areas (after May 3, 1985) are also eligible. Effective November 1, 2000, legislation changed the ECSP rebate on electricity and gas from a discount on all utility charges to a discount solely on utility delivery charges. The legislation raised the rebate percentage to 45 percent of eligible electricity charges and 35 percent of eligible natural gas charges in an effort to maintain roughly the same benefit levels, in dollar terms, as previously. Subsequent complaints arose from program participants that following the enactment of the new rebate percentages commodity prices had increased, while utility delivery charges remained relatively low. Thus, the benefits program participants received with the revised rebate percentages were less than if original percentages were applied. Effective June 1, 2001, the Department of Business Services promulgated rules that divided the ECSP participants into three categories with various schedules of rebate percentages in order to allow participants to receive the same program benefits as those received under the original rebate percentages off the bundled bill. Currently, there are 900 companies participating in the rebate program. A similar program, the Lower Manhattan Energy Program, was incorporated into the Commercial Revitalization Program (effective 1995) and focused on stimulating economic development in lower Manhattan. The program offers a 12-year (13 years for buildings designated as landmarks) rebate on the electric bills of building owners who have improved their buildings by at least 20 percent of assessed value. The program reduced utility tax revenue by $16 million in 2003 and is expected to reduce revenue by $16 million per year in 2004 and in 2005.

The deregulation of the energy industry and subsequent legislative actions have and are forecast to continue to have a large impact on the utility tax revenue forecast. Beginning in 1997, the Public Service Commission (PSC) and Con Ed, and subsequently other utilities entered into agreements that set a schedule for competitive retail access and the deregulation of the electric industry in New York State. The natural gas industry has been deregulated since 1991.

On March 13, 1997, Con Ed and the PSC entered into a settlement agreement with respect to the PSC's

Competitive Opportunities proceeding, with PSC approval occurring on August 29, 1997. The settlement agreement features a five-year rate plan to facilitate the transition to competition, effective January 1, 1998. The five-year rate plan called for an immediate 25 percent electric rate reduction for Con Ed's largest industrial customers, a 10 percent rate reduction for other large industrial and commercial customers (which include office buildings, hospitals, colleges and universities) and a 3.3 percent rate reduction for residential and small commercial customers. The five-year rate plan superceded the prior 1995 rate agreement as of March 31, 1997, and the revenue requirement increase for the third rate year of the 1995 agreement was reversed. In calendar year 2000, Con Ed agreed to further reduce retail electric rates and extend the electric restructuring agreement by three years, to 2005. Effective October 1, 2000, the total reduction in retail distribution rates was 16.8 percent. Also an additional 200 megawatts of capacity became eligible for business rate incentives. The settlement agreement reduced utility tax revenue by $10 million in 2003, and is expected to reduce revenue by $10 million in 2004 and in 2005.

As a result of the 1996 PSC Competitive Opportunities proceeding, the PSC ordered a complete restructuring of the State's energy utilities to encourage competitive markets. This agreement originally set the pace of deregulation in the State with the expectation of full retail access by 2006. The original PSC agreements provided a transition to a competitive retail market through the development of retail access plans, a reasonable recovery of strandable costs and the divestiture to unaffiliated third parties of approximately 50 percent of electric generating capacity in the City. The PSC agreements were revised in 2000, allowing for full retail access for all customers as of November 1, 2000. Additionally, Con Ed has completed the process of divesting itself of all its generating capacity. The impact of energy deregulation and State utility reform legislation is estimated to reduce utility tax revenue by approximately $3 million in 2004, $4 million in 2005 and with increasing public participation in the deregulated market, is expected to reduce revenue by approximately $9 million in 2008.

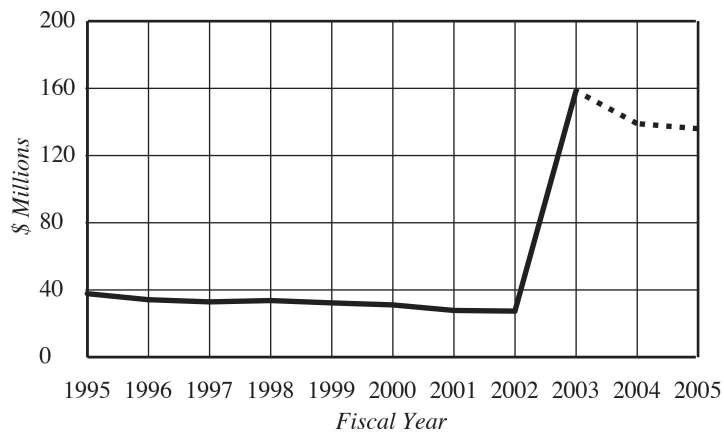
Forecast: The 2004 utility tax revenue is forecast at $294 million, nearly flat growth over the prior year and unchanged from the January Plan forecast. In 2005, the utility tax revenue is forecast to decline 3.7 percent from 2004 to $283 million, an increase of $5 million from the January Plan forecast.

The 2004 forecast reflects collections through March, which are up slightly over the same prior year period. The collections increase is due to both the continued strong demand for energy and sustained high energy prices. Again, as in 2003, the demand for utility services has been spurred by a cold winter. January 2004 is on record for being the coldest since 1977, while February was colder than the average of the last ten years. In addition, energy prices have seen continued increases this year, with electricity and natural gas prices both up 8.2 percent, on top of growth of 10.6 percent and 29.3 percent, respectively, in 2003. The forecast of utility tax revenues for 2005 reflects a projected decline in energy prices to more sustainable levels and a return to average seasonal temperatures. The Energy Cost Savings Program (ECSP) is expected to reduce collections by $34 million in 2004 and $35 million in 2005, as declining energy prices lower the projected cost of this program. In 2006 through 2008, the utility tax is forecast to grow 0.1 percent.

CIGARETTE TAX

The cigarette tax is projected to account for 0.5% percent of tax revenue in 2005 or $136 million.

CIGARETTE TAX 1995-2005



Tax Base and Rate: Under Title 11, Chapter 13, of the New York City Administrative Code, the City imposes a tax of $1.50 on the sale or use of every pack of 20 cigarettes in the City. The tax is intended to apply ultimately upon the consumer. However, taxes are paid in advance by agents, distributors, or dealers, by means of stamps. Authorized agents purchase the stamps to be affixed to packages and cancelled. In lieu of adhesive stamps, agents may be authorized to use metering machines. Cigarettes possessed in New York City by an agent or wholesale dealer for sale outside New York City or for sale and shipment in interstate commerce are exempt. In addition sales to federal agencies, New York State agencies, if not for resale, and voluntary organizations of the U.S. Armed Forces are exempt. The use of 400 or less cigarettes (two cartons) brought into New York City in the possession of any person is exempt.

Legislative History: The City has been imposing a tax on the sale of cigarettes in the City since 1952. Effective July 2, 2002, the City raised the cigarette tax from $0.08 to $1.50 per 20 cigarettes. This tax is imposed in addition to a State cigarette tax which is currently $1.50 per pack after the increase of $0.39 effective April 1, 2002. As part of an agreement with New York State, the City agreed to hold the New York State budget harmless for the projected decline in State cigarette and sales tax revenues on cigarette purchases in the City resulting from the City tax rate increase. This was accomplished by allowing the State to retain 46.5 percent of additional City cigarette tax revenues from July 2, 2002 through March 2003 and 46 percent thereafter. Other tobacco products are not subject to the tax.

Forecast: Cigarette tax revenue for 2004 is forecast at $139 million, a decrease of $5 million from the January Plan and a decline of 12.3 percent from the prior year. Cigarette tax revenue for 2005 is forecast at $136 million, a decrease of $5 million from the January Plan forecast and a decline of 2.2 percent from 2004.

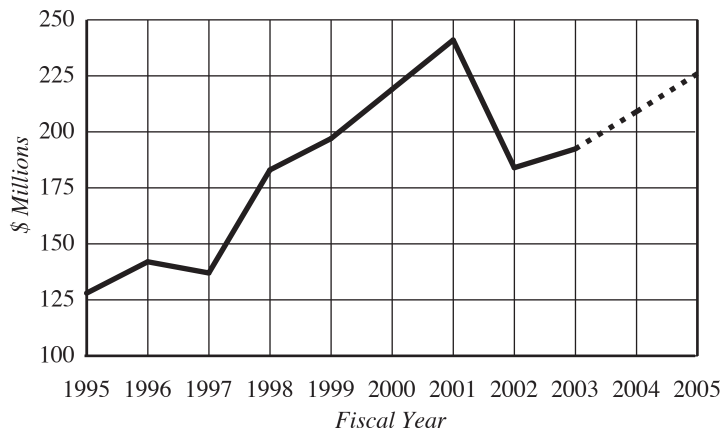
The increase in cigarette tax to $1.50 per pack, effective July 2, 2002, led to a subsequent drop in packs sold within the City. Beginning in July, 2003 many taxpayers either ceased smoking or diverted purchases to vendors outside of the City's jurisdiction. In 2002, 342 million packs of cigarettes were sold in New York City, while only 182 million packs were sold in 2003. At the same time, revenue grew from $27 million in 2002 to $159 million in 2003, net of the State's 46 percent retention of City revenue.

The forecast for 2004 calls for a continued decline in packs sold, down 6.0 percent from 2003 to 171 million packs. Revenue is likewise expected to decline to $139 million from $159 million in 2003. The greater than forecast decline in packs sold in 2004 may be due to recent legislation prohibiting smoking in all bars and restaurants. In addition, it is possible that purchases over the internet, in neighboring municipalities and states, and the growth of a black market may be contributing to increased evasion. From 2005 through 2008 cigarette tax collections are projected to continue falling, 2.5 percent on average, based upon the long-term decline in the number of packs sold.

HOTEL TAX

The hotel tax is projected to account for 0.9 percent of tax revenue in 2005, or $226 million.

HOTEL TAX 1995-2005



The City has imposed a hotel room occupancy tax since 1970. This tax is levied in addition to the combined City and State sales tax. Until 1986, the tax was imposed as a flat fee based on the daily rental value of the hotel room occupied. The fee ranges from a minimum of $0.50 up to $2.00 per day for rooms priced at $40 or more. An additional five percent tax on the rent or charge was imposed in July 1986. Subsequently, tax collections increased from $26 million in 1986 to $79 million in 1987. The State introduced a special hotel occupancy tax of five percent (effective June 1, 1990) on rooms costing $100 or more per day. The City rate was increased to six percent on September 1, 1990. The total tax rate payable on rooms priced over $100 in the City was therefore 19.25 percent, including State and local sales taxes, in addition to the $2.00 flat fee. One-quarter of the revenue collected from the additional City one percent tax rate increase was earmarked for the development of tourism. Of this dedicated revenue, seven-eighths of the one-quarter percent funded the New York Convention and Visitors Bureau. The remaining one-eighth was not dedicated to a specific organization but had to be expended on tourism-related activities. In 1994, the tourism portion totaled $4 million.

In 1994, both the State and City acted to reduce the hotel occupancy tax burden. Effective September 1, the State eliminated its five percent tax. Effective December 1, the City repealed its one percent tax increase, including the dedication of the one-quarter percent to tourism, returning the rate to five percent. This lowered the total tax rate payable on hotel rooms priced at $100 to 13.25 percent, including State and local taxes, in addition to the $2.00 flat fee

Forecast: In 2004, the hotel tax revenue is forecast at $209 million, an increase of 8.6 percent from the prior year, and unchanged from the January Plan forecast. The hotel tax revenue is forecast at $226 million in 2005, growth of 8.1 percent over the prior year and a decrease of $4 million from the January Plan forecast.

Hotel occupancy rates in New York City continued to increase from prior year levels during the fall of calendar year 2003, with occupancy rates averaging 83.3 percent September through December. These rates are close to pre 9/11 levels of 84.8 percent in the fall of calendar year 2000. Increased domestic leisure travel has primarily been responsible for this increase, while the level of business and international travelers has not yet returned to pre 9/11 levels. The average daily room rate continues to grow over the prior year levels, but is still far below the pre 9/11 level. The weak recovery in room rates is due to several factors: the slow return of business and international travelers; increasing inventories of hotel rooms; and pricing pressures from popular internet sales packages. These packages allow travelers to comparison shop, reducing hoteliers pricing power.

In 2004, hotel occupancy rates are forecast to increase 6.4 percent to an annual rate of 78.2 percent and the average daily room rate is forecast to increase only 1.1 percent to $192, which is well below the average daily room rate for 2000. The number of hotel rooms in New York City continues to increase, although at a slower pace. This factor also constrains growth in the average daily room rate. In the fall of calendar year

2004, average occupancy rates and average daily room rates are forecast to increase somewhat on a year-over-year basis, as a result of higher business travel demand in the peak convention months, the Republican National Convention, as well as some pick-up in leisure travel. This trend is forecast to continue into calendar year 2005 and strengthen as the year progresses. Average daily occupancy rates are forecast to increase to 80.1 percent in 2005 while the average daily room rate is forecast to increase 3.4 percent. In 2006 through 2008, hotel tax collections are forecast to increase an average of 5.3 percent, coinciding with a continuing rebound in average daily occupancy rates and average daily room rates.

OTHER TAXES

All other taxes are projected to account for 1.5 percent of total City tax revenue in 2005, or $396.1 million.

2004-2005 Other Taxes Forecast
Excluding Tax Audit Revenue
($ Thousands)

Tax	2004 Forecast	2005 Executive Budget	Increase/(Decrease) From 2004 to 2005 Amount	Percent Growth
Auto Related Taxes				
Auto Use	$32,950	$34,200	$1,250	3.8%
Commercial Motor Vehicle	49,500	49,500	—	—
Taxi Medallions Transfer	4,500	4,500	—	—
Excise Taxes				
Beer and Liquor	21,500	21,500	—	—
Liquor License Surcharge	3,800	3,800	—	—
Horse Race Admissions	35	35	—	—
Off-Track Betting (OTB)	0	0	0	—
Off-Track Betting Surtax	20,000	20,330	330	1.7
Miscellaneous				
Other Refunds	(18,200)	(15,200)	3,000	16.5
Payments in Lieu of Taxes (PILOTs)	234,031	167,259	(66,772)	(28.5)
Waiver	75,800	76,800	1,000	1.3
Penalty & Interest Real Estate (Current Year)	14,000	14,000	—	—
Penalty & Interest Real Estate (Prior Year)	33,000	33,000	—	—
Penalty & Interest - Other Refunds	(10,800)	(13,600)	(2,800)	(25.9)
Total	$460,116	$396,124	$(63,992)	(13.9)%

AUTO RELATED TAXES

Auto Use Tax: This tax is imposed by the City on privately-owned vehicles at the annual rate of $15 per vehicle. The tax was first imposed on October 1, 1974, and the amount has since remained unchanged. The tax is administered by the State Department of Motor Vehicles, with an administrative charge levied on the City for this service. In 1990, taxpayers were required to change from annual to biennial payments to conform to a change in the State registration procedures. This new procedure resulted in roughly half of all registrants in 1990 paying for two years, while the other half continued to pay only the annual fee. Revenue from the tax is projected to be $33.0 million in 2004 and $34.2 million in 2005. The Department of Finance will conduct increased computer matches to identify tax evasion through out-of-State vehicle registration, which is estimated to raise revenue by $1 million in 2005 and 2007 and $2.8 million in 2006.

Commercial Motor Vehicle Tax: This tax was first levied in 1960 on vehicles used for the transportation of passengers (medallion taxicabs, omnibuses and other for-hire passenger vehicles) and on all other commercial trucks and vehicles. The tax is charged at different rates, based on the purpose for which vehicles are used. Significant legislative changes in 1990 resulted in a revision of the rate schedules for many commercial motor vehicles. The rate for medallion taxicabs was raised to $1,000 per year, from $100 the previous year. Other for-hire passenger vehicles (livery cabs and omnibuses) pay $400 per year, a $300 increase over the 1989 rate. The rate schedule for other commercial vehicles weighing less than 10,000 pounds was left unchanged at $40 per year, while the rate for heavier vehicles was increased, with trucks weighing over 15,000 pounds paying the highest rate of $300 per year. Medallion taxicabs pay twice a year, in December and June, while owners of other types of commercial vehicles pay annually in June. In 2001, following a Department of Finance initiative, the City transferred the collection and administration of the commercial motor vehicle tax for livery taxicabs and light trucks to the State, thereby improving the rate of compliance. Until 2001, all registrants for taxi and livery vehicles ran from March 1 through the end of February. Beginning in 2002, the State Department of Motor Vehicles staggered the registration period for these vehicles so that the renewals were spread throughout the year resulting in a one-time cash flow loss of $3.5 million in fiscal year 2002. Revenue from the tax is projected to be $49.5 million in 2004 and 2005.

Taxi Medallion Transfer Tax: This tax is imposed at a rate of five percent of the consideration paid for transfers of taxicab licenses (medallions). The tax is expected to generate $4.5 million in 2004 and 2005.

EXCISE TAXES

Beer and Liquor Excise Tax: Since 1980, the City has imposed a tax on licensed distributors and non-commercial importers on the sale of beer and liquor within New York City. The current tax rate is 12 cents per gallon of beer and 26.4 cents per liter of liquor with an alcohol content greater than 24 percent. The City does not impose a tax on wine. The tax is administered by New York State. The tax is expected to generate $21.5 million in 2004 and 2005.

Liquor License Surcharge: This tax is imposed on distributors and non-commercial importers of beer and liquor at a rate of 25 percent of the license fees payable under the New York State Alcoholic Beverage Control Law. This tax is projected to generate $3.8 million in 2004 and 2005.

Horse Race Admissions Tax: A three percent tax was imposed in 1952 on the price of all paid admissions to horse races held either partly or wholly within the City of New York. Revenue from this tax is forecasted to be $0.04 million in 2004 and 2005.

Off-Track Betting (Dividend), and Off-Track Betting Surtax: A surcharge is exacted on most bets placed at New York City Off-Track Betting offices, and on most bets placed statewide on races held within New York City. Revenue is forecast at $20.0 million from the Off-Track Betting surtax in 2004, and $20.3 million in 2005.

MISCELLANEOUS

Other Refunds: These refunds are primarily paid out on the commercial rent tax and waiver and are projected to be $18.2 million in 2004 and $15.2 million in 2005.

PILOTs: Payments in lieu of taxes (PILOTs) are contractual agreements between public agencies and private property holders which result in real property tax relief in order to: (1) induce businesses to remain in New York City; (2) attract new business; (3) provide subsidies for low income housing; and (4) promote economic growth. PILOT payments are either fixed sums based on real property taxes paid on the underlying property in the year preceding the agreement, formulas calculated on the income derived from business operations at the PILOT facility, or a combination of both. Payments are remitted quarterly, semi-annually or annually.

There are three primary sponsor agencies which serve as intermediaries between the City and the PILOT facility owner: New York City Housing Authority, Industrial Development Agency and Battery Park City Authority. These agencies administer projects that comprise approximately 95 percent of PILOT payments received. Two smaller sponsors are the Economic Development Corporation and the Port Authority of New York and New Jersey. PILOT revenue is expected to be $234.0 million in 2004 and $167.3 million in 2005. These amounts reflect BPCA PILOT payments of $151.3 million in 2004, which includes a one-time payment of $68 million generated through refinancing savings. In 2005, BPCA PILOT payments decline to $88 million.

Stock Transfer Tax: The State repealed the City's stock transfer tax in 1980 and provided for annual appropriations of not more than $120 million as compensation. Until 1988, the State appropriated to the City approximately $118 million annually. Following a slowdown in State revenue growth, the appropriation was reduced to $83 million in 1990 and to $56 million in 1991. In 1992, the appropriation was restored to $114 million. In 2001, the appropriation was eliminated by the State.

Waiver (Personal Income Tax Nonresident City Employees): Under section 1127 of the New York City Charter, the City may collect payments from nonresident employees of the City or any of its agencies in an amount which equalizes their personal income tax liability to what it would be if they were residents. Revenue is projected to be $75.8 million in 2004 and $76.8 million in 2005.

Prior Year and Current Year Penalty and Interest - Real Estate: Taxpayers who do not pay their real property tax on time are liable for interest charges on outstanding balances. Interest is charged at a rate of nine percent for taxpayers whose annual liability is under $2,750 and 18 percent for all other taxpayers. Penalties and interest received against current year delinquencies are expected to be $14 million in 2004 and 2005, while penalty and interest collections from prior year delinquencies are expected to be $33 million in 2004 and 2005.

Penalty and Interest - Other Refunds: The City currently pays out interest on refunds claimed on overpayments against the business income taxes, on audits of the general corporation and unincorporated business taxes already collected by the Department of Finance but overturned by Federal or State rulings, and on payments made under protest by taxpayers who subsequently substantiate their claims. As a result of legislation, interest on overpayments claimed on amended returns is currently no longer paid for tax years beginning with 1989 as long as the refund is paid within a 90-day period. The cost of all these payments is projected at $10.8 million in 2004 and $13.6 million in 2005.

TAX ENFORCEMENT REVENUE

The Department of Finance targets delinquent taxpayers through agency audit activities, selected use of collection agencies and computer matches. Audits are forecast at $589.5 million in 2004 and $507.6 million in 2005. Included in the 2004 forecast is $84.4 million in audit collections (against plan target of $40 million) under the amnesty program that ended in January 23, 2004. General corporation, bank, unincorporated business and commercial rent taxes netted $57.3 million, $6.9 million, $9.6 million and $9.9 million, respectively, while the hotel and utility taxes netted $0.7 million.

MISCELLANEOUS RECEIPTS

Forecast of Miscellaneous Receipts

The non-tax revenue portion of City Funds is referred to as miscellaneous revenues. The 2005 Executive Budget includes eleven classes of miscellaneous revenues which are discussed below.

Miscellaneous Revenues
($ in Millions)

	2004 Forecast	2005 Executive Budget	Forecast to Executive Budget Increase (Decrease)
Licenses	$43	$50	7
Permits	100	93	(7)
Franchises and Privileges	216	216	0
Interest Income	24	35	11
Tuition and Charges for Services	565	523	(42)
Water and Sewer Revenues	888	931	43
Rental Income	107	861	754
Fines and Forfeitures	712	709	(3)
Miscellaneous	658	1,218	560
Total Miscellaneous Revenues	$3,313	$4,636	$1,323

Miscellaneous revenues are estimated at $4,636 million in 2005, an increase of $1,323 million from 2004, exclusive of private grants and intra-city revenues. The revenue classes listed above are regrouped and described in the following three areas: Cost-based Charges (Licenses, Permits and Charges for Services); Water and Sewer revenues; and Other Income (Interest Income, Franchises, Rental Income, Fines, and Miscellaneous).

Cost-based Charges

Cost-based Charges are revenues collected as a result of the City providing a service (copies of official records, or inspections and reviews) and may be related to the government's police or regulatory functions (pistol permits, restaurant licenses, building plan examination fees). In the absence of specific State legislative authorization for the City to impose a tax or a specific fee, the City may, where otherwise allowed by law, impose a user fee to recover the cost of providing services.

Licenses

The City issues approximately 425,000 licenses. About 64,000 are non-recurring, 110,000 are renewed annually, 223,000 biennially, and 28,000 triennially. The major sources of license revenue are taxi and limousine licenses, pistol licenses, marriage licenses, and various business licenses under the jurisdiction of the Department of Consumer Affairs.

The 2005 forecast for license revenue is $50 million, $7 million more than 2004. The increase is due to the biennial renewal period for certain business licenses and an increase in the pistol license fee.

Permits

Permits are issued to 825,000 individuals or entities for the use of facilities, premises or equipment. Approximately 325,000 permits are renewable on an annual, biennial or triennial basis. Seasonal or single occurrence permits, such as tennis and building permits, account for 500,000 additional permits, all of which are issued and regulated by twelve City agencies.

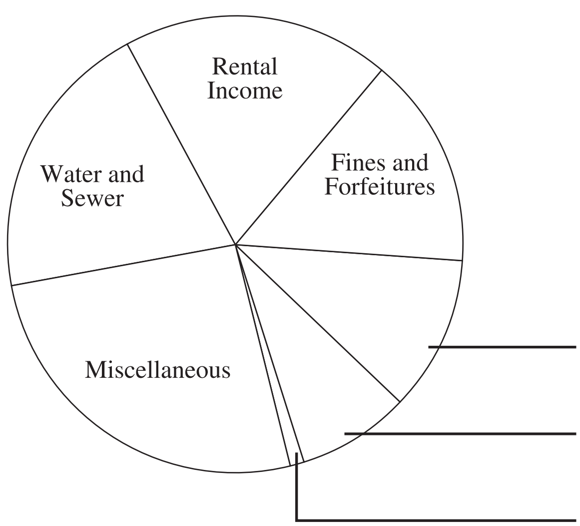
The major sources of revenue are permits for building construction and alterations, street openings, restaurants, hazardous materials, and air pollution control. The 2005 forecast for permit revenue is $93 million, $7 million less than 2004. The decrease is due to a decline in receipts for various construction-related permits issued by the Department of Buildings.

Tuition and Charges for Services

The City collects tuition from students enrolled at community colleges. In addition, the City collects money from charges to the public and other governmental agencies for services rendered. There are over 100 different service fees in this category, including fees for parking, towing, Sheriff poundage, provision of school lunches, copies of reports, processing applications, searches, and performing fire and building inspections. The 2005 forecast for tuition and charges for services is $523 million, $42 million less than 2004. A large portion of this decrease is the result of non-recurring revenue collected in 2004 by the City Register's Office at the Department of Finance, the processing of 421-a tax exemption applications, higher than anticipated towing activity by the Sheriff's Office and the Police Department, and additional collections from the tax on foreign and alien fire insurers.

COMPONENTS OF MISCELLANEOUS REVENUES

As a Percentage of 2005



26%	Miscellaneous
20%	Water and Sewer
19%	Rental Income
15%	Fines and Forfeitures
11%	Tuition and Charges for Services
8%	Licenses, Permits and Franchises
1%	Interest Income

Water and Sewer Revenues

Water and Sewer charges are collected by the New York City Water Board. From these charges the Board has paid revenue to the City in two components: reimbursement for operation and maintenance (O&M) of the water delivery, and waste water disposal systems and rent. The O&M reimbursement is equal to the amount spent by the City to supply water and treat and dispose of waste water on behalf of the Board. The City is reimbursed only for its expenditures. The rental payment from the Water Board is intended to pay for the use of the City's water supply, distribution, collection and treatment plant, and is equal to the greater of debt service payments for outstanding water and sewer-related general obligation debt or 15 percent of Water Authority debt service.

The Water Board has proposed a 5.5 percent rate increase for 2005. The forecast for Water Board revenue is $1.77 billion, including a City payment of $39 million for municipal water and sewer charges and $81 million for interest on funds held by the New York City Municipal Water Finance Authority. The Water Board will pay $668 million for Water Board and Authority expenses and debt service. The City will receive $810 million for services rendered in the delivery of water and the collection, treatment, and disposal of waste water, and $121 million for the rental of the water supply and sewer system plant, in accordance with the lease agreement between the Water Board and the City.

Other Income

Other income includes fines, concession and franchise payments, rental income, interest earned on the City's cash balances, and income from other areas in which productivity may have a positive effect on the amount of revenue collected. Each of the sources included in this area has its own unique basis for management and improvement, some of which are directly affected by the City's policy toward such varied items as housing, economic development, transportation, and quality of life issues.

Interest Income

The City earns interest income by investing funds from four sources: overnight cash balances, debt service accounts, sales tax, and cash bail balances. Overnight cash balances are invested and earn interest at approximately the federal funds rate. Property tax receipts are held by the State Comptroller to satisfy City debt service payments, and earnings are forwarded to the City monthly based on bond payment schedules. The determinants of the value of this revenue source are the value of cash balances, tax receipts, and the interest rate.

The 2005 forecast for interest earnings is $35 million, an increase of $11 million from 2004, which is based on a projected increase in interest rates.

Franchises and Privileges

This revenue consists of franchise fees for the public use of City property and privilege and concession fees for the private use of City property. These uses include conduits that run under City streets, concessions in public parks and buildings, waste disposal at City disposal facilities, and payments from utility companies for transformers on City property.

The 2005 forecast for franchise revenue is $216 million, the same as 2004. The loss of one-time revenue collections from the landfill concession settlement in 2004 will be offset by increased payments from cable television and high capacity fiber franchisees.

Rental Income

Rental income is derived from both long and short-term agreements for the occupancy of City-owned property, including condemnation sites and *in rem* buildings. Approximately 3,720 properties are rented from the City. Over 2,590 are *in rem* or condemnation sites, 130 are covered by long term agreements, and approximately 1,000 are schools that are rented on a per event basis after school hours.

The 2005 forecast for rental income is $861 million, $754 million more than in 2004. The increase is due to the City's agreement to recover additional rental payments from the Port Authority of New York and New Jersey as a result of amounts owed, and the renegotiation of existing leases for Kennedy and LaGuardia airports. The declining inventory of residential units managed by the Department of Housing Preservation and Development and lower revenue from percentage-based agreements collected by the Department of Citywide Administrative Services in 2004 offset this increase.

Fines and Forfeitures

The City collects fine revenue through courts and administrative tribunals for violations issued under the Administrative Code, Vehicle and Traffic Law, and other laws. Forfeiture revenue is obtained from the surrender and conversion of bail and cash bonds, and contractors' performance bonds. The 2005 forecast for forfeitures is $4.1 million, $5.1 million less than 2004. One-time bail bond forfeitures account for this change. The revenue expected from fines in 2004 and 2005 is listed below:

Fine Revenue

SOURCE ($ in 000's)	2004 FORECAST	2005 EXECUTIVE BUDGET
Parking Violations	$562,003	$584,399
Environmental Control Board	56,425	49,528
Traffic Violations	23,567	20,567
Department of Health	18,258	18,162
Taxi and Limousine Commission	7,000	8,379
State Court Fines	8,085	7,085
Department of Buildings	11,000	6,250
Department of Consumer Affairs	6,800	4,762
Other sources	9,356	5,305
Total	$702,494	$704,437

The Parking Violation division of the Department of Finance is forecasted to collect $584 million in parking fines in 2005, $22 million more than 2004. The additional revenue in 2005 is attributable to the full year impact of the increase in the surcharge on parking fines from $5 to $15.

The Police Department initiative to increase enforcement of parking regulations and enhance traffic mobility in congested areas of the City by hiring additional 300 Traffic Enforcement Agents was implemented in 2004. This initiative is expected to generate 1.7 million more parking summonses in 2004 and 2005. The Department also anticipates completing the implementation of the handheld parking ticketing device for traffic agents by the end of 2005. A successful implementation of the handheld parking ticket device will significantly reduce errors on summonses and allow the Department of Finance to efficiently process parking violation summonses.

The Red Light Camera program is designed to promote safe, responsible driving by photographing and fining vehicles "running" red lights. Given the success of this program in reducing red light violations at busy intersections, DOT has proposed to expand the Red Light Camera program from 50 to 100 cameras. The expansion of the Red Light Program requires the approval of the State Legislature. To further enhance the effectiveness of the Red Light Camera program, DOT installed over 200 dummy and spare red light camera sites at various intersections throughout the City. As drivers become aware of a red light camera at an intersection, the number of drivers "running" a red light at that intersection declines. DOT also rotates red light cameras among various locations to maximize the benefits of the program.

The Environmental Control Board (ECB) adjudicates approximately 580,000 notices of violations issued by over a dozen City agencies for infractions of the City's Administrative Code related to street cleanliness, waste disposal, street peddling, fire prevention, air, water and noise pollution, building safety and construction, and other quality of life issues. ECB will collect $49.5 million in 2005.

The Department of Health issues summonses for violations of City and State health code regulations, as well as certain portions of the City Administrative Code. The majority of fines imposed are for food establishment, window guard and pest control violations.

The City also collects revenue from the adjudication of traffic violations issued in the City of New York, certain fines adjudicated through the State-operated Criminal and Supreme Court system, and fines collected by the City for administrative code violations, building code violations, and violations issued under the authority of the Consumer Protection Law, the State Agriculture & Market Laws, and the Licensing Law.

Miscellaneous

Miscellaneous revenue is composed of a variety of revenues not otherwise classified in the City's Chart of Accounts. The primary items are the sale of City property, mortgages, cash recoveries from litigation and audits, E-911 telephone surcharge, revenue from Police Department Property Clerk auctions, refunds of prior year expenditures, the sale of the City Record and other publications, and subpoena fees. This source of revenue has, at times, contributed significantly to the miscellaneous receipts.

The 2005 forecast for miscellaneous revenue is $1,218 million, $560 million more than in 2004. The difference is attributable to proceeds from the tobacco settlement, income from Battery Park City, and the 2004 portion of the benefit to New York City from the State takeover of MAC debt. The increases are offset by non-recurring revenue in 2004.

Private Grants

The Executive Budget includes $806 million in private grants in 2005, $115 million less than 2004. Additional private grant funding will be modified into the budget during the course of the year, as additional funding sources are identified and grants are defined.

Interfund Revenues

Interfund Revenues (IFA's) reflect reimbursement by the Capital Fund for expenditures of the General Fund for first-line architectural, engineering, and design costs incurred by the City's own engineering and support staff. These costs are assigned to particular capital projects and are valid capital charges under generally accepted accounting principles. In 2005, IFA reimbursements will be $345 million.

CAPITAL BUDGET

The Executive Capital Budget and Four-Year Plan, 2005-2008

The 2005 Executive Capital Budget includes new appropriations of $9.6 billion, of which $7.7 billion are to be funded from City sources. These appropriations, together with available balances from prior years, authorize total commitments for 2005 of $11.0 billion, of which $8.7 billion will be City-funded. City funds include proceeds of bonds issued by the City Municipal Water Finance Authority and the State Dormitory Authority, as well as City general obligation bonds. As indicated in the following table, the targeted level for City-funded commitments is $7.2 billion in 2005. The aggregate agency-by-agency authorized commitments of $8.7 billion exceed the 2005 financial plan by $1.6 billion. Excess authorizations in this proportion have proven necessary to achieve commitment spending targets by accommodating such factors as project scope changes and delays.

Four-Year Plan Highlights

The 2005-2008 Capital Plan totals $32.3 billion for the construction and rehabilitation of the City's infrastructure, and will provide funding targeted to building and improving schools, improving transportation, maintaining the drinking water system, modernizing emergency response communications, developing economic growth initiatives and improving major hospitals.

Over $10.5 billion is provided in the Capital Plan for new school construction and expansion, and modernization, rehabilitation and improvements to existing school buildings. The City will invest $2.1 billion for the continued reconstruction and rehabilitation of the four East River Bridges and the complete reconstruction and rehabilitation of 63 other bridge structures. In order to enhance the City's drinking water system, $1.5 billion is provided for the construction of the Croton Water Filtration Plant and related projects. An investment of $1.3 billion will be provided for the development of a 911 Emergency Response Communication System, including upgrades to telecommunications infrastructure.

To improve the delivery of health care services to New Yorkers, the City will invest $475 million to modernize Harlem Hospital in Manhattan and Jacobi Medical Center in the Bronx. In order to maintain the City's competitive edge in the travel and tourism industry, $195 million will be invested to redevelop the Manhattan Passenger Ship Terminal for cruise lines. The City will provide over $71 million for the Brooklyn Navy Yard to improve the infrastructure supporting our local industrial base.

FY 2004-2008 Commitment Plan
($ in millions)

	2004		2005		2006		2007		2008	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Environmental Protection										
• Equipment	$90	$109	$161	$280	$65	$67	$59	$61	$47	$49
• Sewers	269	270	174	174	151	151	66	66	123	123
• Water Mains	691	697	630	630	447	447	1,597	1,597	590	590
• Water Pollution Control	1,180	1,303	594	619	962	987	144	169	436	461
• Water Supply	89	89	690	690	198	198	0	0	50	50
Subtotal	**$2,319**	**$2,469**	**$2,248**	**$2,392**	**$1,823**	**$1,850**	**$1,866**	**$1,893**	**$1,246**	**$1,273**
Transportation										
• Mass Transit	$118	$118	$72	$72	$68	$68	$68	$68	$66	$66
• Highways	274	341	259	330	332	365	258	292	261	261
• Highway Bridges	190	255	487	489	195	195	302	443	235	369
• Waterway Bridges	201	331	104	198	58	58	167	277	36	36
Subtotal	**$782**	**$1,045**	**$922**	**$1,089**	**$653**	**$686**	**$795**	**$1,080**	**$597**	**$731**
Education & Hospitals										
• Education	$643	$661	$1,319	$2,632	$1,313	$2,625	$1,313	$2,625	$1,313	$2,625
• Higher Education	79	90	23	24	41	41	21	25	9	13
• Hospitals	268	268	469	469	134	134	133	133	142	142
Subtotal	**$991**	**$1,019**	**$1,811**	**$3,125**	**$1,488**	**$2,801**	**$1,467**	**$2,783**	**$1,464**	**$2,781**
Housing and Economic Development										
• Housing	$285	$361	$285	$443	$295	$427	$293	$351	$286	$433
• Economic Development	415	541	232	332	194	194	140	140	85	85
Subtotal	**$700**	**$902**	**$517**	**$776**	**$490**	**$622**	**$433**	**$491**	**$371**	**$518**
City Operations & Facilities										
• Correction	$69	$69	$139	$139	$110	$110	$117	$117	$170	$170
• Fire	123	126	87	87	62	62	33	33	29	29
• Police	98	98	118	118	93	93	67	67	47	47
• Public Buildings	234	236	158	158	98	98	64	64	67	67
• Sanitation	138	151	631	631	140	140	204	204	212	212
• Parks	384	465	163	191	148	151	71	71	56	56
• Other	931	1,120	1,943	2,290	914	981	450	504	525	547
Subtotal	**$1,977**	**$2,265**	**$3,239**	**$3,613**	**$1,566**	**$1,635**	**$1,005**	**$1,059**	**$1,105**	**$1,127**
Total Commitments	**$6,768**	**$7,700**	**$8,737**	**$10,995**	**$6,020**	**$7,594**	**$5,566**	**$7,306**	**$4,783**	**$6,430**
Reserve For Unattained Commitments	**(2,299)**	**(2,299)**	**(1,551)**	**(1,551)**	**395**	**395**	**297**	**297**	**378**	**378**
Commitment Plan	**$4,469**	**$5,401**	**$7,186**	**$9,444**	**$6,415**	**$7,989**	**$5,863**	**$7,603**	**$5,161**	**$6,808**
Total Expenditures	**$4,711**	**$5,426**	**$5,160**	**$6,011**	**$5,727**	**$6,974**	**$5,966**	**$7,477**	**$5,838**	**$7,496**

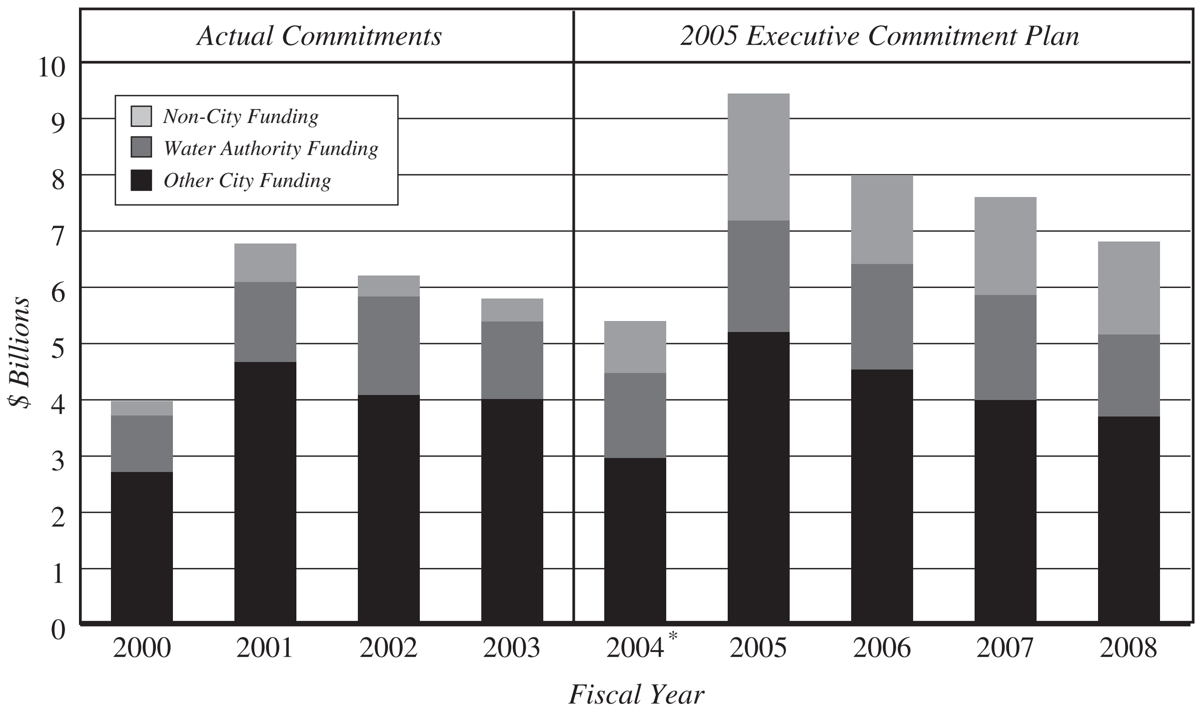
**Note: Individual items may not add to totals due to rounding*

Non-City Funding Sources

Non-City capital funding sources include $2.3 billion in the 2005 plan and $7.2 billion over the 2005-2008 four-year plan period. The majority of non-City funding supports Education, Transportation, Housing, and Environmental Protection programs.

Education programs anticipate receiving $5.3 billion in State funding over the 2005-2008 period. Transportation programs are projected to receive non-City funding of $985.6 million over the 2005-2008 period, with $840.5 million from the Federal government and $143.2 million from the State, and private funds of $1.9 million. Housing programs anticipate non-City funding of $495.5 million in the 2005-2008 period, consisting of $490.5 million in Federal funding and $5.0 million in private funds. Environmental Protection programs anticipate receiving $224.9 million in non-City funding over the 2005-2008 period, consisting of $216.4 million in State funding and $8.5 million in Federal funds.

FY 2000-2008 CAPITAL COMMITMENTS BY FUNDING SOURCE



* Projected

The Capital Program since 2000

The table below illustrates the changes in the size of the City's capital program over the 2000-2003 period.

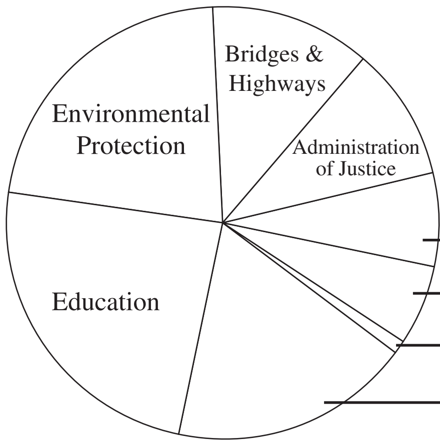
FY 2000 - 2003 Commitments
($ in millions)

	2000		2001		2002		2003	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Environmental Protection								
• Equipment	$74	$85	$60	$68	$115	$239	$91	$91
• Sewers	224	224	90	90	199	199	201	202
• Water Mains	212	212	178	178	492	492	337	337
• Water Pollution Control	408	412	970	970	806	806	681	687
• Water Supply	85	85	130	130	135	135	63	63
Subtotal	**$1,003**	**$1,018**	**$1,428**	**$1,436**	**$1,747**	**$1,871**	**$1,373**	**$1,380**
Transportation								
• Mass Transit	$109	$109	$91	$91	$6	$6	$521	$521
• Highways	111	115	214	223	211	217	171	166
• Highway Bridges	193	228	147	198	63	101	191	232
• Waterway Bridges	82	86	127	269	46	35	181	236
Subtotal	**$496**	**$538**	**$579**	**$781**	**$327**	**$359**	**$1,064**	**$1,155**
Education & Hospitals								
• Education	$1,123	$1,160	$2,178	$2,429	$1,337	$1,340	$890	$963
• Higher Education	10	11	7	8	9	10	17	21
• Hospitals	19	19	65	65	77	77	50	50
Subtotal	**$1,152**	**$1,191**	**$2,250**	**$2,502**	**$1,422**	**$1,427**	**$956**	**$1,033**
Housing and Economic Development								
• Housing	$182	$294	$261	$390	$321	$438	$203	$313
• Economic Development	21	21	202	213	190	193	237	255
Subtotal	**$203**	**$315**	**$463**	**$603**	**$510**	**$632**	**$440**	**$568**
City Operations & Facilities								
• Correction	$59	$59	$107	$108	$31	$32	$110	$110
• Fire	49	49	120	120	149	149	81	99
• Police	37	11	43	43	119	119	81	81
• Public Buildings	80	84	79	81	167	167	98	102
• Sanitation	198	198	150	150	216	216	159	159
• Parks	141	147	205	207	166	169	222	226
• Other (1)	304	364	671	743	976	1,073	804	886
Subtotal	**$868**	**$912**	**$1,374**	**$1,452**	**$1,825**	**$1,926**	**$1,555**	**$1,662**
Total Commitments	**$3,721**	**$3,974**	**$6,094**	**$6,775**	**$5,832**	**$6,214**	**$5,389**	**$5,799**
Total Expenditures	**$3,919**	**$4,256**	**$4,389**	**$5,310**	**$5,436**	**$6,320**	**$5,376**	**$5,734**

(1) Includes unplanned actuals.
** Note: Actuals are adjusted to reflect DASNY Courts and DDC managed Education contract registrations.*
Individual items may not add to totals due to rounding.

2005 AUTHORIZED CAPITAL COMMITMENTS, BY PROGRAM

($ in Millions - All Funds)



% of Plan	*Program*	*2005 Plan*
24%	Education	$2,656
22%	Environmental Protection	2,392
12%	Bridges & Highways	1,367
10%	Administration of Justice	1,051
7%	Housing & Development	776
6%	Sanitation	631
1%	Mass Transit	72
18%	Other City Services	2,050
	Total	$10,995

Technology

- Emergency Communications: development of an integrated Emergency Communications System that will enhance the City's emergency and response capabilities, including an integrated dispatch system and upgrades to telecommunications infrastructure ($595.0 million).

Environmental Protection and Sanitation

- Sewers: reconstruction and extension of the City's sewer system ($174.0 million).

- Water Mains: begin construction of the Croton Water Filtration Facility ($197.0 million); site preparation for the Catskill/Delaware U/V water treatment facility construction ($100.0 million); in-City water main construction ($100.4 million).

- Wastewater Treatment: continued reconstruction of the Newtown Creek Wastewater Treatment Plant (WWTP) ($242.7 million); reconstruction and stabilization of the four WWTPs located in the Upper East River to reduce nitrogen discharges ($99.6 million); continued construction of the Paerdegat Basin Combined Sewage Overflow facility ($150.9 million).

- Water Supply: continued construction of the Third Water Tunnel, Stage Two ($646.7 million); study of alternative sources of water supply for the City ($40.0 million).

- Equipment: reconstruction and remediation of the Brookfield Avenue Landfill ($93.3 million); water conservation programs including the installation of water meters ($18.7 million) and the toilet rebate program ($6.0 million).

- Sanitation: design, construction, and management of the new Solid Waste Management Plan ($493.7 million); construction and reconstruction of sanitation garages and other facilities, city-wide ($105.0 million); and purchase of vehicles and other equipment ($32.7 million).

Transportation

- Bridges: the continued reconstruction/rehabilitation of the four East River Bridges ($187.3 million), including Manhattan Bridge lower roadways ($171.7 million); the reconstruction of three bridge structures rated "poor" ($94.5 million) and 14 bridge structures rated "fair" ($178.3 million). The total Bridge Program for 2005 is $687.0 million.

- Highways: the reconstruction and/or resurfacing of 247.4 linear miles (822.4 lane miles) of streets ($265.4 million); the reconstruction of sidewalks and the installation of pedestrian ramps ($55.3 million). The total Highway Program for 2005 is $329.9 million.

- Ferries and Buses: the reconstruction and improvement of various ferry vessels ($22.7 million) and facilities ($18.6 million); the purchase of CNG and diesel-fueled buses ($163.2 million), equipment ($4.0 million) and the rehabilitation of bus facilities ($9.5 million) for the City's subsidized transit program. The total Ferries and Buses Program for 2005 is $217.7 million.

- Other Transit: contribution to the MTA's capital program, including subway and bus fleet enhancements, infrastructure improvements, in-house track rehabilitation and reconstruction of bus and subway lines and facilities ($72.4 million).

Education, Health and Social Services

- Education: a total program of $2.7 billion provides funding to make capital improvements that enhance educational programs ($859.4 million); rehabilitate, replace and upgrade building components ($676.2 million); construct new schools ($308.2 million); modernize school buildings ($267.1 million); cover emergency projects, research and development, and prior plan completion costs ($215.7 million); expand facilities through leases, building additions, modular classrooms and new athletic fields and playgrounds ($198.9 million); and address the need for security systems, emergency lighting and code compliance ($106.6 million).

- Higher Education: a total program of $24.0 million funds the design of new buildings at Bronx Community College ($4.5 million) and Medgar Evers College ($4.0 million); rehabilitation of boilers at Hunter Campus Schools ($2.9 million); capital improvements at Borough of Manhattan Community College ($2.7 million); expansion of the Library Cafe at Brooklyn College ($1.1 million); on-going renovation of Center III at LaGuardia Community College ($1.0 million); other renovations and rehabilitation ($4.1 million); and purchase of computer and other equipment at various CUNY Colleges ($1.6 million).

- Health: purchase of ambulances for EMS ($11.0 million); Jacobi Medical Center and Kings County Hospital redevelopment, consolidation and modernization of ambulatory care facilities and clinics ($247.7 million); Bellevue Hospital, Coney Island Hospital, and Queens Hospital Center remodeling and modernization of general, ambulatory and inpatient care facilities ($164.7 million); Office of Chief Medical Examiner DNA Lab construction ($41.8 million); Harlem Hospital commencement phase of major modernization ($2.0 million); Public Health Laboratory upgrade including HVAC system at the Department's Bureau of Laboratories ($42.1 million); various DOHMH clinics reconstruction, rehabilitation and emergency work ($5.2 million).

- Aging: rehabilitate senior centers with a primary focus on improvements to fire suppression systems, heat and hot water systems, and handicapped accessibility ($3.8 million).

- Administration for Children's Services: completion of renovation and expansion at the Jefferson Group Home ($2.2 million); renovations at the Concourse Village Day Care Center ($3.2 million); continued development of the Wide Area Network ($2.5 million) and development of the information systems at the Bellevue Children's Center ($3.8 million).

- Homeless Services: computer network upgrade, including an integrated client tracking system with enhanced client and shelter information reporting, and computerization of the Rehousing Unit, which tracks and locates permanent housing for homeless families ($4.2 million); renovation, development, and upgrade of adult shelters ($22.4 million); upgrade and renovation of family shelters ($8.8 million).

- Human Resources: continue system upgrade of Job Centers to provide integrated case management services ($16.5 million); development of Wide Area Network and Voice Over Internet Protocol systems to provide greater connectivity among department personnel, contract service providers and clients ($4.5 million); upgrade facades and interiors of social services facilities ($7.5 million).

Housing and Development

- Housing: disposition and rehabilitation of approximately 2,324 *in rem* dwelling units through various privatization initiatives ($198.7 million); development starts of over 760 new homeownership and rental dwelling units through the Nehemiah, Neighborhood Based Initiative, New Venture Incentive, Mixed Use, and other new construction programs ($43.1 million); provision of low-interest loans to finance the rehabilitation and preservation of approximately 4,248 low and moderate income units in privately owned buildings under the Article 7A, Article 8A, Participation Loan, Small Buildings, and Housing Preservation programs ($107.0 million); and production of 548 units for low income and homeless individuals, including those with mental illness, through the Supportive Housing Loan Program ($61.1 million).

- Housing Authority: brickwork at Saint Mary's Park, the Bronx, consisting of 1,007 dwelling units ($2.9 million); interior metal stair renovation at Linden Houses, Brooklyn, consisting of 1,586 dwelling units ($1.4 million); roof replacement at Marble Hill Houses, the Bronx, consisting of 1,682 dwelling units ($1.3 million).

- Economic Development: rehabilitation and modernization of the Passenger Ship Terminal ($43.7 million); redevelopment of Downtown Brooklyn ($37.0 million); rehabilitation of the Battery Maritime Building ($22.7 million); infrastructure improvements at the Brooklyn Navy Yard ($15.6 million); reactivation and extension of the Staten Island Railroad ($15.5 million); stabilization of Harlem area piers and bulkhead ($15.0 million); infrastructure improvements at Staten Island Homeport ($13.6 million); relocation of the Fulton Fish Market to Hunts Point ($10.0 million); restoration work at Governors Island ($5.4 million); new railroad terminal construction at the Farley Post Office ($5.0 million); and redevelopment of the College Point Flushing Airport ($2.6 million).

Administration of Justice and Public Safety

- Correction: construction of facility additions for permanent capacity replacement projects ($68.7 million); technology upgrades ($6.5 million); shower reconstruction at the Adolescent Reception and Detention Center ($6.5 million); completion of a visit house for the Eric M. Taylor Center ($5.0 million); replacement of vehicles to transport inmates ($2.0 million).

- Courts: construction of a new Supreme Court Criminal-Term and Family Court courthouse at 330 Jay Street in Brooklyn ($628.0 million); exterior, elevator, systems upgrade, ADA compliance work, and facility maintenance in various courthouses ($153.7 million).

- Police: maintenance and rehabilitation of facilities city-wide ($50.7 million); upgrade and lifecycle replacement of the Department's radio communication system ($17.6 million); lifecycle replacement of vehicles ($14.6 million).

- Fire: the renovation of firehouse components such as boilers, electrical upgrades, kitchens, roofs, bathrooms, waterproofing, apparatus doors, floors, and windows ($24.9 million); the complete rehabilitation of three firehouses ($18.0 million); the replacement of front-line fire-fighting apparatus and support vehicles and equipment ($16.7 million); professional services for the integration and upgrade of the emergency response and dispatch system ($13.6 million); the purchase of new mobile radios ($4.7 million); the purchase and upgrade of computer equipment to support agency operations ($2.7 million); the rehabilitation and dry-docking of the FDNY's fireboats ($2.1 million).

Recreation and Culturals

- Parks: reconstruction and replacement of safety surfaces, play equipment and paths to improve the overall condition of parks ($13.0 million); rehabilitation of Yankee and Shea stadia ($13.5 million); construction of Brooklyn Bridge Park ($7.5 million); reconstruction of Hudson River Park ($10.0 million); planting of street trees ($10.5 million); construction of athletic fields on Randall's Island ($5.0 million); reconstruction of beaches and boardwalks ($3.1 million); reconstruction of recreational centers ($3.0 million); construction and reconstruction of neighborhood parks and playgrounds ($50.0 million).

- Public Libraries: extensive renovations at the Brooklyn Central Library, which include a major systems upgrade, new auditorium and front plaza ($11.1 million); replacement of the Glen Oaks Branch Library in Queens ($6.7 million); renovation of the General Research Division and the Scholar's Center at the Schomburg Center for Research in Black Culture in Manhattan ($6.1 million); acquisition and renovation of the Stapleton Branch Library in Staten Island ($4.4 million); rehabilitation and expansion of the Kings Highway Branch Library in Brooklyn ($3.5 million); restoration and renovation of the Map Division at the Center for the Humanities in Manhattan ($3.4 million); construction of the new Children's Library and Discovery Center at the Central Library in Jamaica, Queens ($3.2 million); extensive renovation and ADA compliance work at the St. Agnes Branch Library in Manhattan ($3.2 million); second floor renovation and boiler and window replacement at the Woodstock Branch Library in the Bronx ($2.8 million).

- Department of Cultural Affairs: facility modernization including infrastructure improvements, and specific upgrades for the Genomics and Ornithology Departments at the American Museum of Natural History ($8.2 million); renovation of the Lion House to transform it into a multi-purpose public space and exhibit area at the Wildlife Conservation Society, Bronx Zoo ($14.1 million); reconstruction of the roof and other improvements to theaters at the New York Shakespeare Festival ($1.3 million); funding for redevelopment project at Lincoln Center for the Performing Arts ($5.0 million); restoration of the historic Hunterfly Houses and construction of a new education building at the Society for Preservation of Weeksville and Bedford-Stuyvesant History ($8.7 million); reconstruction project at the Brooklyn Museum of Art ($2.5 million); reconstruction and expansion of the Pierpont Morgan Library ($2.5 million); restoration and reconstruction of the Music Hall and other site-wide infrastructure improvements at the Snug Harbor Cultural Center ($3.0 million); major expansion of the Bronx Museum of Art ($1.4 million); construction of a pre-school science playground at the Hall of Science ($2.7 million); construction of a new Visitor's Center at the Cherry Esplanade at the Brooklyn Botanic Garden ($4.4 million); improvements at the Metropolitan Museum of Art Cloisters ($1.8 million); reconstruction of the Reptile Wing Exhibit ($4.5 million), site-wide infrastructure upgrades and new exhibits ($1.9 million) at the Staten Island Zoo.

Department of Citywide Administrative Services

- Public Buildings: the reconstruction of public buildings and City-owned facilities ($54.3 million); the renovation of leased space ($6.1 million), including the Department of Emergency Management Warehouse ($1.4 million); compliance with legal mandates ($40.3 million), including the upgrade and replacement of petroleum underground storage tanks ($23.0 million); Board of Elections modernization ($8.9 million), including warehouse and office space in Manhattan ($7.1 million), Brooklyn ($2.6 million) and Queens ($0.5 million); and the reconstruction of waterfront and non-waterfront properties ($1.6 million).

Borough Presidents' Allocations

The Charter requires an amount equal to five percent of the proposed new capital appropriations for the ensuing four years to be allocated to the Borough Presidents. This allocation is to be distributed to each borough based upon a formula that equally weighs population and land area. The tables below indicate the amounts added by the Borough Presidents for each programmatic area.

FY 2005-2008 Borough Presidents' Allocations*
(City Funded Appropriations $ in thousands)

	2005	2006	2007	2008
Bronx Program				
Cultural Affairs	$139	$814	$1,050	$300
EDP Education	272	——	——	——
Higher Education	1,263	21	——	——
Housing	67	1,790	——	——
New York Public Library	2,721	1,678	——	——
Parks	1,364	4,067	1,200	——
Real Property	——	270	——	——
GRAND TOTAL: BRONX	$5,826	$8,640	$2,250	$300
Brooklyn Program				
Brooklyn Public Library	$2,628	$376	——	——
Children's Services	100	——	——	——
Cultural Affairs	7,978	6,542	——	——
Economic Development	2,551	3,818	8,500	——
EDP Equipment	140	——	——	——
Health	250	——	——	——
Higher Education	1,398	577	——	——
Hospitals	100	——	——	——
Housing	1,376	——	——	——
Human Resources	88	——	——	——
Parks	1,521	2,802	2,722	3,290
Public Buildings	1,887	——	——	——
Traffic	148	——	——	——
GRAND TOTAL: BROOKLYN	$20,165	$14,115	$11,222	$3,290

** Appropriations include reallocation of prior amounts recommended by the borough presidents.*
***Note: Individual items may not add to totals due to rounding.*

FY 2005-2008 Borough Presidents' Allocations*
(City Funded Appropriations $ in thousands)

	2005	2006	2007	2008
Manhattan Program				
Aging	——	$314	$121	——
Cultural Affairs	1	417	——	——
Economic Development	——	35	——	——
Higher Education	——	59	12	——
Highways	1,533	——	——	——
Housing	250	——	——	——
New York Public Library	——	1,869	——	——
Parks	——	202	72	——
GRAND TOTAL: MANHATTAN	$1,784	$2,896	$205	$0
Queens Program				
Cultural Affairs	$8,099	$5,245	$11,365	$5,489
Economic Development	1,500	——	——	——
Education	500	——	——	——
Health	15	——	——	——
Higher Education	1,331	——	——	——
Hospitals	500	——	——	——
Parks	7,420	3,875	——	——
Public Buildings	250	890	——	——
Queens Borough Public Library	3,616	4,750	4,300	——
GRAND TOTAL: QUEENS	$23,231	$14,760	$15,665	$5,489
Staten Island Program				
Cultural Affairs	$670	$395	——	$503
Economic Development	500	——	——	——
EDP Equipment	385	——	——	——
Education	120	——	——	——
Fire	350	——	——	——
Higher Education	628	8	——	——
Parks	608	——	——	——
Police	710	——	——	——
Public Buildings	600	——	——	——
Sanitation	292	——	——	——
GRAND TOTAL: STATEN ISLAND	$4,863	$403	$0	$503

** Appropriations include reallocation of prior amounts recommended by the borough presidents.*
***Note: Individual items may not add to totals due to rounding.*

Management Initiatives

Management initiatives continue to be developed and implemented to enhance the administration and advancement of the capital program. These include:

- continued improvements to capital program management.
- updating the charter-mandated capital asset condition assessment.
- application of value engineering to reduce capital and operating costs.

Capital Program Management

The Department of Design and Construction was created in October 1995 by Local Law 77, which authorized it to assume responsibility for construction projects performed by the Departments of Transportation, Environmental Protection and General Services. The Department delivers the City's construction projects in an expeditious, cost-effective manner, while maintaining the highest degree of architectural, engineering and construction quality. The Department performs design and construction functions related to streets and highways; sewers; water mains; correctional and court facilities; cultural buildings; libraries; and other public buildings, facilities and structures.

The consolidation of design and construction into a single agency allows for the elimination of duplicative program units within agencies; the standardization of construction procedures and practices; the implementation of reforms of current practices relating to procurement for construction projects; and the expansion of the use of construction-related technology, such as Computer-Aided Drafting and Design (CADD); and a project management information system. The Department also enables the city to coordinate a wide variety of construction projects with utilities, community representatives, and private industry, thus minimizing the disruption to individual neighborhoods caused by water-main projects, sewer construction, and road work, as well as reducing the costs associated with such projects. The Department of Design and Construction serves 15 client agencies.

Capital Asset Inventory and Maintenance Program

The charter requires an annual assessment of the City's major assets including buildings, piers, bulkheads, bridges, streets and highways, and the preparation of maintenance schedules for these assets. This assessment, used by agencies for capital planning purposes includes as a separate volume, a reconciliation of the amounts recommended in the condition assessment with amounts funded in the budget. To incorporate current technology and standards into the Maintenance Program, the City conducts ongoing reviews of the methodologies used in surveying and estimating the cost of maintaining its fixed assets in a state of good repair.

Value Engineering

Value Engineering (VE) is a systematic analytical methodology directed toward analyzing the functions of projects for the purpose of achieving the best value and most effective operation at the lowest life-cycle project cost. From its inception in 1982 OMB's VE program has utilized innovations in value management methodologies to evaluate a diverse group of projects, widening the scope and depth of project reviews to include Value Analysis (VA) review of the City's operational processes and functions to assist agencies in streamlining their procedures, and Independent Cost Estimating (CE) to verify the reliability of agency design estimates and adequacy of the projected capital funding.

Value Engineering is a collaborative effort between all concerned city agencies with budgetary and operational jurisdiction over a project, and outside consultants with expertise on critical project components. The City has utilized VE effectively in the last twenty years on mainly large-scale capital projects with a view to controlling costs. However, the VE process does not only result in cost reductions, but also frequently generates project improvements, and anticipates and solves functional problems by raising relevant issues early in the design process, which could adversely compromise the project's development, cost and schedule. The VE program continues to grow with over 60 projects undergoing value methodology reviews in the last three years, as agencies seek to maximize their return on investment and increase efficiency in their operations. Projects scheduled for upcoming VE reviews include several wastewater, and water treatment plants, reconstruction of major hospitals, bridges, sanitation garages, and Value Analysis reviews of social services processes.

The VE Review has also been applied with equal success to small unique projects where the focus might not be on controlling costs but on other aspects of project development.

FINANCING PROGRAM

The City's financing program projects $27.3 billion of long-term borrowing for the period 2004 through 2008 to support the City's current capital program. Unless bonding capacity of the New York City Transitional Finance Authority (TFA) is increased, all but a very small portion of the financing will be implemented through General Obligation (GO) bonds of the City and bonds of the New York City Municipal Water Finance Authority (NYW or the Authority). The City has issued $693 million of bonds through Jay Street Development Corp. (JSDC) to fund the criminal and family court building at Jay Street in Brooklyn. The annual financing amounts during the plan period for each of the bond issuing entities are listed in the table below.

Financing Program
(In Millions)

	2004	2005	2006	2007	2008	Total
City General Obligation Bonds	$2,910	$3,400	$3,800	$4,150	$4,020	$18,280
Transitional Finance Authority Bonds	145	0	0	0	0	145
TSASC (1)	39	49	0	0	0	88
Water Authority Bonds (2)	1,212	1,652	1,926	1,812	1,786	8,388
Conduit Debt	271	86	0	86	0	443
Total	$4,577	$5,187	$5,726	$6,048	$5,806	$27,344

(1) Projected loan drawdown from the US Department of Transportation pursuant to the Transportation Infrastructure Financing and Innovation Act.

(2) Includes commercial paper and revenue bonds issued for the water and sewer system's capital program, and includes reserve amounts.

The following three tables show statistical information on debt issued by the financing entities described above.

Debt Outstanding
(In Millions)

	2004	2005	2006	2007	2008
City General Obligation Bonds	$31,297	$33,182	$35,475	$37,921	$40,171
Transitional Finance Authority	13,064	12,682	12,335	11,948	11,537
TSASC	1,255	1,283	1,268	1,251	1,234
MAC	2,151	0	0	0	0
Conduit Debt	2,848	2,766	2,688	2,587	2,477
Total Debt Outstanding	$50,616	$49,913	$51,766	$53,708	$55,420
Water Finance Authority	12,850	14,340	16,080	17,700	19,250

Annual Debt Service Costs
(In Millions)

	2004	2005	2006	2007	2008
City General Obligation Bonds*	2,695	3,095	3,258	3,607	3,844
Transitional Finance Authority	755	960	955	976	982
TSASC	96	91	92	92	99
MAC	502	0	0	0	0
Conduit Debt	148	203	254	250	264
Total Debt Service	4,196	4,349	4,559	4,925	5,189
Water Finance Authority	696	766	914	1,031	1,175

* Includes interest on short-term obligation (RANs). Net of prepayment of debt service for GO bonds and net of water rental revenues for Water Authority bonds.

Debt Burden

	2004	2005	2006	2007	2008
Total Debt Service (NYC GO, Lease, MAC & TFA) as % of:					
a. Total Revenue*	8.7%	8.9%	9.5%	10.0%	10.3%
b. Total Taxes*	14.9%	15.4%	15.7%	16.4%	16.5%
c. Total NYC Personal Income	1.3%	1.3%	1.3%	1.3%	1.3%
Total Debt Outstanding (NYC GO, Lease, MAC & TFA) as % of:					
a. Total NYC Personal Income	14.3%	14.0%	13.8%	12.2%	11.6%

* Total Revenue and Total Taxes include amounts required to pay TFA obligations.

TFA has reached its statutory bonding capacity of $11.5 billion (excluding bonds for recovery and for refunding purposes). TFA has been a cost-effective source of financing for the City over the past six years. It has been an important source of diversification as a financing vehicle in the marketplace as well. The City is seeking legislative approval to increase TFA's borrowing cap. If the TFA cap is not increased, the City will issue approximately $18.3 billion of GO bonds during the plan period, which will equal 67% of the total program. If the TFA cap is lifted, half of what otherwise would be issued in the form of GO bonds would be issued by the TFA instead. This would significantly reduce the financing cost for the remaining $9 billion of GO bonds still required. NYW's annual bonding amount, excluding refundings, will average approximately $1.7 billion. The aggregate NYW financing during the plan period will account for approximately 30% of the total financing program.

The New York City Transitional Finance Authority

The TFA is a corporate governmental agency constituting a public benefit corporation and instrumentality of the State of New York created by Chapter 16 of the Laws of 1997 in March 1997. The TFA was created to issue debt, primarily secured with the City's personal income tax (PIT), to fund a portion of the capital program of the City. The TFA was originally authorized to issue up to $7.5 billion of bonds and notes. In June 2000, the TFA received an additional $4 billion of bonding capacity, increasing its overall authorization to $11.5 billion. In addition, the State legislature in 2000 increased the TFA's variable rate bonding capacity to $2.3 billion or 20% of its then authorized bonding amount.

On September 13, 2001, the TFA was given statutory authority to borrow $2.5 billion to finance costs related to the September 11th terrorist attack on the City. Pursuant to that authority, the TFA issued approximately $2 billion of long-term debt in the first half of fiscal year 2003. One billion dollars of bond proceeds were used to pay recovery costs consisting of revenue losses associated with the September 11 event and the remaining $1.03 billion of proceeds were used to retire the Recovery Notes issued in October 2001, which were used to fund other costs and revenue losses related to the attack. The TFA Recovery Bonds are subordinated to TFA senior debt and have a shorter maturity (20 years vs. 30 years for senior bonds). As of January 1, 2004, $545 million of bonding capacity remains to pay costs related to the attack.

In September 2003, TFA issued $145 million in tax exempt new money bonds (Series 2004A) through competitive bidding. In November 2003, TFA issued $545 million in tax exempt bonds (Series 2004B) to defease the BANs issued in November 2002. The competitive transaction had a true interest cost (TIC) of 4.92% while the negotiated transaction had a TIC of 4.68%. In February 2004, TFA issued approximately $541 million of bonds to permanently refinance BANs issued in February 2003. The TICs for the February transaction was 4.5%. Without additional bonding capacity authorized by the State, TFA will no longer be able to issue new money bonds.

In March 2004, TFA issued $709 million of Series 2004D bonds to refund existing debt. The refunding generated $5.7 million, $7.0 million and $21 million of savings in FY2004, 2005 and 2006, respectively. $261 million of the refunding bonds were issued as subordinate bonds on a parity with the Recovery Bonds with yields comparable to those for the TFA senior bonds. The issuance of subordinate debt in conjunction with senior bonds allows the TFA to meet the maximum quarterly debt service constraint on its senior debt imposed by TFA's indenture. In addition, of the $717 million of bonds refunded, $295 million were "economically" defeased, i.e., the escrow securities purchased to defease these bonds, while rated AAA, do not meet the legal defeasance criteria established under the existing TFA indenture. Therefore, for purposes of calculating maximum quarterly debt service for TFA's outstanding senior bonds, these economically defeased bonds will still be counted as outstanding. However, the securities purchased for the economically defeased escrow have higher yields, which reduce the costs of the escrow, minimize negative arbitrage and lower the refunding bond size, thereby generating additional savings for TFA.

Since the creation of the TFA in March 1997, the TFA has sold $14.2 billion in senior bonds, $4.5 billion of BANs and $2.2 billion of subordinate bonds. Refunding bonds, excluding bonds issued to refund BANs, amounted to $2.7 billion. Of the $13 billion of bonds currently outstanding, 54% will be retired by the end of 2018, with the annual amortization of about $348 million in 2005, growing gradually to $644 million in 2019 and then decreasing gradually to $244 million in 2029 and $0 in 2033.

New York City General Obligation Bonds

Since July l, 2003, the City has implemented four refundings and four new money financings, totaling $5.7 billion. The dates, bond amounts, and the TICs (with tax-exempt and taxable TICs blended) of these issues are as follows:

NYC GO Issuances

Series	New$/ Refunding	Issue Date	Tax Exempt Amount	Taxable Amount	TIC	Total Par Amount
2004AB	R	7/14/2003	971	29	4.030%	1,000
2004C	N	9/25/2003	200	50	5.087%	250
2004D	N	10/15/2003	400	100	4.966%	500
2004E	R	10/30/2003	499	0	3.801%	499
2004F	N	12/18/2003	600	80	4.172%	680
2004G	R	2/26/2004	969	0	3.654%	969
2004H	N	3/11/2004	800	30	NA*	830
2004I	R	4/1/2004	949	0	3.997%	949
Total			5,388	289		5,677

* The tax exempt portion of the Series 2004G transaction consists of floating-rate bonds and the taxable portion are QZABs with 0% coupon.

The four refunding transactions the City has completed to date in FY2004, totaling $3.4 billion, generated $33 million, $97 million and $110 million of debt service savings in FY2004, FY2005 and FY2006, respectively. The present value savings from the refundings were in excess of 7.5%. Utilizing an interest rate swap, the City realized a fixed interest cost of 2.964% for $350 million of the Series 2004AB bonds, which have an average life of 24.5 years. Under the swap agreement, the City will receive 61.85% of 1-month LIBOR, which will be used to offset interest costs on the floating rate bonds issued in connection with the swap. The FY2004 swap was the first swap to be competitively bid by the City. The four refunding transactions utilized federal legislation permitting an additional advance refunding for certain GO bonds, bringing the total amount of GO bonds and NYW bonds which have been advance refunded under this legislation to $3.2 billion. The City is currently seeking an amendment to extend this authorization beyond its current expiration date of December 31, 2004. This will allow the City to utilize the remaining $1.3 billion of second advance refunding capacity beyond 2004, generating additional debt service savings over the financial plan years.

Of the $259 million of taxable financing during the current fiscal year, all but $60 million has been issued through competitive bidding. The City's taxable bonds are generally amortized within 12 years so that the higher cost taxable debt is paid off sooner than the longer-term lower cost tax exempt debt. During the last eight months, the City's taxable bonds were priced approximately 40 to 65 basis points higher than those of the US Treasury bonds for maturities ranging between two and five years. For maturities between five and thirteen years, the spreads increased to 70 to 110 basis points. The absolute yields on the Series 2004D taxable bonds were 2.45% for a two-year maturity, 4.4% for an eight-year maturity and 4.97% for a 12-year maturity.

In addition to issuing traditional taxable fixed rate bonds, the City also issued a total of $59 million of Qualified Zone Academy Bonds (QZAB) in December 2003 and March 2004. Proceeds of the bonds, together with a private contribution equaling at least 10% of the project costs, will be used to fund certain capital projects for the schools that meet certain QZAB eligibility criteria. In the December 2003 financing, the QZABs, maturing mostly in 2018 with a small serial maturity in 2017, were sold as interest-free bonds with a slight discount of 1.5%. In the March 2004 transaction, the QZABs with a 2020 maturity were sold at 83%. In addition to the discount on the purchase price of the bonds, the QZAB investors also received annual tax credits, which were 5.66% and 5.3% for the December and March transactions, respectively. The 2003 allocation of QZABs for New York has been fully exhausted with the two financings mentioned above.

In connection with the $680 million tax exempt new money issue in December 2003, the City also entered into a "total return swap" to lower its borrowing costs. Under the swap, the City receives an amount from the swap counterparty equal to the interest payable on the related bonds and pays the counterparty 35 basis points over a short-term municipal bond index, the Bond Market Association Municipal Swap Index (BMA). Since the swap payments match exactly the interest payments on the bonds, there is no basis risk for the swap. The swap agreement permits the City to obtain an all-in synthetic floating cost of funds that is considerably less than the cost of natural variable rate bonds.

In March 11, 2004, the City issued $829 million of bonds for capital purposes. $800 million of the issue were tax exempt floating-rate bonds supported with letter of credit facilities from five financial institutions. The remaining $29 million of bonds were the QZABs mentioned above.

In addition to the financings described above, the City plans to issue $830 million of GO bonds for capital purposes in the last quarter of FY2004 and $3.4 billion, $3.8 billion, $4.15 billion and $4.02 billion in FY2005, FY2006, FY2007 and FY2008, respectively.

Currently the debt service for the City and its related financing entities (TFA, MAC and lease debt, excluding the effect of pre-payments, and excluding debt service supported by rental payments from NYW) is 8.7% of the City's total budgeted revenues in FY 2004. That ratio will rise to 10.3% in FY 2008. As a percentage of tax revenues, the debt service ratio is 14.9% in FY 2004 and is projected to increase to 16.5% in FY 2008.

During fiscal year 2004, short-term interest costs as reflected in the $5.4 billion of variable rate bonds (including synthetic floating-rate debt, auction-rate bonds and variable-rate demand bonds) have been 0.9% on average for tax-exempt debt and 1.1% for taxable GO floating rate debt. These VRDBs, which have traded on average at rates that are at least 4 percentage points lower than those for the fixed-rate debt, result in an annual savings of over $172 million.

In October 2003, the City issued $1.25 billion of Revenue Anticipation Notes (RANs) and $250 million of Tax Anticipation Notes (TANs) for its seasonal cash flow needs. The TICs for the six-month RANs and TANs were 0.935% and 0.928%, respectively. The City expects to issue $2.4 billion of RANs or TANs in each of the next four fiscal years.

Variable Rate Debt

As discussed above, variable rate demand bonds have been a reliable source of cost savings in the financing of the City's capital program. In considering the proportion of the City's financing program which is in variable rather than fixed rates, it is useful to consider all sources of financing with the exception of NYW, which is typically considered separately for such purposes. Included would be not only City GO, TFA and TSASC bonds but also City lease appropriation and MAC debt. As shown in the table below, the City has over $7.4 billion of natural variable rate and auction rate bonds currently outstanding. These bonds are supported by credit enhancement.

Swaps

The City has entered into various interest rate exchange agreements (or swaps) in the last 18 months, taking on various risks similar to those of natural variable rate bonds. The total notional amount of swaps outstanding as of April 15, 2004 was $2.5 billion, on which the termination value was $82 million. This is the theoretical amount which would need to be paid by the City if all of the swaps terminated under market conditions as of December 31, 2003. However, most of the swaps entered into by the City have sufficient liquidity such that payments by new swap counterparties to the City upon entering into replacement swaps would substantially offset any termination payments owed by the City.

These agreements include synthetic fixed rate swaps (floating-to-fixed rate swaps), a basis swap, total return swaps and an interest rate cap. In connection with the synthetic fixed rate swap agreements, the City issued a total of $965 million of GO variable rate bonds and pays each swap counterparty a fixed rate on the related notional amount in exchange for approximately 62% of LIBOR on such notional amount. Under the basis swap, the City pays the swap counterparty 136% of BMA in exchange for 100% of LIBOR on the notional amount of $661 million in connection with a like principal amount of GO taxable floating rate bonds. For the total return swap, the City receives from the swap counterparty the exact interest costs on the $500 million of GO bonds in exchange for payment of BMA+0.35% on the notional amount of $500 million. The City also executed a similar total return swap through New York City Industrial Development Agency (IDA) with a notional amount of $78 million in August 2003. Finally, the TFA sold an interest rate cap to New York City Housing Development Corporation (HDC) on $334 million of its taxable floating rate bonds. TFA's liability is contingent on the interest rates on the HDC bonds exceeding certain pre-established strike rates.

In March, 2004, the City also entered into a swaption agreement on $350 million notional amount of bonds. The swaption gives the counterparties the right to exercise an option to enter into an interest rate exchange agreement with the City on some future dates in exchange for an approximately $10 million upfront payment. If the option is exercised, the City will pay the counterparty floating-rate interest payments based on BMA on the $350 million notional amount of the bonds in exchange for fixed-rate interest payments on the same amount of bonds. In addition to the upfront benefit of $10 million to the City, the swaption, if exercised, created additional floating-rate exposure for the City at an all-in cost below that of other City "natural variable-rate bonds". Since the option is not exercisable until August 1, 2007, the bonds associated with the swaption are not counted as floating-rate debt for the following table.

The following table shows the City's and its related issuers' floating rate exposure. The notional amounts of certain swaps are counted toward floating rate exposure at less than 100%, representing an equivalent tax exempt floating-rate risk. (See the Mayor's Message in the Executive Budget for FY2004 for a more detailed discussion on how these percentages are determined.) 38% of the $965 million notional amount of the synthetic fixed rate swaps, 136% of the taxable basis swap and 100% of the total return swap are considered floating rate exposure. Since the TFA cap is only a contingent liability, it is not counted as floating rate exposure.

NYC Floating-Rate Exposure**

	GO	TFA	MAC	Lease	TSASC	Total
Natural VRDB & Auction-Rate Bonds	3,435	2,950	0	1,141	0	7,526
Synthetic Fixed	367					367
Taxable Basis Swap	899					899
Total Return Swap	500			78		578
Total Floating-Rate	5,201	2,950	0	1,219	0	9,370
Total Debt Outstanding	31,297	13,064	2,151	2,848	1,255	50,616

% of Floating-Rate / Total Debt Outstanding 18.5%
Total Floating-Rate Less $2 Billion Average Balance in General Fund (Floating-Rate Assets) 7,370

% of Net Floating Rate / Total Debt Outstanding 14.6%

** Exclude $350 million swaption

The 18.5% floating rate exposure, including the risk from the seven synthetic fixed rate swaps and the basis swap and the direct funding swap, is even more manageable after taking into account the average $2 billion of short-term assets in the City's General Fund which are an offset to these floating rate liabilities. Net of these floating rate assets, the floating rate exposure of the City, excluding NYW, is 14.6% of its outstanding debt.

Lease Appropriation Debt

In December 2003, JSDC implemented its final construction financing with a tax exempt floating rate issuance of $165 million. Proceeds of the bonds will be used to complete construction of the criminal and family court facility located at 330 Jay Street, Brooklyn. The facility is expected to be completed in December 2004 or early 2005.

TSASC, Inc.

TSASC, Inc., a special purpose corporation, was created by the City in November 1999 to issue bonds secured with the City's share of the Tobacco Settlement Revenues (TSRs) to be paid pursuant to a nationwide Master Settlement Agreement (MSA). TSASC has acquired the City's 3.4% share of the national total TSRs payable under the Master Settlement Agreement (MSA). After TSASC retains sufficient TSRs to pay for its debt service and operating expenses, the excess TSRs flow to the City through ownership of a residual certificate.

TSASC has issued two series of program bonds to date, totaling $1.298 billion, including $102 million of draws against a loan from the US Department of Transportation (USDOT) under the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA). TSASC expects to draw down the remaining $59 million of the TIFIA loan over the next two years to fund one third of the capital costs associated with the Staten Island ferries and ferry terminals project. The repayment of the loan is secured with TSASC's revenues, payable over the next 30 years on parity with other TSASC program bonds.

In May 2003, RJ Reynolds, one of the four major tobacco manufacturers, was downgraded below investment grade, triggering a trapping event for TSASC. In addition, the Non-Participating Manufacturers' market share in calendar year 2003 is reported to exceed 7% based on the MSA Independent Auditor's report dated April 14, 2004, also triggering a trapping event for TSASC. The trapping event called for retaining a fraction of the residual TSRs, equal to the ratio of the amount of the previously issued program bonds to $2.76 billion until the aggregate trapped amount equals 25% of the outstanding program bonds. Since TSASC has only issued approximately 47% of the $2.76 billion program bonds, 47% of the residual TSRs, including investment revenues, will be trapped until the trapping requirement is met. As of April 15, 2004, the trapping requirement is expected to be $311 million or 25% of the $1.32 billion of the outstanding program bonds, including $102 million of the TIFIA loan. Without restructuring the existing TSASC program bonds, the trapping event would reduce the flow of residual TSRs to the City by approximately $58 million, $58 million, $59 million, $61 million and $60 million in FY2004, FY2005, FY2006, FY2007 and FY2008 respectively. In addition, no program bonds can be issued without rating confirmation unless the trapping requirement has been met.

TSASC is reviewing alternatives that would enable the trapped TSRs to be released to the City.

The New York City Municipal Water Finance Authority

NYW was created in 1985 to finance capital improvements to the City's water and sewer system. Since its first bond sale in November 1985, the Authority has sold $23.5 billion in General and Second Resolution bonds and subordinated special resolution crossover refunding bonds. Refunding bond issuance amounted to $8.8 billion. Of this aggregate bond par amount, $12.9 billion is outstanding, $9.0 billion was refinanced with lower cost debt or defeased with revenues, and $1.57 billion was retired with Authority revenues as it matured.

In addition to this long-term debt, NYW uses an $800 million tax-exempt commercial paper program as a source of flexible short-term financing. This program was amended in fiscal year 2003 to include unenhanced extendable municipal commercial paper (EMCP) notes to replace more costly LOC-backed commercial paper.

NYW continues to enjoy a strong and stable credit rating by all three rating agencies. NYW is rated "AA" by Standard and Poor's and Fitch and "Aa2" by Moody's. Additionally, senior lien bonds issued by the New York State Environmental Facilities Corporation (EFC) for City capital projects eligible for State Revolving Fund (SRF) money are rated in the highest rating category by Moody's ("Aaa"), Standard & Poor's ("AAA") and Fitch

(“AAA”). The bonds which NYW places with EFC are unrated Second Resolution bonds of NYW, and are an element of security for the EFC bonds.

To date in fiscal year 2004, the Authority has closed five bond transactions and entered into an interest rate exchange agreement (or swap). The First Resolution Fiscal 2004 Series A, B and C bonds consisted of bond sales directly to the public. The Second Resolution Fiscal 2004 Series 1 and Series 2 bonds were issued to EFC to secure bonds issued by EFC on behalf of NYW.

The projected financing activity for the remainder of fiscal year 2004 will consist of First Resolution bonds to be sold by NYW directly to the public for an estimated $150 million. Additionally, NYW may be able to take advantage of other potential refunding opportunities during the remainder of the fiscal year should the interest rate environment be favorable.

On September 18, 2004, NYW closed its first transaction of fiscal year 2004. The Fiscal 2004 Series A bonds were sold for a par amount of $217 million. The issue included term bonds in years 2027 and 2035 with yields of 5.08% and 5.14%, respectively. The true interest cost for the transaction was 5.17%. These yields compared favorably to the MMD triple-A scale, with spreads ranging from 17 basis points to 19 basis points above the scale, consistent with NYW’s historical performance when compared against the scale. Proceeds from the sale were used to defease all of NYW’s Series 4 and a portion of its Series 6 commercial paper notes, and to pay costs of issuance.

On October 9, 2004, NYW closed its first transaction with EFC in fiscal year 2004. The Fiscal 2004 Series 1 bonds, issued to EFC in the amount of $301,008,574 to secure bonds issued by EFC, were sold in a common plan of finance with NYW’s Series A bonds. Proceeds were used to defease a portion of the NYW’s Commercial Paper Series 5 and 7, which had funded eligible Clean Water and Drinking Water SRF projects, and were used to pay the costs of issuance for the bonds. The issuance included serial bonds in 2004 through 2027 and term bonds in 2028, 2030 and 2033. The maximum yield was 5 % on the 2033 term bond, with a favorable 11 basis points spread above the MMD triple-A scale. The true interest cost was 4.627% and the effective interest cost was 2.886%, after subsidies generated from interest earned on the reserve allocation made by EFC for these bonds.

On December 23, 2003, the Authority closed an interest rate exchange agreement extending to 2019 on a principal amount of $200 million. The exchange was structured whereby NYW will receive a fixed interest rate in exchange for a floating rate based on BMA. The fixed interest rate the Authority will receive is 3.567%, as determined by a competitive bid among six firms. The transaction effectively converts a portion of the Authority’s bonds from a fixed rate basis to a floating rate basis, and increases its variable rate exposure at a cost lower than conventional variable rate demand bonds.

On March 18, 2004, the Authority closed two transactions, Fiscal 2004 Series B and Series C, which were sold in a combined plan of finance along with Fiscal 2004 Series 2 bonds. The Series B transaction were sold for a par amount of $347,615,000 and currently refunded Fiscal 1994 Series B, D, E, F and G bonds for a very favorable net present value savings of $47.4 million or 13 % of the refunded principal amount of the bonds. The issue included serial bonds in years 2004 through 2023 with yields ranging from 0.80% in 2004 to 4.26% in 2023. The Authority insured bonds in 2014, 2015 and a portion of the bonds in 2023 to improve the yield. The true interest cost for the transaction was 3.985%. These yields compared very favorably to the MMD triple-A scale, with spreads ranging from a high of 12 basis points above in the 2016 maturity to a low of 2 basis points below in the 2022 maturity, which was one of the lowest yield spreads achieved by the Authority for uninsured, long-term First Resolution bonds. Proceeds from the sale also paid for the costs of issuance.

The Fiscal 2004 Series C bonds were sold for a par amount of $601,545,000. Proceeds from the sale were used to refund Fiscal 1996 Series A and Series B bonds and Fiscal 1997 Series A and Series B bonds, defease all of NYW’s commercial paper Series 6 and a portion of its Series 5 Lot A, pay certain costs of issuance, fund a portion of the debt service reserve fund and to fund a portion of the Authority’s capital program. The net present value savings on the refunding was approximately $22 million or 7.65% of the refunded principal amount of the bonds. The issue included serial bonds in years 2004 through 2025 and term bonds in 2034 and 2035. Serial bond yields ranged from a low of 0.898% in 2004 to 4.46% in 2025. The term bond yield in 2034 was 4.36%. The true interest cost for the transaction was 4.528%. The yields once again compared very favorably to the MMD triple-A scale, with spreads ranging from a high of 25 basis points above the scale in 2025 and 2034 and a low of 5 basis points below the scale in the 2035 maturity, which is the lowest yield spread achieved by the Authority for uninsured, long term First Resolution bonds

On April 7, 2004, the Authority closed the Fiscal 2004 Series 2 bonds, which were issued to EFC in the amount of $257,680,299 to secure bonds issued by EFC. Proceeds were used to defease a portion of the NYW's Commercial Paper Series 5 and 7, which had funded eligible Clean Water and Drinking Water SRF projects, and were used to pay the costs of issuance for the bonds. The issuance included serial bonds in 2004 through 2033 and term bonds in 2030 and 2033. The maximum yield was 4.59% on the 2033 term bond, with a 20 basis point spread above the MMD triple-A scale. Despite the higher than normal spread above MMD, the true interest cost was 4.223% and the effective interest cost was 2.629%, (after subsidies provided from interest earned on the reserve allocation made by EFC for this issuance), which is the lowest interest cost the Authority has ever achieved on an EFC financing.

The Authority defeased $147,450,000 of outstanding General Resolution Bonds on March 25, 2004, with revenues. Portions of Fiscal 1994 Series D, 1994 Series E and 1996 Series A bonds were defeased for a net present value savings of over $19 million.

During the period from 2005 to 2009, NYW expects to sell an average of approximately $1.8 billion of new debt per year. Of this amount, NYW plans to issue a minimum of $300 million per year through EFC, taking advantage of the 33 to 50 percent interest rate subsidy available for qualifying projects, and minimizing the overall costs of its financing program. Additionally, NYW may be able to take advantage of refunding opportunities should the interest rate environment be favorable.

Analysis of Agency Budgets

The following table reflects the allocation of pension and fringe benefit costs, debt service costs, and costs arising from judgments and claims against the City to each agency to derive the total cost of agency operations.

Full Agency Costs for 2005

Net of Intra-City ($ in Millions)

Agency	Salaries & Wages	Fringe Benefits	Pensions	PS Subtotal	Agency OTPS	Judgments & Claims	Debt Service	OTPS Subtotal	All Funds Total	City Funds Total
Uniform Agencies										
Police Department	$3,064	$1,097	$1,118	$5,279	$206	$100	$72	$378	$5,657	$5,491
Fire Department	1,015	377	521	1,913	101	21	56	178	2,091	1,960
Department of Correction	699	233	104	1,036	107	25	156	288	1,324	1,282
Department of Sanitation	614	242	70	926	434	25	154	613	1,539	1,501
Subtotal	$5,392	$1,949	$1,813	$9,154	$848	$171	$438	$1,457	$10,611	$10,234
Health and Welfare										
Administration for Children's Services	$328	$120	$23	$471	$1,799	$3	—	$1,802	$2,273	$659
Department of Social Services	611	256	58	925	6,248	9	77	6,334	7,259	5,360
Department of Homeless Services	105	38	7	150	568	—	—	568	718	337 *(1)*
Department of Health and Mental Hygiene	292	84	21	397	1,069	3	17	1,089	1,486	698
Health and Hospitals Corporation *(2)*	—	—	—	—	992	195	196	1,383	1,383	1,189 *(1)*
Subtotal	$1,336	$498	$109	$1,943	$10,676	$210	$290	$11,176	$13,119	$8,243
Education										
Department of Education *(3)*	$7,467	$2,008	$1,263	$10,738	$3,408	$32	$656	$4,096	$14,834	$7,201
City University	289	46	24	359	162	1	43	206	565	396
Subtotal	$7,756	$2,054	$1,287	$11,097	$3,570	$33	$699	$4,302	$15,399	$7,597
Other Agencies	$1,612	$562	$142	$2,316	$2,301	$196	$1,315	$3,812	$6,128	$4,955
Elected Officials	$340	$114	$25	$479	$75	$2	—	$77	$556	$523
Debt and Miscellaneous										
Miscellaneous Budget *(4)*	$320	—	—	$320	$1,401	—	$287	$1,688	$2,008	$1,860
Debt Service Costs (unallocated)	—	—	—	—	—	—	385	385	385	354
Subtotal	$320	—	—	$320	$1,401	—	$672	$2,073	$2,393	$2,214
Total	**$16,756**	**$5,177**	**$3,376**	**$25,309**	**$18,871**	**$612**	**$3,414**	**$22,897**	**$48,206**	**$33,766**
City Funds	**$9,754**	**$4,656**	**$3,204**	**$17,614**	**$12,437**	**$422**	**$3,293**	**$16,152**	**$33,766**	
2004 Prepayments	—	—	—	—	—	—	($1,306)	($1,306)	($1,306)	($1,306)
Total after Prepayments	$16,756	$5,177	$3,376	$25,309	$18,871	$612	$2,108	$21,591	$46,900	$32,460

(1) Includes Medical Assistance of $3,879 million in Social Services and $739 million in HHC.

(2) Only reflects HHC Subsidy and Medical Assistance appropriated in the City's Budget.

(3) Education Pension costs of $136 million budgeted in OTPS have been reflected in Pensions.

(4) Includes MTA Subsidy, Indigent Defense Services, General Reserve and Pay-As-You-Go Capital.

DEPARTMENT OF EDUCATION

The New York City Department of Education provides primary and secondary education for over one million school age children. Through a network of more than 900 elementary, junior high and intermediate schools, more than 200 high schools, and 60 special education schools, the Department provides basic instructional services and offers students special and bilingual education, and vocational training. Support services include free and subsidized transportation, breakfast and lunch services, and the operation and maintenance of over 1,200 school facilities.

Financial Review

The Department of Education's 2005 operating budget is $13,025.8 million, an increase of $211.9 million over the 2004 forecast of $12,813.9 million. In addition, education-related pension and debt service costs of $2,049.9 million are budgeted in separate agencies. These additional costs include a pension increase of $277.2 million from 2004 and a debt service increase of $145.8 million. City funds including pensions and debt service support $7,436.6 million of the Department of Education's expense budget in 2005, an increase of $621.5 million, or 9.1 percent. State funds recognized in the City's Executive Budget support $5,870.9 million, an increase of $72.1 million. This State funding level represents baseline needs and is subject to change after the State Budget is finalized. The balance of the education budget is supported by $1,738.4 in Federal aid (down $39.8 million from the 2004 forecast), $6.5 million in intra-City funds and $23.3 million in other categorical funds. Including those funds budgeted centrally, total funds budgeted on behalf of the Department of Education increase from $14,440.9 million in the 2004 forecast to $15,075.8 million, in the 2005 Executive Budget.

Total Department of Education Expenses
2000-2005
($ millions)

	2000	2001	2002	2003	Forecast 2004	Executive Budget 2005	Change 2004 to 2005	Change 2000 to 2005
Department Of Education Operating Budget								
City	$4,685	$4,924	$4,785	$5,103	$5,191	$5,390	$199	$705
Other Categorical	68	52	51	107	39	23	(16)	(45)
State	4,864	5,401	5,648	5,864	5,796	5,868	72	1,004
Federal	1,133	1,231	1,394	1,697	1,778	1,738	(40)	605
Intra-City	7	4	6	9	10	7	(3)	—
Total Operating Expenditures	**10,757**	**11,612**	**11,884**	**12,781**	**12,814**	**13,026**	**212**	**2,269**
Other City Funds Supporting Education								
Pensions	102	384	452	572	850	1,127	277	1,025
G.O. Bond Debt Service	385	496	435	385	527	655	129	270
State Aid for Debt Service	(3)	(3)	(3)	(3)	(3)	(3)	—	—
TFA Debt Service	125	155	181	211	250	267	17	142
Labor Reserve	10	—	—	—	—	—	—	(10)
Total Additional City Funds	**619**	**1,032**	**1,065**	**1,165**	**1,624**	**2,047**	**423**	**1,427**
TOTAL CITY FUNDS FOR EDUCATION	**5,304**	**5,956**	**5,850**	**6,268**	**6,815**	**7,437**	**622**	**2,133**
TOTAL STATE FUNDS FOR EDUCATION	**4,867**	**5,404**	**5,651**	**5,867**	**5,799**	**5,871**	**72**	**1,004**

The amounts shown for 2000 through 2003 represent actual expenditures including pensions and debt service funds budgeted in other agencies. The 2004 amounts represent the latest forecast as per the 2005 Executive Budget. G.O. Debt Service numbers have been corrected to reflect the impact of pre-payments. The 2003 City and Federal operating budget numbers have been corrected to reflect $29.9 million of FEMA expenditures for lost instructional time, which were reimbursed at the Citywide level rather than in the Department of Education's budget.

Expense Budget Highlights

Additional Resources for Children First Reforms

- an additional $59.0 million to provide retained and low-performing third-grade students with specialized small group literacy and math instruction during school hours, additional math and literacy instruction during out-of-school time, books selected to reinforce vocabulary development, and enhanced professional development for teachers.

- an additional $32.0 million for the Summer Success Academy to support struggling second and third grade students by providing focused and differentiated instruction in small class groupings.

- an additional $25.0 million to insure that average class size in the third grade is maintained throughout implementation of the new promotion policy for third grade students.

Providing Core Services

- an additional $72.5 million for the potential cost increase of the 2002 round of collective bargaining.

- an additional $63.3 million for increased fringe benefit costs.

- an additional $21.8 million for the increased cost of providing transportation to general and special education students.

- an additional $16.5 million for the increased cost of leases and energy.

- an additional $12.1 million for increased charter school support.

- an additional $6.2 million for the increased cost of instruction and transportation for special education pre-kindergarten students attending private facilities.

- an additional $6.2 million for the school safety program to insure that it remains more consistently staffed at the authorized headcount level of 4,259 School Safety Agents and 163 civilians.

- an additional $2.9 million for the increased cost of transportation and instruction of school-age special education students attending private facilities.

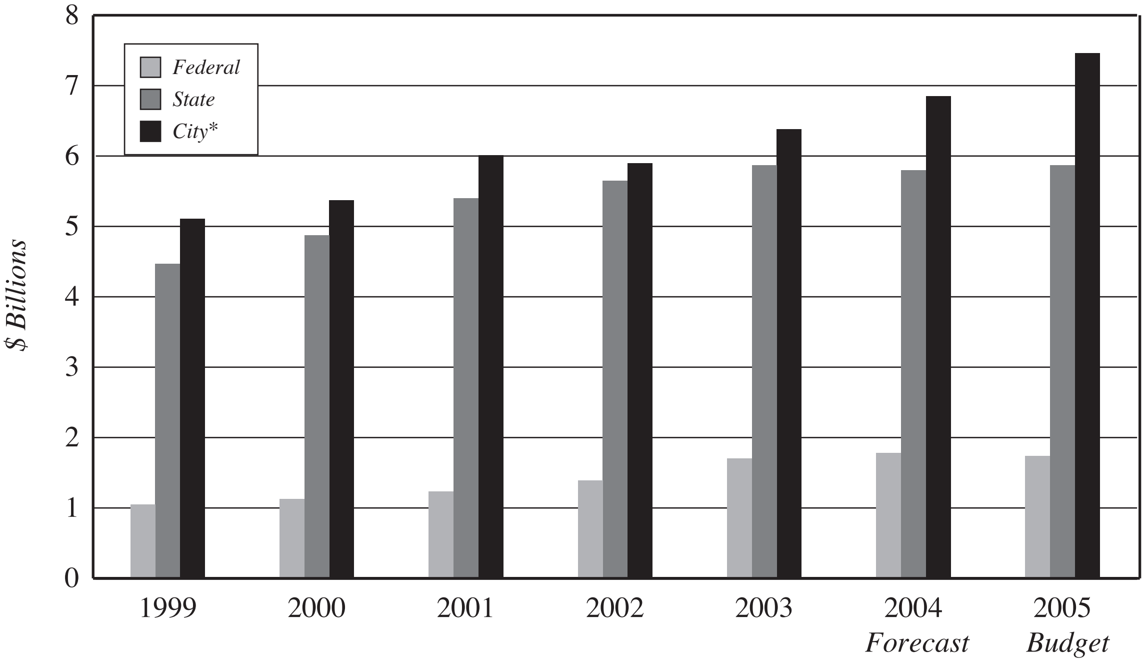
The $5,390.0 million City funds budget for 2005 provides the Department of Education with $198.6 million more than is mandated by the maintenance of effort requirement established by the State as part of the governance changes passed in the summer of 2002. This provision of State law requires that the City funding provided in the Adopted Budget (excluding City funding for pensions and debt service) cannot be less than the amount provided for in the current year's budget. In the case of a year-to-year drop in the amount of City funds available for the total Citywide budget, the requirement permits the City to reduce education funding by a proportional amount.

Summary of Agency Financial Data
($000's)

	2003 Actual	2004 Forecast	2005 Preliminary Budget	2005 Executive Budget	Increase/(Decrease) 2004 Forecast	Increase/(Decrease) 2005 Preliminary Budget
Expenditures						
Salary and Wages	$7,640,977	$7,420,163	$7,486,035	$7,473,607	$53,444	($12,428)
Fringe Benefits	1,847,954	1,921,509	1,938,738	2,007,489	85,980	68,751
Other Than Personal Service (OTPS)	3,292,058	3,472,271	3,307,884	3,544,752	72,481	236,868
Total	$12,780,989	$12,813,943	$12,732,657	$13,025,848	$211,905	$293,191
Funding						
City	$5,103,243	$5,191,324	$5,212,867	$5,389,894	$198,570	$177,027
Other Categorical Grants	107,296	38,718	15,318	23,318	(15,400)	8,000
IFA	—	—	—	—	—	—
State	5,864,110	5,795,570	5,756,159	5,867,710	72,140	111,551
Federal CD	5,000	5,000	5,000	5,000	—	—
Federal Other	1,692,254	1,773,227	1,736,822	1,733,385	(39,842)	(3,437)
Intra-City	9,086	10,104	6,491	6,541	(3,563)	50
Total	$12,780,989	$12,813,943	$12,732,657	$13,025,848	$211,905	$293,191
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$—	$—	$—	$—	$—	$—
Pensions	692,166	985,826	1,210,122	1,263,009	277,183	52,887
OTPS						
Judgments and Claims	33,192	36,000	34,000	32,000	(4,000)	(2,000)
Debt Service	385,126	526,723	671,479	655,410	128,687	(16,069)
Intra-City Pensions	(120,005)	(136,005)	(136,005)	—	—	—
Total Additional Costs	$990,479	$1,412,544	$1,779,596	$1,814,414	$401,870	$34,818
Funding						
City	987,294	1,409,359	1,776,411	1,811,229	401,870	34,818
Non-City	3,185	3,185	3,185	3,185	—	—
Total Agency Costs (including Central Accounts)						
Salary and Wages	$7,640,977	$7,420,163	$7,486,035	$7,473,607	$53,444	($12,428)
Fringe Benefits	1,847,954	1,921,509	1,938,738	2,007,489	85,980	68,751
Pensions	692,166	985,826	1,210,122	1,263,009	277,183	52,887
Total PS	$10,181,097	$10,327,498	$10,634,895	$10,744,105	$416,607	$109,210
OTPS	$3,292,058	$3,472,271	$3,307,884	$3,544,752	$72,481	$236,868
Judgments and Claims	33,192	36,000	34,000	32,000	(4,000)	(2,000)
Debt Service	385,126	526,723	671,479	655,410	128,687	(16,069)
Intra-City Pensions	(120,005)	(136,005)	(136,005)	(136,005)	—	—
Total OTPS	$3,590,371	$3,898,989	$3,877,358	$4,096,157	$197,168	$218,799
Total Agency Costs	$13,771,468	$14,226,487	$14,512,253	$14,840,262	$613,775	$328,009
Less Intra-City	$9,086	$10,104	$6,491	$6,541	($3,563)	$50
Net Agency Costs	$13,762,382	$14,216,383	$14,505,762	$14,833,721	$617,338	$327,959
Funding						
City	6,090,537	6,600,683	6,989,278	7,201,123	600,440	211,845
Non-City	7,671,845	7,615,700	7,516,484	7,632,598	16,898	116,114
Personnel (includes FTEs at fiscal year-end)						
City	110,435	113,138	113,047	112,533	(605)	(514)
Non-City						
• IFA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	24,542	21,043	21,043	21,043	—	—
Total	134,977	134,181	134,090	133,576	(605)	(514)

Note: Totals may not add due to rounding.

FUNDING SOURCES 1999-2005



** City funds include TFA and GO debt service, pensions, other categorical, and capital IFA, but exclude intra-city.*

New York City Public School Enrollment

School Year 2001-2005

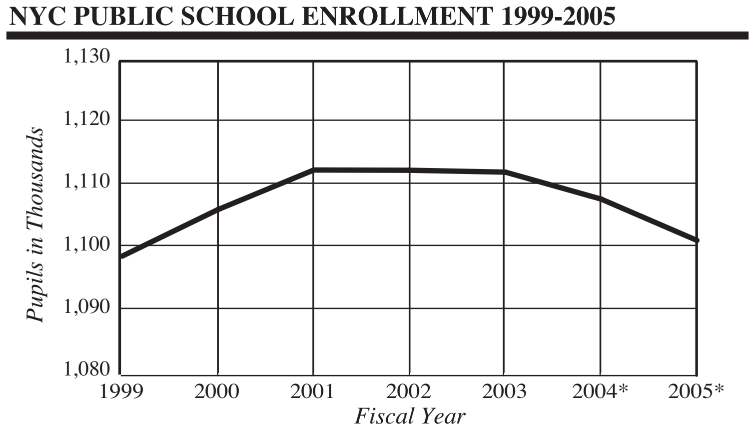
	2001 Actual	2002 Actual	2003 Actual	2004 Projection	2005 Projection
DOE Facilities Enrollment					
General Education	959,616	957,265	951,442	945,125	937,413
Special Education*	82,465	79,234	79,310	80,084	79,415
Pre-Kindergarten**	27,323	29,083	30,264	29,333	29,333
Subtotal	1,069,404	1,065,582	1,061,016	1,054,615	1,046,161
Non-DOE Facilities Enrollment					
Charter Schools	3,274	3,267	4,455	6,349	7,215
Contract Schools	4,696	5,063	5,791	5,827	5,827
Universal Pre-Kindergarten	13,686	15,929	17,082	16,384	16,384
Special Ed Pre-Kindergarten	21,582	22,776	23,935	24,863	25,826
Subtotal	43,238	47,035	51,263	53,423	55,252
TOTAL	1,112,641	1,112,617	1,112,279	1,108,038	1,101,413

* Special Education enrollment includes: Community School Districts (CSD) and High School Full-Time Special Education, Citywide, Home and Hospital Instruction, and Integrated students.

** Pre-Kindergarten at DOE facilities includes Superstart, Superstart Plus, and Universal Pre-K.

Programmatic Review

The Student Population



Includes Charter Schools, Special Ed Pre-K, Universal Pre-K, Superstart, Superstart Plus, and Contract schools. Excludes LTA's.
** Projected as of FY05 Executive Budget*

Total public school enrollment, including pre-kindergarten, charter school and contract school students, will decrease 6,625 from 1,108,038 in 2004 to a projected 1,101,413 in 2005. In the coming fiscal year, the City projects that general education public school enrollment for kindergarten through twelfth grade will be 944,628 or 6,919 less than in 2004. Of these students, 937,413 are expected to attend schools run by the Department of Education, and 7,215 are expected to attend charter schools. The Universal Pre-Kindergarten and Superstart/Superstart Pre-Kindergarten combined enrollments are expected to be 45,717. Of these students, 29,333 are expected to attend Department of Education schools, and 16,384 are expected to attend programs run by community based organizations.

In 2005 the City projects that 85,242 school-age students will be enrolled in full-time special education programs. Of these students, 79,415 are expected to attend Department of Education facilities, and 5,827 are expected to attend specialized private facilities ("contract schools") paid for through the Department's budget. Since 2003, the school-age special education population has grown by 141 students. The City's total special education population also includes approximately 26,000 pre-kindergarten students and a small group of school-age special education students placed in specialized facilities through steps taken outside the Department's regular referral process.

Staffing Levels

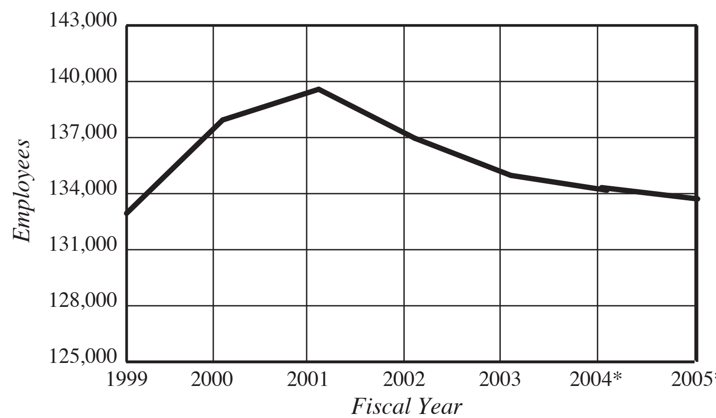
In 2005 the City projects that the Department will reduce its 2004 staffing level of 134,181 positions by 605 to 133,576. Of this 2005 count, 117,627 are full time and 15,949 are Full Time Equivalents (FTEs). Pedagogical employees (which include teachers, superintendents, principals, assistant principals, guidance counselors, school secretaries, educational paraprofessionals and other school support staff) make up 108,348 of the full time employees and 1,263 of the FTEs. Non-pedagogical employees represent 9,279 of the full time employees and 14,686 of FTEs. Of the full time pedagogical employees approximately 77,000 are teachers, with over 62,000 providing general education services and almost 15,000 providing special education services. An additional number of new teachers will be added by September 2004 to deliver services to struggling third graders as part of the Department's new promotion policy. This new staff is not reflected in the numbers above.

Continuation of the Children First Initiative

During 2005 the Department of Education will continue to expand the early grade academic intervention strategies and supports that are an integral part of the Department's new promotion policy for the third grade. Specifically, the Department will hire additional staff to support lower class sizes and provide more small-group and individualized support for struggling students. The additional staff will support intensive math and literacy programs in the early grades, as well as the expansion of specialized early intervention strategies. The Department will also conduct ongoing assessments of students and provide supplemental professional development for third grade teachers on strategies and skills to improve outcomes for struggling students.

The Department will continue its ongoing initiative to create 200 new small and academically rigorous secondary schools in high need areas throughout the City. Sixty new small secondary schools are scheduled to open in September 2004. Many of these small schools will be strategically located in campuses with large high schools in an effort to transform large schools that have struggled in the past and create more effective learning communities. The Department will provide funding to campuses hosting multiple new schools that will be used for educational supports, after-school and evening programs, weekend academies, mentoring, enriched guidance and counseling, and other youth development supports.

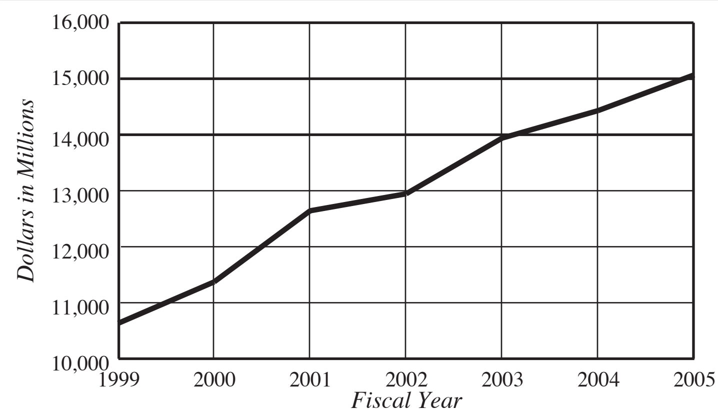
FULL TIME AND FULL TIME EQUIVALENT DEPARTMENT OF EDUCATION EMPLOYEES 1999-2005



** Projected as of FY05 Executive Budget*

Throughout the school system, the Department will continue to implement its core curriculum for literacy and math. In FY 2005, the Department will expand the phase-in of the math curriculum in elementary and middle schools, and expand the implementation of the Secondary Literacy Program for students reading below grade level. The Department will also upgrade classroom libraries to nearly 15,000 K-3 classrooms, and provide materials and supports to new classrooms.

TOTAL DEPARTMENT OF EDUCATION EXPENDITURES 1999-2005*



** Total DOE expenditures include pensions, TFA and GO debt service, other categorical, and labor reserve amounts and exclude Intra-City funds.*

With respect to ongoing efforts to increase parent involvement throughout the City, the Department will continue to support parent coordinators at the school level and devote resources to the establishment of Community Education Councils - each composed primarily of public school parents - that will replace the current Community School Boards.

Finally, the Department will continue its initiatives to improve school safety through the creation of additional after-School suspension sites, off-site suspension centers and New Beginnings programs.

Capital Review

The City's Four-Year Plan for 2005-2008 anticipates spending $10,508.0 million-funded evenly between the City and the State-on school construction projects and includes the first four years of the Department of Education's (DOE) Five-Year Plan for 2005-2009. The capital program's primary objectives are to provide additional capacity and arrest deterioration of the physical plant. The School Construction Authority (SCA) is responsible for acquiring new school sites and for the design and construction of capital projects that will meet these objectives. Since 1997 the Department of Design and Construction (DDC) has also participated in the rehabilitation of school buildings. Each year the DOE allocates funding to both SCA and DDC.

To address the seating shortage, the City's Four-Year Plan provides $2,141.7 million for the construction of new schools. An additional $1,414.8 million is allocated for system expansion associated with new leases, building additions, transportables, modular classrooms, athletic fields and playgrounds. The Plan provides $2,404.5 million to rehabilitate, replace and upgrade building components. In order to meet high standards for entire school buildings, $327.5 million is designated for existing buildings to undergo major modernizations. Additionally, $3,123.5 million funds capital improvements associated with programmatic needs, including computers and science labs. Other miscellaneous capital improvements make up the balance of funding. These include emergency projects, research and development, and prior plan completion costs ($790.1 million) as well as security systems, emergency lighting and code compliance ($306.1 million).

The City's Four-Year Plan includes the first four years of the DOE's Fourth Five-Year Plan with total funding of $13,122.0 million. In addition to providing capacity and arresting deterioration, this new Five-Year Plan emphasizes school construction projects that support the DOE's instructional agenda. The Plan directs capital resources to struggling schools so that they can restructure existing facilities. In many cases this restructuring involves dividing large middle and high schools into separate learning environments distinguished by separate entrances and distinct architectural elements. These smaller institutions support the creation of cooperative and supportive learning communities where both students and staff experience a greater sense of commitment to education. The Plan also provides funding for space needed to reduce class size in kindergarten through third grade and serve additional pre-kindergarten students, as well as for science labs, physical education facilities, safety needs, technology and other enhancements. In its current form this $13,122.0 million plan is funded in equal shares by the City and the State. The actual level of State funding, however, will be determined as part of the State response to the Campaign for Fiscal Equity Lawsuit and is subject to change.

The table below shows the capital commitments by program area over the 2003-2008 period.

Capital Commitments

($000's)

	2003 Actual		2004 Plan		2005 Plan		2006 Plan		2007 Plan		2008 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
System Expansion New Schools	$92,665	$92,665	$123,604	$126,054	$154,480	$308,200	$346,647	$693,293	$300,222	$600,446	$269,865	$539,726
System Expansion Other	49,411	49,411	74,978	74,978	99,694	198,896	101,262	202,525	264,439	528,879	242,237	484,474
School Modernizations	50,878	50,878	12,220	12,220	133,862	267,063	17,030	34,061	3,477	6,953	9,706	19,413
Rehabilitation of School Components	205,346	223,057	183,610	196,118	338,934	676,197	305,411	610,822	250,751	501,502	307,968	615,937
Educational Enhancements	75,953	95,465	114,277	114,413	430,753	859,383	396,241	792,482	361,889	723,777	373,895	747,791
Emergency, Unspecified and Miscellaneous	200,284	203,380	127,163	130,200	108,068	215,603	94,670	189,340	101,448	202,896	91,124	182,249
Safety and Security	30,328	30,792	7,469	7,469	53,391	106,519	51,418	102,835	30,453	60,905	17,884	35,768
Total	$704,865	$745,648	$643,321	$661,452	$1,319,182	$2,631,861	$1,312,679	$2,625,358	$1,312,679	$2,625,358	$1,312,679	$2,625,358

Table includes all budget lines

Capital Highlights

The City's 2005-2008 Plan features:

- the creation of 36,627 new classroom seats to alleviate overcrowding in all grades (4,830 in 2005, 1,590 in 2006, 7,238 in 2007, and 22,969 in 2008) through new schools, additions and leased facilities.

- the use of $1,627.2 million of City and State funds to restructure existing facilities to help turn around struggling schools.

- the use of $617.0 million of City and State funds for classroom technology projects, $155.0 million for safety needs, and over $1,000.0 million for science labs, accessibility projects, physical fitness facilities and other enhancements.

- the use of $280.0 million of City and State funds to create small partnership and charter schools.

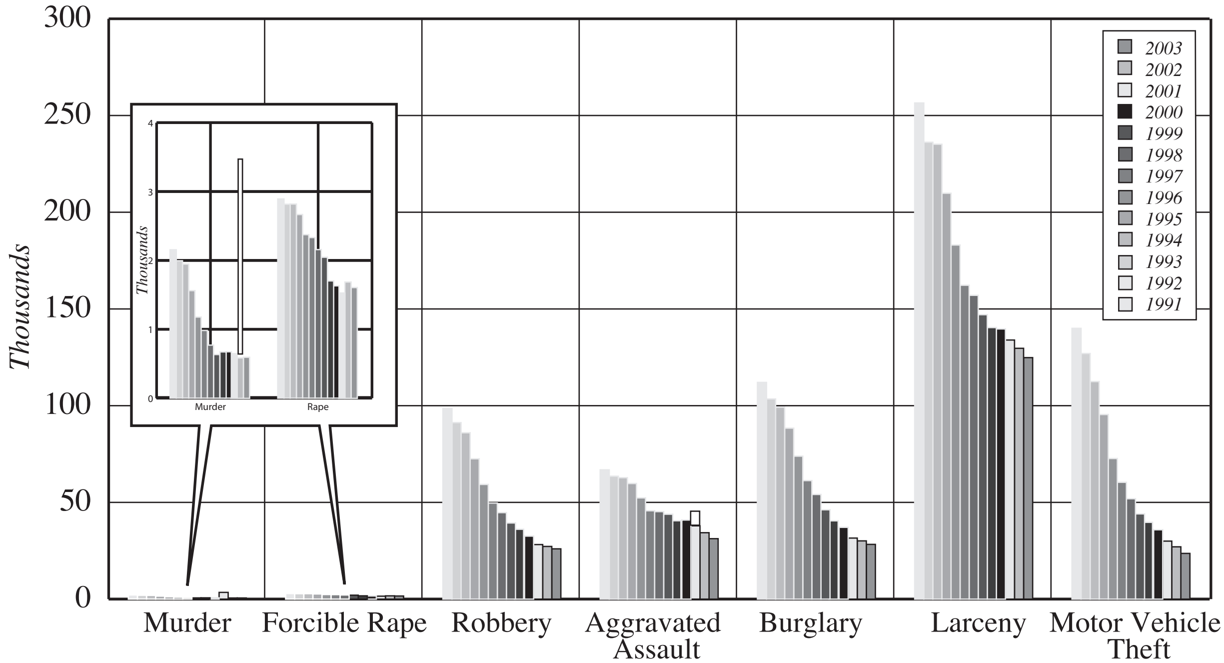
ADMINISTRATION OF JUSTICE

Overview

As demonstrated by both crime measures, NYPD Compstat and FBI index, crime in New York City continues to decrease to record low levels. In calendar 2003, overall Compstat crime complaints decreased by five percent compared to 2002. Additionally, first quarter 2004 complaints dropped another two percent compared to the first quarter of 2003. In fact, five of the seven crime categories, for the first quarter of 2004, have decreased in comparison to 2003. Murder has experienced the largest decrease (10 percent), followed by Grand Larceny Auto (eight percent), Assault (seven percent), Robbery (six percent), and Rape (two percent). Grand Larceny has increased by three percent and Burglary by 0.4 percent. The 2003 FBI crime index, the last year currently available, supports this trend. Overall, FBI index crimes in New York City decreased by six percent.

NEW YORK CITY FBI INDEX CRIMES

*Calendar Years 1991-2003***

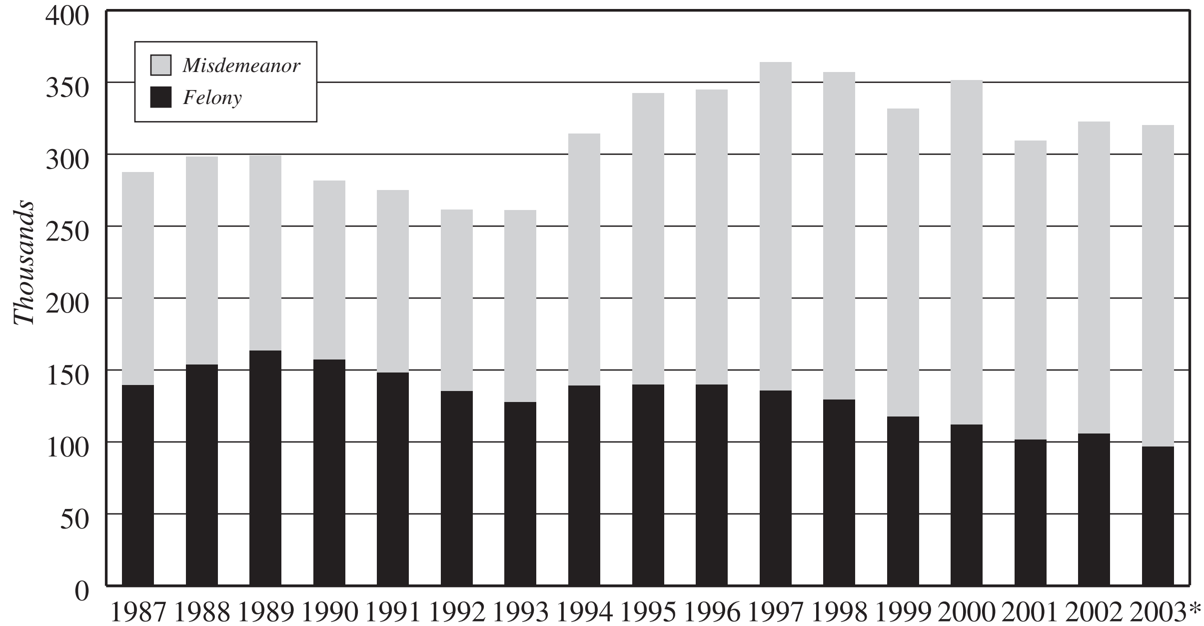


** In 2001, for Murder and Aggravated Assault, the unshaded portion represents World Trade Center victims.*
*** Preliminary Data for 2003.*

Arrests totaled 340,236 in calendar 2003, consistent with the number of arrests in 2002, which were 340,540. While overall arrests remained fairly constant, the arrest composition changed. Felony arrests decreased from 31 percent of total arrests to 28 percent and misdemeanor arrests increased from 64 percent of total arrests to 66 percent.

NEW YORK CITY FELONY & MISDEMEANOR ARRESTS

Calendar Year 1987-2003



* *Preliminary*
1987 – 2003 as per Official Crime Comparison Reports

In 2003, the proportion of felony arrests decreased for the first time in three years, from 31 percent to 28 percent. This continues a downward trend in the proportion of felony arrests since the 1990's when felonies represented 55 percent of total arrests. In contrast, the proportion of misdemeanor arrests increased for the first time in two years, from 64 percent to 66 percent. This upward trend in the proportion of misdemeanor arrests also began during the 1990's when misdemeanor arrests began increasing from 44 percent of total arrests. These changes have had varying repercussions on different areas within the Criminal Justice system. Decreases in the proportion of felony arrests have resulted in an overall decrease in Supreme Court filings, which tend to be more work intensive. In addition, half of all cases continue to be disposed of at arraignment.

The continued decrease of felony arrests has had an impact on the jail population as well. In 1992, the average daily inmate population was at a peak of 21,448 and the average length of stay was 70 days. At that time, felony arrests were over 135,000 and made up 51 percent of total arrests.

The 2004 average daily inmate population through February is 13,693. This is a decrease of six percent from 2003. Although total arrests have remained constant, the decrease in felony arrests has led to a one percent decrease in the incarceration rate, yielding a five percent decrease in system admissions.

POLICE DEPARTMENT

The Police Department expanded its highly successful Operation Impact program in January 2004. Responsible for reducing crime by 33 percent in targeted Impact Zones in calendar 2003, the NYPD extended the program to cover 52 Impact Zones - 25 zones are within 22 precincts, 25 zones in 26 subway stations and two zones in nine housing developments. The new sites were selected based on the analysis of crime trends identified through Compstat.

The Police Department has begun planning for security associated with the Republican National Convention to be held in August 2004. With additional Federal and City funding, the NYPD has begun specialized training for officers who will work during the event. Funding has also been provided for equipment, technology and communications associated with the convention.

DEPARTMENT OF CORRECTION

With the average daily population remaining below 15,000 for the fourth year in a row, the Department of Correction has continued its population management strategies of facility closures and bed consolidations.

Reducing bed capacity as much as possible given the current inmate population has saved the City millions of dollars. The Department is also achieving additional savings through more efficient service delivery in areas like transportation and food service and through technology enhancements such as video teleconferencing and digital photography. Further initiatives that the Department will focus on in 2005 include reducing the proliferation of drugs within its facilities and preventing inmate suicides.

Other Criminal Justice Programs

The population mix of juveniles in detention has changed with respect to the number in secure and non-secure detention. The non-secure detention population has increased and in response the Department of Juvenile Justice is funded to increase non-secure detention capacity from 160 to 176 beds.

In August 2003, the Mayor, Police Commissioner, Criminal Justice Coordinator and the City District Attorneys announced a collaborative initiative called “The John Doe Indictment Project”. This project is a new citywide initiative designed to improve the criminal justice outcomes of cases involving DNA evidence developed through the combined efforts of personnel from the Police, District Attorneys and Office of the Chief Medical Examiner, specifically sexual assault cases where the offender’s identity is unknown. The John Doe Indictment Project is designed to prevent sex offenders from using the statute of limitations to escape prosecution and to ensure optimal outcomes from the forensic evidence processed in the City’s laboratories.

POLICE DEPARTMENT

The principal mission of the Police Department is to maintain public safety and security, to respond to calls for emergency aid and to conduct investigations of criminal activity. In 2005, the Department will reach a peak uniform headcount of 36,988 in July and in January complemented by a planned civilian headcount of 9,307. These numbers include personnel in all operational, patrol, and support functions.

Financial Review

The New York Police Department's 2005 Executive Budget provides for an operating budget of $3.5 billion, a decrease of $200 million from the $3.7 billion forecast in 2004. This decrease is due primarily to reductions in civilian authorized headcount, budgeted overtime and OTPS. Capital commitments of $118 million are also provided in 2005.

Revenue Forecast

The Police Department collects revenue from fees charged for pistol licenses, rifle permits, fingerprint fees, accident records, tow fees, and unclaimed cash and property that is abandoned or confiscated as a consequence of the commission of a crime. The City is also collecting E-911 surcharges imposed on all New York City cellular telephones and land line telephones. In 2005, the revenue estimate for the Police Department is $102 million.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- in January 2004, the NYPD hired a recruit class of 730 uniform officers largely funded by the Department of Justice's COPS Universal Hiring Program. The Department will receive $91 million in Federal funding for the salaries of these 730 new officers. These officers were hired to increase the Department's average uniform headcount. Beginning in 2005 and thereafter, the Department plans to hold recruit classes each January and July which will allow it to reduce the variation in month-to-month uniform headcount.

- in anticipation of the Republic National Convention in August 2004, the NYPD received $21 million in 2004 for training and equipment and technology purchases necessary to safeguard the City during the convention. In addition, $30 million is being provided in 2005 for expenses related to the convention.

- Operation Impact, a highly successful program to target violent crime in selected areas, was expanded in January 2004 to cover 52 Impact Zones. This program costs $20 million at current deployment levels.

Streamlining

- authorized civilian headcount was reduced by 291 in 2004 resulting in a savings of $10 million.

Summary of Agency Financial Data

The following table compares the 2005 Executive Budget with the 2005 Preliminary Budget, the 2004 forecast and actual expenditures for 2003.

Summary of Agency Financial Data
($000's)

	2003 Actual	2004 Forecast	2005 Preliminary Budget	2005 Executive Budget	Increase/(Decrease) 2004 Forecast	Increase/(Decrease) 2005 Preliminary Budget
Expenditures						
Salary and Wages	$3,265,331	$3,303,011	$3,181,498	$3,189,480	($113,531)	$7,982
Fringe Benefits	69,893	$78,024	$72,400	$72,400	(5,624)	—
Other Than Personal Service (OTPS)	254,375	$291,513	$204,229	$211,285	(80,228)	7,056
Total	$3,589,599	$3,672,548	$3,458,127	$3,473,165	($199,383)	$15,038
Funding						
City	$3,158,965	$3,244,879	$3,177,883	$3,193,045	($51,834)	$15,162
Other Categorical Grants	120,760	97,921	69,092	69,216	(28,705)	124
IFA	1,797	1,797	1,797	1,797	—	—
State	15,453	17,079	4,959	4,959	(12,120)	—
Federal CD	353	—	—	—	—	—
Federal Other	157,971	180,188	74,112	73,864	(106,324)	(248)
Intra-City	134,303	130,684	130,284	130,284	(400)	—
Total	$3,589,599	$3,672,548	$3,458,127	$3,473,165	($199,383)	$15,038
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$929,280	$967,744	$1,035,163	$1,024,201	$56,457	($10,962)
Pensions	640,894	838,267	1,069,853	1,117,684	279,417	47,831
OTPS						
Judgments and Claims	91,701	93,376	116,942	99,704	6,328	(17,238)
Debt Service	40,775	61,662	73,641	71,858	10,196	(1,783)
Total Additional Costs	$1,702,650	$1,961,049	$2,295,599	$2,313,447	$352,398	$17,848
Funding						
City	1,630,935	1,914,686	2,280,331	2,298,236	383,550	17,905
Non-City	71,715	46,363	15,268	15,211	(31,152)	(57)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$3,265,331	$3,303,011	$3,181,498	$3,189,480	($113,531)	$7,982
Fringe Benefits	999,173	1,045,768	1,107,563	1,096,601	50,833	(10,962)
Pensions	640,894	838,267	1,069,853	1,117,684	279,417	47,831
Total PS	$4,905,398	$5,187,046	$5,358,914	$5,403,765	$216,719	$44,851
OTPS	$254,375	$291,513	$204,229	$211,285	($80,228)	$7,056
Judgments and Claims	91,701	93,376	116,942	99,704	6,328	(17,238)
Debt Service	40,775	61,662	73,641	71,858	10,196	(1,783)
Total OTPS	$386,851	$446,551	$394,812	$382,847	($63,704)	($11,965)
Total Agency Costs	$5,292,249	$5,633,597	$5,753,726	$5,786,612	$153,015	$32,886
Less Intra-City	$134,303	$130,684	$130,284	$130,284	($400)	—
Net Agency Costs	$5,157,946	$5,502,913	$5,623,442	$5,656,328	$153,415	$32,886
Funding						
City	4,789,900	5,159,565	5,458,214	5,491,281	331,716	33,067
Non-City	368,046	343,348	165,228	165,047	(178,301)	(181)
Personnel (includes FTEs at fiscal year-end)						
City	50,174	49,303	49,207	49,405	102	198
Non-City						
• IFA	38	74	74	74	—	—
• CD	—	—	—	—	—	—
• Other	575	660	215	215	(445)	—
Total	50,787	50,037	49,496	49,694	(343)	198

Note: Totals may not add due to rounding.

Programmatic Review

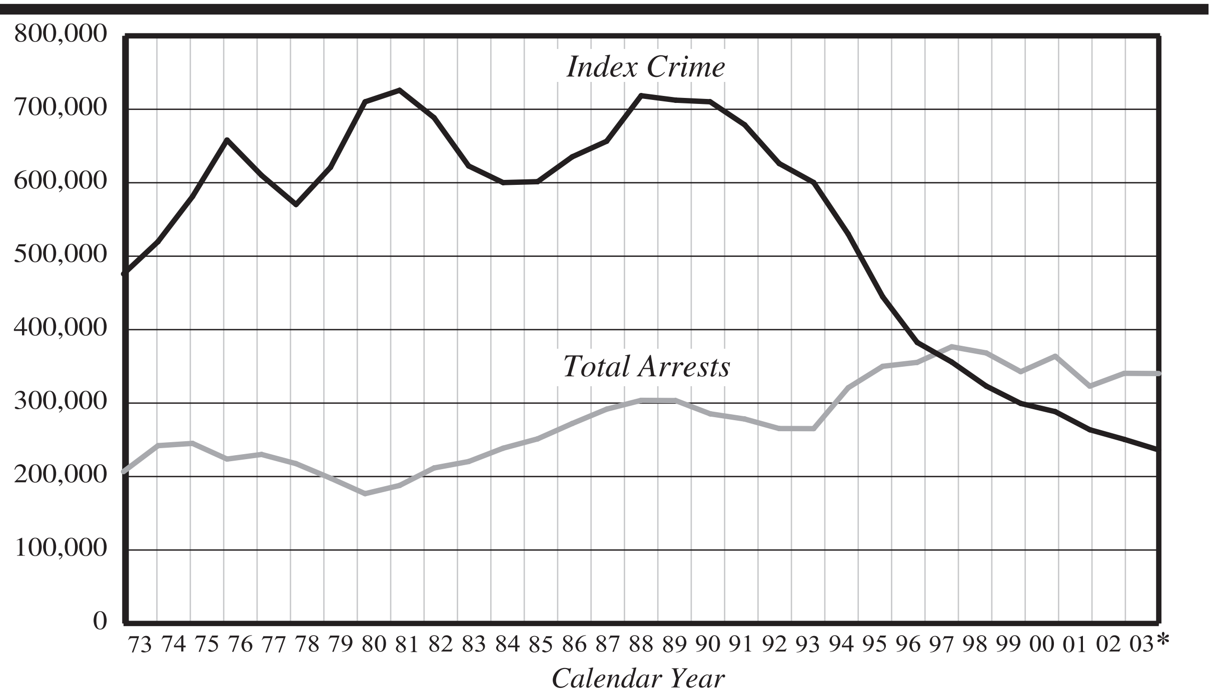
The 2005 Executive Budget supports the Department's effective management skills in identifying changing trends in crime and reacting rapidly. The Department's efforts have been successful in reducing crime to record low levels and meeting the challenge of keeping the City safe from international threats.

In January 2004, continuing with its successful crime fighting strategy, the Department launched Operation Impact II. Originally launched in January 2003 as Operation Impact, this initiative is aimed at reducing and preventing serious and violent crimes by deploying over 1,000 Police Officers each day to strategically targeted locations or impact zones. Based on the programs success of a 33 percent drop in crime in Impact Zones during calendar 2003, Operation Impact II was expanded to cover 52 Impact Zones. This program has been instrumental in ensuring that New York City remains "the safest big city in America".

Prior to 2004 the Department conducted recruit classes every July for replacement of attrition that occurred during the preceding twelve months. While this strategy provided for the replacement of critical resources to continue the fight against crime, it had its drawbacks. As part of the Department's on-going management and planning, the hiring plan was deemed deficient in maintaining adequate uniform strength levels throughout the year and inadequate for security measures associated with the Republican National Convention, scheduled for late August 2004. As a result the Department identified $91 million in Federal funding to largely fund the hiring of an additional 730 recruits in January 2004 that will graduate in time for deployment to the RNC. In addition, the Department modified its hiring plan to accommodate two recruit classes every year, January and July, to minimize large month-to-month fluctuations in uniform headcount and ensure consistency in deployment levels throughout the year.

In planning for the Republican National Convention, the Department was instrumental in lobbying for Federal assistance for secure coverage of this national event. As a result, the City will receive $25 million in Federal funding, in addition to $26 million in City funding, to defray costs associated with providing an enhanced police presence during the convention as well as allow for the purchase of equipment and communications technology necessary to safeguard the City during this event.

ARRESTS VERSUS CRIME

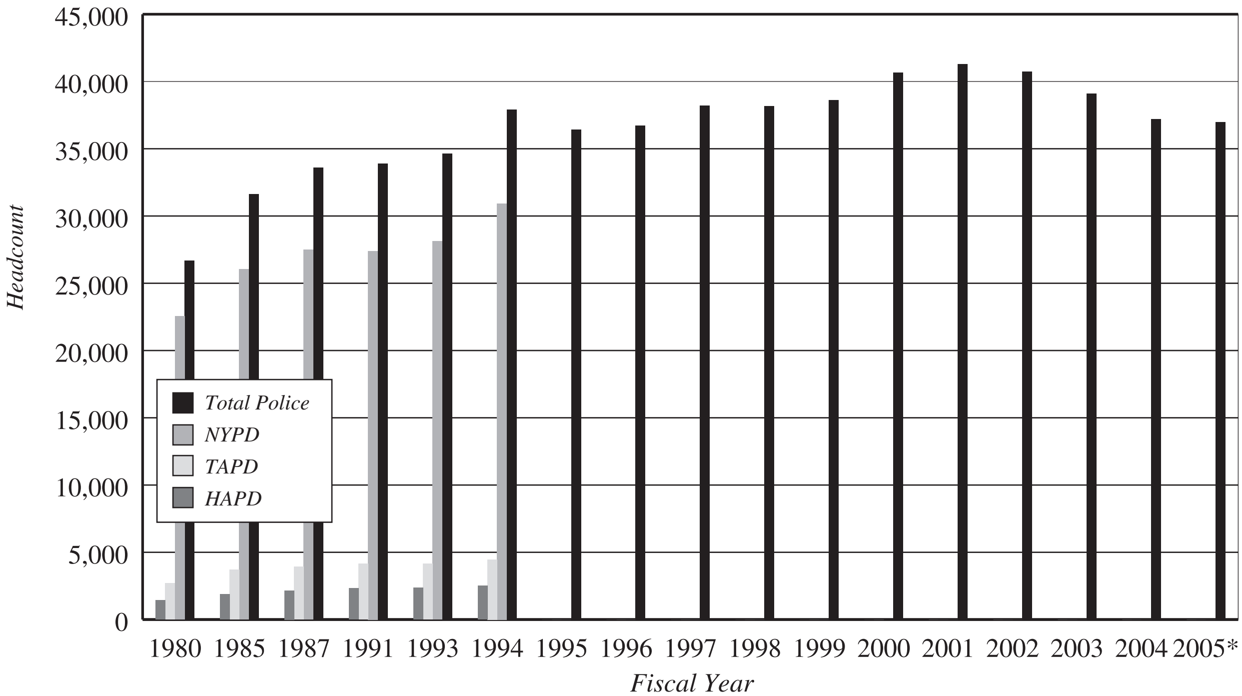


** NYPD Preliminary Data*
Arrests Totals include F.M.V. and Infractions

Uniformed Headcount

The Department hired 1,486 recruits in July 2003 to achieve a peak headcount of 37,210 and 730 recruits in January 2004 largely funded with $91 million in Federal COPS program funding. The 2005 Executive Budget assumes two recruit classes, in July 2004 and January 2005, to reach a new peak of 36,988 with the goal of minimizing large fluctuations in uniform strength levels.

TOTAL CITY, TRANSIT AND HOUSING POLICE FORCE



Note: Merger of the TAPD and HAPD with NYPD was completed in FY 95. ** Projection*

Capital Review

The Four-Year Program for the Police Department allocates $324 million for the replacement, reconstruction and maintenance of facilities citywide; replacement and upgrade of computer and communications equipment; and the replacement of transportation equipment, including Department helicopters and boats. The City is undertaking significant upgrades and enhancements to its 911 Emergency Dispatch System. The majority of the capital funding for this initiative, known as the Emergency Communications Transformation Program, is contained within the capital budget of the Department of Information Technology and Telecommunications (DOITT).

As part of the 2005 Executive Capital Commitment Plan, the Department was provided $60 million in additional funding for the maintenance and reconstruction of its existing facilities.

The Four-Year Program includes the following major items:

Police Facilities (total commitment, $145 million)

- the replacement of major building components for Department facilities ($145 million).

Communications and Computer Equipment (total commitment, $114 million)

- life cycle replacement of the Department's radio system ($51 million); portable radios ($27 million) and mobile radios ($5 million).

- acquisition of equipment for the Department's new arrest processing program ($7 million).

- life cycle replacement of the online warrant system ($8 million).

Miscellaneous Equipment (total commitment, $24 million)

- purchase and upgrade of miscellaneous equipment such as security systems upgrades, computer network infrastructure, and a closed circuit television system ($11 million).

The table below shows capital plan commitments by program area over the 2005-2008 period.

Capital Commitments

($000's)

	2003 Actual		2004 Plan		2005 Plan		2006 Plan		2007 Plan		2008 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Police Facilities	17,648	17,648	25,340	25,340	53,926	53,926	47,287	47,287	23,906	23,906	20,100	20,100
Computer Equipment	24,124	24,124	26,974	26,974	3,621	3,621	18,752	18,752	5,150	5,150	1,075	1,075
Communications	19,525	19,525	20,735	20,735	25,839	25,839	21,598	21,598	19,676	19,676	17,543	17,543
Equipment	18,231	18,231	11,940	11,940	18,096	18,096	1,140	1,140	2,169	2,169	2,614	2,614
Vehicles	1,498	1,498	12,871	12,871	16,431	16,431	4,346	4,346	15,814	15,814	5,250	5,250
Total	81,026	81,026	97,860	97,860	117,913	117,913	93,123	93,123	66,715	66,715	46,582	46,582

DEPARTMENT OF CORRECTION

The Department of Correction provides custody, care, and control of detainees awaiting trial or sentence; misdemeanants or felons sentenced to one year or less; State prisoners with court appearances in New York City; newly sentenced felons awaiting transportation to State correctional facilities; and alleged parole violators awaiting revocation hearings.

Financial Review

The Department of Correction's 2005 Executive Budget provides for operating expenses of $823 million, a decrease of $22 million from the amount forecast in 2004. This decrease is primarily due to a reduction in the overtime budget. Capital commitments of $139 million are also provided in 2005.

Revenue Forecast

The Department of Correction collects revenue from prison commissary operations, vending machines and surcharges on inmate telephone calls. In 2005, the Department expects to collect approximately $17 million from all revenue sources.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- in an effort to reduce the proliferation of drugs within its facilities, the Department will pilot a Drug Interdiction program on Rikers Island. In 2005, over $1 million has been made available to hire 14 Correction Officers and purchase equipment necessary to identify and reduce the presence of drugs in Rikers Island facilities.

- the Department has increased its efforts at suicide prevention. Officers will constantly supervise inmates placed on suicide watch by mental health professionals. Funding of $2 million has been provided.

- in 2004, the Department began working with the Center for Employment Opportunities (CEO) to provide employment services and job placements for City sentenced inmates being discharged from Rikers Island from the first day of their release. The Department will contribute $750,000 annually for this program.

- the Department expects to receive $19 million in 2004 through the U.S. Department of Justice State Criminal Alien Assistance Program. The 2004 Federal appropriation was 20 percent greater than 2003, when the City received $16 million.

Streamlining

- population in 2004 has remained low, at an average of 13,693 through February. This has enabled the Department to continue its population management strategies of facility closures and bed consolidations, saving the City millions of dollars.

- the Department will continue to operate with a reduced civilian headcount in 2005. Civilian authorized headcount will be 1,458, a reduction of 189 since the 2004 Adopted Budget.

Summary of Agency Financial Data

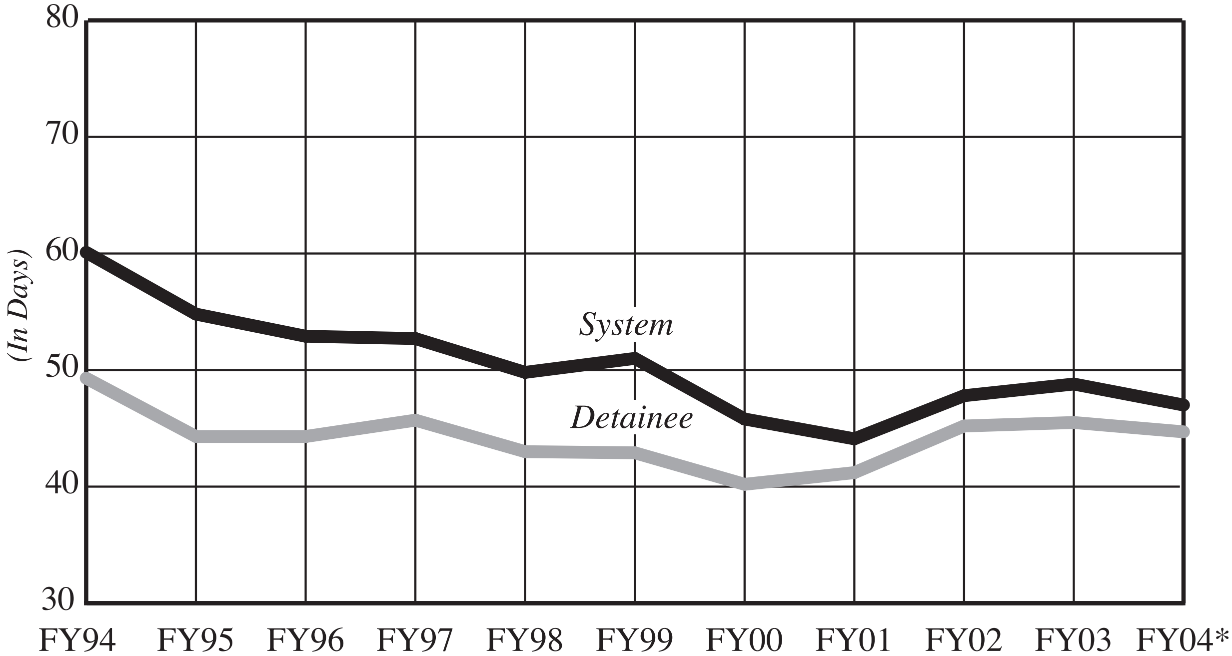
The following table compares the 2005 Executive Budget with the 2005 Preliminary Budget, the 2004 forecast and actual expenditures for 2003.

Summary of Agency Financial Data
($000's)

	2003 Actual	2004 Forecast	2005 Preliminary Budget	2005 Executive Budget	Increase/(Decrease) 2004 Forecast	Increase/(Decrease) 2005 Preliminary Budget
Expenditures						
Salary and Wages	$745,143	$725,549	$695,473	$698,709	($26,840)	$3,236
Fringe Benefits	19,116	15,933	17,289	17,289	1,356	—
Other Than Personal Service (OTPS)	102,198	103,874	110,247	107,364	3,490	(2,883)
Total	$866,457	$845,356	$823,009	$823,362	($21,994)	$353
Funding						
City	$822,871	801,637	785,085	785,433	($16,204)	$348
Other Categorical Grants	598	417	—	—	(417)	—
IFA	—	—	—	—	—	—
State	20,428	19,806	19,560	19,560	(246)	—
Federal CD	—	—	—	—	—	—
Federal Other	21,882	22,451	17,324	17,324	(5,127)	—
Intra-City	678	1,045	1,040	1,045	—	5
Total	$866,457	845,356	823,009	823,362	($21,994)	$353
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$210,237	$205,449	$219,855	$215,762	$10,313	($4,093)
Pensions	6,810	32,663	87,008	104,265	71,602	17,257
OTPS						
Judgments and Claims	37,806	23,558	26,649	25,000	1,442	(1,649)
Debt Service	137,050	148,524	160,556	156,669	8,145	(3,887)
Total Additional Costs	$391,903	$410,194	$494,068	$501,696	$91,502	$7,628
Funding						
City	382,267	400,117	488,433	496,077	95,960	7,644
Non-City	9,636	10,077	5,635	5,619	(4,458)	(16)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$745,143	$725,549	$695,473	$698,709	($26,840)	$3,236
Fringe Benefits	229,353	221,382	237,144	233,051	11,669	(4,093)
Pensions	6,810	32,663	87,008	104,265	71,602	17,257
Total PS	$981,306	$979,594	$1,019,625	$1,036,025	$56,431	$16,400
OTPS	$102,198	$103,874	$110,247	$107,364	$3,490	($2,883)
Judgments and Claims	37,806	23,558	26,649	25,000	1,442	(1,649)
Debt Service	137,050	148,524	160,556	156,669	8,145	(3,887)
Total OTPS	$277,054	$275,956	$297,452	$289,033	$13,077	($8,419)
Total Agency Costs	$1,258,360	$1,255,550	$1,317,077	$1,325,058	$69,508	$7,981
Less Intra-City	$678	$1,045	$1,040	$1,045	—	$5
Net Agency Costs	$1,257,682	$1,254,505	$1,316,037	$1,324,013	$69,508	$7,976
Funding						
City	1,205,138	1,201,754	1,273,518	1,281,510	79,756	7,992
Non-City	52,544	52,751	42,519	42,503	(10,248)	(16)
Personnel (includes FTEs at fiscal year-end)						
City	10,109	10,188	10,129	10,137	(51)	8
Non-City						
• IFA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	867	863	858	858	(5)	—
Total	10,976	11,051	10,987	10,995	(56)	8

Note: Totals may not add due to rounding.

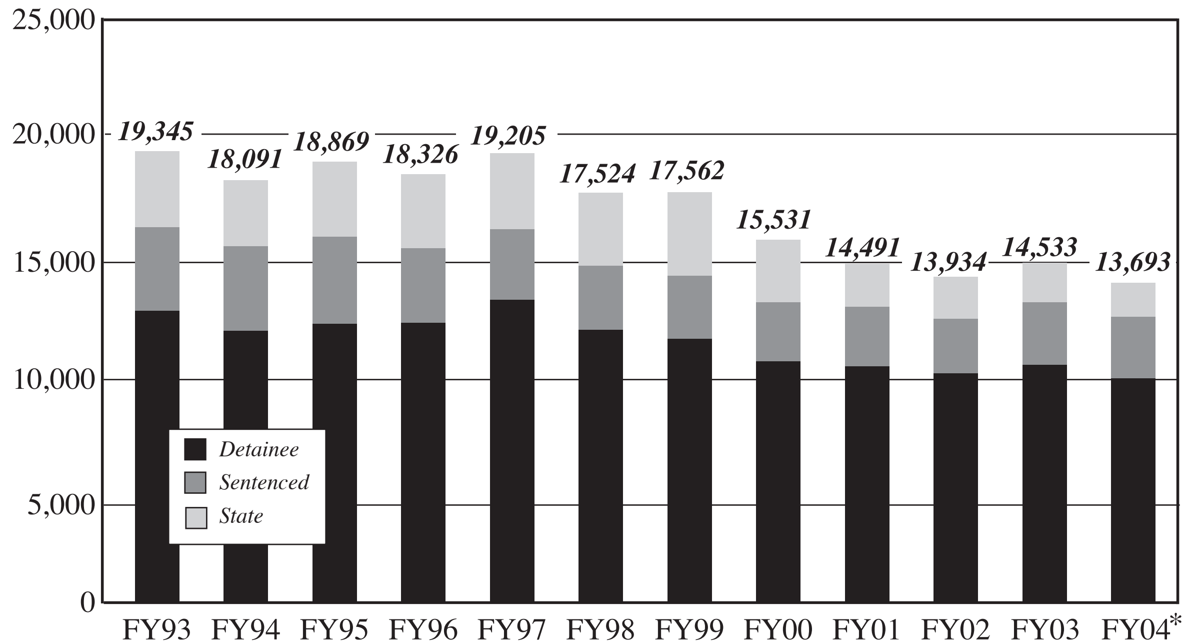
AVERAGE LENGTH OF STAY (By Fiscal Year)



* *YTD through February 29, 2004*

AVERAGE DAILY INMATE POPULATION

By Fiscal Year



* *YTD through February 29, 2004*

The average daily population through February 2004 was 13,693, a decrease of six percent compared to 2003. Although arrests have remained constant, the incarceration rate has decreased, resulting in a five percent decline in overall system admissions.

With felony admissions falling, length of stay has dropped as felony cases take the longest time to adjudicate. System length of stay through February 2004 decreased by four percent; from an average of 49 days in 2003 to 47 days in 2004.

With average daily population remaining below 15,000 for the fourth year in a row and reaching its lowest annual average since 1987, the Department continues to focus on efficiencies in service delivery (e.g. food services and transportation) and through technology enhancements (e.g. video teleconferencing and digital photography).

Capital Review

The Department's Four-Year Capital Plan totals $536 million for capital improvements and equipment purchases. The Four-Year Plan includes $344 million for capacity replacement, $13 million for construction of support space, $123 million for major overhaul of building systems and infrastructure, and $56 million for acquisition of new equipment.

The table below shows capital plan commitments by program area over the 2005-2008 period:

Capital Commitments

($000's)

	2003 Actual		2004 Plan		2005 Plan		2006 Plan		2007 Plan		2008 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Capacity Replacement	75,652	75,652	4,136	4,136	68,691	68,691	75,215	75,215	94,706	94,706	105,000	105,000
Support Space	-5,731	-5,731	10,137	10,137	7,118	7,118	1,947	1,947	4,200	4,200	0	0
Building Systems and Infrastructure	32,756	32,756	35,843	36,243	53,233	53,233	15,071	15,071	7,027	7,027	47,596	47,596
Equipment	6,910	6,910	18,723	18,723	9,965	9,965	17,841	17,841	11,050	11,050	16,982	16,982
Total	109,587	109,587	68,839	69,239	139,007	139,007	110,074	110,074	116,983	116,983	169,578	169,578

Capacity Replacement

The Department's capital program funds the replacement of aging structures originally designed as temporary housing with permanent structures. Design of the first facility, an addition to the George R. Vierno Center, began in 1999. Originally designed as a 448-cell bed addition, this addition is currently being redesigned to hold 112-cell beds and 720-dormitory beds. Construction began in 2002 and will continue through 2007. The total project cost remains within the $121 million budget.

The modular replacement program will not change the overall bed capacity of the jails. The beds in the new, permanent facilities will simply replace existing bed capacity in temporary housing structures. The new facilities will improve the operations, security and environmental health of the jails.

The Four-Year Plan includes $344 million for the modular replacement program. Commitments include:

- construction of an 832 bed addition at the George R. Vierno Center ($27 million).

- design completion and construction of an 800-bed addition to the Rose M. Singer Center ($87 million).

- design completion and construction of a 200-bed addition to the Adolescent Reception and Detention Center ($23 million).

- design and construction of capacity replacement beds at various facilities ($205 million).

Building Systems, Infrastructure and Support Space

The Department will undertake improvements to building systems, infrastructure, and support space. Commitments total $136 million in the Four-Year Plan and include:

- roof reconstruction at the Anna M. Kross Center ($2 million).

- upgrade of system-wide perimeter security fencing at various facilities ($5 million).

- completion of a visit house for the Eric M. Taylor Center ($5 million).

- shower reconstruction at the Adolescent Reception and Detention Center ($7 million).

- window replacement at various facilities ($8 million).

Equipment

The Four-Year Plan provides for upgrades and/or replacements of vehicles, computers, security equipment, and communication systems. Commitments total $56 million in the Four-Year Plan and include:

- technology upgrades in the Department's four strategic areas: network and server infrastructure, the Inmate Information System, inmate telephone systems, and inmate cash management systems ($34 million).

- replacement of vehicles for inmate transport ($13 million).

DEPARTMENT OF SOCIAL SERVICES

The Department of Social Services (DSS) provides a range of services and programs to assist individuals and families achieve self-sufficiency. Eligible clients receive employment and support services, Public Assistance (PA), Medical Assistance (MA), and food stamps. The Department also provides shelter, housing, and supportive services to victims of domestic violence, people with AIDS and HIV-illness, and frail, elderly and disabled individuals.

Financial Review

The Department's 2005 Executive Budget provides for operating expenses of $6.9 billion, of which $5.0 billion are City funds.

Expense Budget Highlights

Budget Priorities: Providing Core Services

- in 2004, public health insurance enrollment, administered by DSS, reached almost 2.6 million people, an increase of 21 percent from December 2001. A key factor in Medicaid growth is the increase in enrollment in the Family Health Plus Program, which covered 233,760 City residents as of December 2003.

Streamlining/Restructuring

- in 2004, as part of the restructuring initiative, DSS integrated the Office of Child Support Enforcement (OCSE) into the Office of Revenue and Investigation (ORI). In 2005, OCSE will continue to streamline operations and improve efficiency in locating individuals that are delinquent in child support obligations.

- in 2005, DSS will continue its Model Office initiative. Model Offices significantly improve the delivery of client services at DSS centers. The goal of this initiative is to reduce waiting time, create a consumer-oriented approach, provide better information on the process of obtaining services, and ensure that individuals receive the proper array of services. Fifteen Medical Insurance and Community Services Administration (MICSA) sites have been converted into Model Offices. These offices have reduced wait times by an average of 70 percent, provided walk-in application interviews, and improved case completion timeframes. The remaining MICSA offices will undergo conversion by the end of calendar year 2004. In 2005, DSS will replicate the Model Office initiative at the Family Independence Administration (FIA) and the HIV/AIDS Services Administration (HASA).

Summary of Agency Financial Data
($000's)

	2003 Actual	2004 Forecast	2005 Preliminary Budget	2005 Executive Budget	Increase/(Decrease) 2004 Forecast	Increase/(Decrease) 2005 Preliminary Budget
Expenditures						
Salary and Wages	$551,611	$601,513	$600,443	$610,787	$9,274	$10,344
Fringe Benefits	22	271	271	271	—	—
Other Than Personal Service (OTPS)	5,608,102	6,011,885	5,962,357	6,247,676	235,791	285,319
Total	$6,159,735	$6,613,669	$6,563,071	$6,858,734	$245,065	$295,663
Funding						
City	$3,960,254	$4,496,146	$4,728,382	$5,017,977	$521,831	$289,595
Other Categorical Grants	64,889	—	—	—	—	—
IFA	—	—	—	—	—	—
State	912,660	1,078,246	883,281	990,884	(87,362)	107,603
Federal CD	4,325	11,224	2,938	2,938	(8,286)	—
Federal Other	1,216,937	1,027,804	948,221	846,860	(180,944)	(101,361)
Intra-City	670	249	249	75	(174)	(174)
Total	$6,159,735	$6,613,669	$6,563,071	$6,858,734	$245,065	$295,663
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$198,524	$217,758	$231,442	$256,131	$38,373	$24,689
Pensions	11,960	28,717	48,405	57,844	29,127	9,439
OTPS						
Judgments and Claims	6,493	9,039	10,225	9,592	553	(633)
Debt Service	47,057	59,291	78,952	77,046	17,755	(1,906)
Total Additional Costs	$264,034	$314,805	$369,024	$400,613	$85,808	$31,589
Funding						
City	199,545	249,802	310,338	342,497	92,695	32,159
Non-City	64,489	65,003	58,686	58,116	(6,887)	(570)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$551,611	$601,513	$600,443	$610,787	$9,274	$10,344
Fringe Benefits	198,546	218,029	231,713	256,402	38,373	24,689
Pensions	11,960	28,717	48,405	57,844	29,127	9,439
Total PS	$762,117	$848,259	$880,561	$925,033	$76,774	$44,472
OTPS	$5,608,102	$6,011,885	$5,962,357	$6,247,676	$235,791	$285,319
Judgments and Claims	6,493	9,039	10,225	9,592	553	(633)
Debt Service	47,057	59,291	78,952	77,046	17,755	(1,906)
Total OTPS	$5,661,652	$6,080,215	$6,051,534	$6,334,314	$254,099	$282,780
Total Agency Costs	$6,423,769	$6,928,474	$6,932,095	$7,259,347	$330,873	$327,252
Less Intra-City	$670	$249	$249	$75	($174)	($174)
Net Agency Costs	$6,423,099	$6,928,225	$6,931,846	$7,259,272	$331,047	$327,426
Funding						
City	4,159,799	4,745,948	5,038,720	5,360,474	614,526	321,754
Non-City	2,263,300	2,182,277	1,893,126	1,898,798	(283,479)	5,672
Personnel (includes FTEs at fiscal year-end)						
City	9,062	10,595	11,402	11,318	723	(84)
Non-City						
• IFA	—	—	—	—	—	—
• CD	40	60	—	—	(60)	—
• Other	4,229	4,276	3,683	3,683	(593)	—
Total	13,331	14,931	15,085	15,001	70	(84)

Note: Totals may not add due to rounding.

Programmatic Review

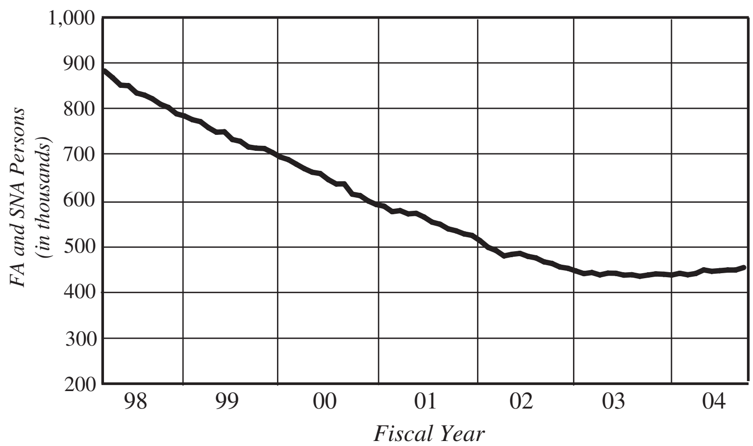
Family Independence Administration (FIA)

FIA administers PA and employment programs, including Family Assistance (FA), Safety Net Assistance (SNA), and food stamps. FIA assists individuals with obtaining employment and ensuring that child care and support services are available.

Public Assistance

Total expenditures in 2005 for FA and SNA, including monthly benefits, employment programs, and related services, are projected to be $1.8 billion, of which $750.9 million are City funds.

PUBLIC ASSISTANCE CASELOAD 1998-2004



The FA program, which is partially funded by federal Temporary Assistance for Needy Families (TANF) and State funds, assisted 203,537 recipients in March 2004. Expenditures in 2005 for this program are projected to be $624.9 million, of which $203.7 million will be City funds. As of March 2004, 132,636 recipients have reached the five-year limit on TANF-funded assistance and were converted to SNA. The Department projects spending $290.3 million on these families in 2005, of which $145.1 million will be City funds. In March 2004 there were 101,839 persons receiving SNA exclusive of the time-limited converted benefits. DSS projects spending an additional $379 million, of which $189.5 million will be City funds, in the SNA program in 2005.

Food Stamps

New York City provided more than $1.0 billion in federal food stamp benefits in 2003. Since January 2002, the amount of monthly benefits issued to NYC residents increased by 26 percent to $91.0 million. The number of non-PA and Supplemental Security Insurance (SSI) recipients receiving food stamps increased to 40 percent to 500,836 in enrollment.

Employment Services

FIA offers a wide array of programs and services to assist families and individuals achieve self-sufficiency. This continuum of services includes job search assistance for PA applicants; basic education, job training, placement, work experience and retention services for PA recipients; supported work opportunities for long-term recipients; and targeted services for individuals with barriers to employment such as substance abuse and homelessness. FIA employment services are provided in cooperation with an extensive network of community-based job-training organizations. As of February 2004, 74,546 participants were engaged in employment, training, or other work-related activities. DSS reported more than 186,000 job placements for PA recipients during 2002 and 2003. Seventy-eight percent continued to be employed after three months and 70 percent remained employed after six months.

Specialized Job Centers

DSS operates a Special Needs Region with job centers and programs to address the needs of those with special barriers to self-sufficiency. Services include comprehensive case management, substance abuse treatment, employment services, and case monitoring. Specialized programs include: the Personal Roads for Individual

Development and Employment (PRIDE) Program, which serves participants with physical and mental disabilities; the Perfect Opportunity for Individual Skills and Educational Development (POISED) Program, which serves pregnant women and women with children three years of age or under; and the Substance Abuse Service Center (SASC), which serves participants in outpatient substance abuse treatment centers. Additional programs include the Residential Treatment Service Center (RTSC), the SENIORWORKS Center, a Veterans' Center, two Refugee/Immigrant Job Centers, and the Riverview Job Center, which serves homeless families and single adults.

Child Care

DSS provides child care services to PA recipients who are working or engaged in employment activities, and continues to provide care for up to 12 months for families whose PA cases close because of employment. Through February 2004, an average of 44,300 children received child care subsidies through DSS, with another 3,600 PA children being served by the Administration for Children's Services.

Medical Insurance and Community Services Administration (MICSA)

MICSA funds health care services through Medicaid and other public health insurance programs for approximately 2.6 million low-income New York City residents. The 2005 Executive Budget for Medical Assistance is $3.9 billion in City funds. Consumers receive a wide range of services including primary care, hospital inpatient, emergency room, physician, pharmacy, clinic, nursing home, personal care, dental, rehabilitation, transportation, vision care, laboratory services and x-rays.

Growth in public health insurance enrollment is expected to continue in 2005. The primary factors contributing to increased enrollment are the continued expansion of the Family Health Plus (FHP) program and higher Medicaid retention rates due to the introduction of simplified mail recertification for all MA-only and FHP clients in January 2003.

Home Care Services Program

The Home Care Services Program assists frail, elderly, and disabled residents to safely remain in their homes for as long as possible through non-institutional alternatives to nursing home care. In February 2004, the Home Care Services Program was responsible for approximately 70,000 beneficiaries receiving personal care services, long-term home health care services, assisted living services, and Care-at-Home ("Katie Beckett") services.

MICSA also provides support to seven New York State Department of Health long-term managed care demonstration programs. These programs offer coordinated managed health and home care services to dually eligible Medicaid and Medicare consumers with chronic health conditions. This program has grown significantly since its inception, and in January 2004 had 8,000 enrollees in New York City.

Adult Protective Services (APS)

APS serves adults who cannot care for themselves due to physical and/or mental impairment. In calendar year 2003, APS assisted 17,571 clients with a variety of critical services including referrals, assessments, crisis intervention, case planning, eviction prevention, financial management, and guardianship issues. In calendar year 2003, the Central Intake Unit received 14,148 referrals, an increase of 45 percent over 2001.

The majority of APS clients are referred by Housing Court, the City Marshal, and community agencies. Over 90 percent have a psychiatric diagnosis and nearly 65 percent have physical impairments. Over one third of APS referrals are threatened with eviction. APS petitions the Court for appointments of Guardians ad Litem, who appear on behalf of impaired clients, and Community Guardians, who act to safeguard the person and property of those who are legally incapacitated. APS also contracts out 400 protective service and 700 community guardian cases.

HIV/AIDS Services Administration (HASA)

HASA provides a full range of services to individuals with AIDS, as defined by the Centers for Disease Control and Prevention, or with advanced HIV-illness, as defined by the New York State AIDS Institute. Services include case management, PA, MA, food stamps, housing, homemaking, vocational counseling, assistance with applications for SSI and Social Security Disability Insurance (SSDI), and referrals to other social services in the community. The HASA caseload was 30,835 as of February 2004.

HASA provides emergency housing placements in contracted transitional housing and non-contracted Single Room Occupancy facilities for its homeless clients. Additionally, HASA provides permanent housing in contracted congregate facilities and scatter-site apartments operated by community based organizations that also provide case management and support services. Currently, HASA has 2,733 units in its emergency housing portfolio and 4,245 units in its permanent housing stock.

Customized Assistance Services Program (CASP)

In 2003, DSS implemented the Wellness Plan Coordinated Care Pilot Project to coordinate treatment for PA recipients who are temporarily unemployable as a result of medical and/or psychiatric condition. In collaboration with the Health and Hospitals Corporation (HHC), DSS makes expedited referrals to primary care and specialty physicians for Wellness Plan participants. Approximately 6,000 recipients are enrolled in wellness rehabilitation plans and about 250 have participated in the Coordinated Care Pilot Project.

Participants in need of substance abuse treatment are assessed and referred to appropriate case management services. Two providers, serving a total of 2,000 individuals in Brooklyn and the Bronx, provide comprehensive services, including assessment, referrals and treatment monitoring. An additional contractor provides intensive case management services to 2,000 substance abuse clients with multiple barriers to self-sufficiency.

The Office of Domestic Violence and Emergency Intervention Services (ODVEIS)

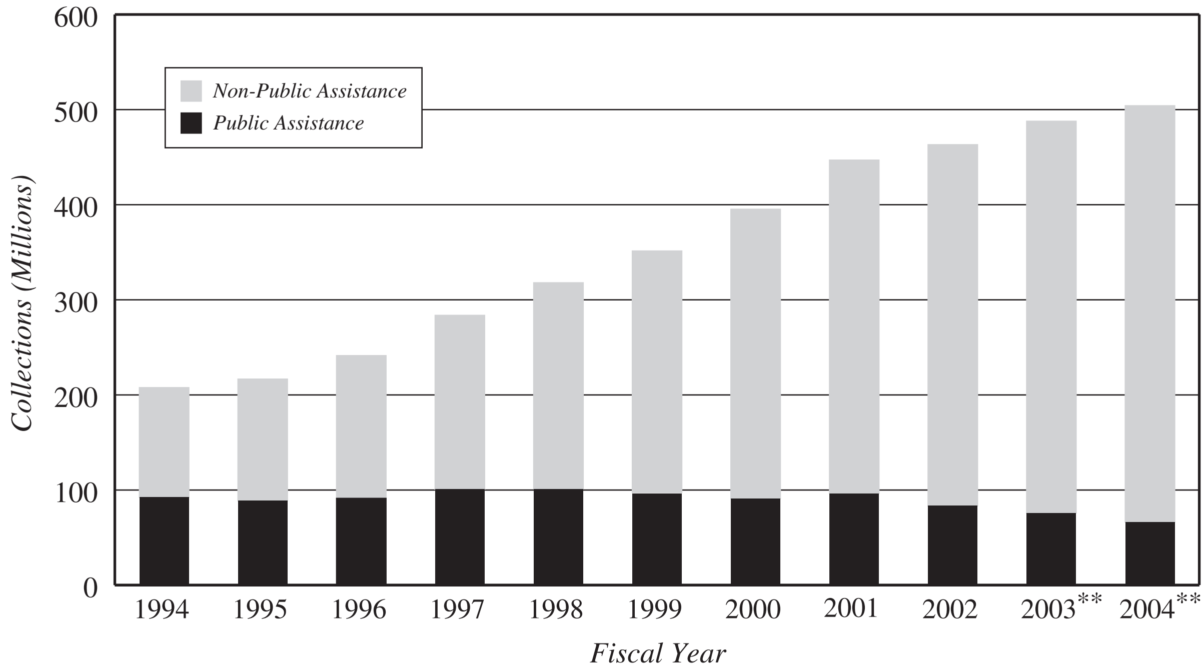
ODVEIS is comprised of the Office of Domestic Violence (ODV), which provides emergency shelter and social services to victims of domestic violence, and the Office of Emergency Intervention Services (OEIS). OEIS includes the Crisis and Disaster Services Unit, which responds to citywide disasters, the Heatline, the Utility Assistance Program, the federally funded Home Energy Assistance Program, and the Office of Food Programs.

ODV administers 36 State licensed emergency domestic violence shelters, including one directly operated by DSS. Domestic violence victims are provided with a safe environment and support services, including counseling, advocacy, and referrals. ODV anticipates increasing the emergency bed capacity to 1,945 by the end of calendar year 2004. ODV also plans to expand the number of Tier II shelters that DSS administers to a total of six, which will provide 206 units of transitional housing to domestic violence victims. DSS also has an agreement to use 450 units operated by the Department of Homeless Services. Non-residential domestic violence programs include telephone hotlines, counseling, and referrals for supportive services. The programs are operated by 15 not-for-profit organizations.

The Home Energy Assistance Program (HEAP) is a federally-funded program that assists low-income homeowners and renters pay energy and repair bills. From November 2003 to January 2004, New York City issued 320,565 grants totaling $19.2 million.

The Emergency Food Assistance Program (EFAP) in the Office of Food Programs seeks to improve the nutritional status of low-income New Yorkers by providing nutrition education and funding for distribution of more than 14 million pounds of food to 580 food pantries and soup kitchens.

CHILD SUPPORT COLLECTIONS*



Includes support collected from New York City residents on behalf of other states.
*** Estimated*

Office of Child Support Enforcement (OCSE)

OCSE works to ensure that non-custodial parents provide financial support for their children. As of February 2004, there were 44,179 PA cases and 181,728 non-PA cases. Child support collections in calendar year 2003 were $505.0 million. In 2005, collections of $545.0 million are projected, due to an increase in investigative enforcement and service enhancements.

OCSE system enhancements allow staff to access the Family Court schedule and docket, thereby reducing the time it takes from the establishment of a court order to the inducement of court enforcement. A further phase will permit OCSE field offices to file petitions electronically.

Capital Review

The Department's Four-Year Capital Plan totals $90.3 million, including $17.3 million for facilities maintenance, equipment and improvement, $57.3 million for technology to streamline Department operations, and $15.7 million for the installation of telecommunications equipment to facilitate data transmission.

Capital Commitments

($000's)

	2003 Actual		2004 Plan		2005 Plan		2006 Plan		2007 Plan		2008 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Buildings	$33,488	$34,972	$16,345	$18,334	$6,659	$6,897	$4,736	$6,133	$0	$0	$2,023	$2,023
Computers	$9,924	$18,154	$9,278	$16,325	$9,895	$16,492	$14,229	$23,715	$7,065	$11,776	$3,164	$5,274
Telecommunications	$69	$168	$2,306	$3,843	$2,705	$4,510	$4,059	$6,765	$718	$1,197	$1,941	$3,235
Equipment	$0	$0	$1,538	$2,402	$360	$600	$864	$1,440	$0	$0	$0	$0
Vehicles	$0	$0	$160	$160	$0	$0	$66	$110	$0	$0	$99	$165
Total	$43,481	$53,294	$29,627	$41,064	$19,619	$28,499	$23,954	$38,163	$7,783	$12,973	$7,227	$10,697

Highlights of the Department's Four Year Capital Plan include:

- reconstruction and furnishing of Job Center facilities that will provide the setting for integrated case management services, including the continued rollout of a paperless office system ($11.8 million).

- rollout of the Voice Over Internet Protocol-based telecommunication system to enable caseworkers to document client calls and support a remote and mobile-caseworker workforce more efficiently ($7.0 million).

ADMINISTRATION FOR CHILDREN'S SERVICES

The Administration for Children's Services (ACS) administers a broad range of programs that protect and advance the interests of children. The Department investigates allegations of child abuse and neglect, provides preventive services to families and children, and provides foster care or adoption services for children who cannot safely remain in their homes. The Department also provides subsidized child care programs and early childhood education through the Head Start program.

Financial Review

The Department's 2005 Executive Budget provides for operating expenses of $2.1 billion, $542.7 million of which are City funds.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- in 2005, ACS will provide additional funds of $14.2 million to foster care agencies to implement a performance-based rate system that ensures equitable resources across agencies.

Restructuring and Streamlining

- in 2005, ACS, the Department of Youth and Community Development (DYCD), and the Department of Education will continue the initiative to integrate after-school programs for children. The goal of the Out-of-School Time system is to offer safe and developmentally appropriate environments for children and youth. Services will include academic, social, and recreational activities for children and youth, ages six to 21. The Department will release an RFP in the near future.

- in 2005, the foster care population is projected to decline to an average of 21,866, which will provide a City savings of $11.1 million.

Summary of Agency Financial Data
($000's)

	2003 Actual	2004 Forecast	2005 Preliminary Budget	2005 Executive Budget	Increase/(Decrease) 2004 Forecast	Increase/(Decrease) 2005 Preliminary Budget
Expenditures						
Salary and Wages	$347,235	$327,422	$320,145	$328,145	$723	$8,000
Fringe Benefits	20	42	—	16	(26)	16
Other Than Personal Service (OTPS)	1,998,261	1,929,805	1,759,371	1,798,835	(130,970)	39,464
Total	$2,345,516	$2,257,269	$2,079,516	$2,126,996	($130,273)	$47,480
Funding						
City	$627,242	$578,730	$515,340	$542,719	($36,011)	$27,379
Other Categorical Grants	—	167	—	—	(167)	—
IFA	—	—	—	—	—	—
State	444,700	515,385	492,533	494,012	(21,373)	1,479
Federal CD	28,539	36,862	22,501	22,501	(14,361)	—
Federal Other	1,245,035	1,125,733	1,049,142	1,067,764	(57,969)	18,622
Intra-City	—	392	—	—	(392)	—
Total	$2,345,516	$2,257,269	$2,079,516	$2,126,996	($130,273)	$47,480
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$115,673	$114,566	$119,098	$119,292	$4,726	$194
Pensions	3,271	9,092	18,703	23,236	14,144	4,533
OTPS						
Judgments and Claims	1,992	2,603	2,944	2,762	159	(182)
Debt Service	—	—	—	—	—	—
Total Additional Costs	$120,936	$126,261	$140,745	$145,290	$19,029	$4,545
Funding						
City	86,556	92,337	111,469	116,024	23,687	4,555
Non-City	34,380	33,924	29,276	29,266	(4,658)	(10)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$347,235	$327,422	$320,145	$328,145	$723	$8,000
Fringe Benefits	115,693	114,608	119,098	119,308	4,700	210
Pensions	3,271	9,092	18,703	23,236	14,144	4,533
Total PS	$466,199	$451,122	$457,946	$470,689	$19,567	$12,743
OTPS	$1,998,261	$1,929,805	$1,759,371	$1,798,835	($130,970)	$39,464
Judgments and Claims	1,992	2,603	2,944	2,762	159	(182)
Debt Service	—	—	—	—	—	—
Total OTPS	$2,000,253	$1,932,408	$1,762,315	$1,801,597	($130,811)	$39,282
Total Agency Costs	$2,466,452	$2,383,530	$2,220,261	$2,272,286	($111,244)	$52,025
Less Intra-City	—	$392	—	—	($392)	—
Net Agency Costs	$2,466,452	$2,383,138	$2,220,261	$2,272,286	($110,852)	$52,025
Funding						
City	713,798	671,067	626,809	658,743	(12,324)	31,934
Non-City	1,752,654	1,712,071	1,593,452	1,613,543	(98,528)	20,091
Personnel (includes FTEs at fiscal year-end)						
City	6,380	6,487	6,548	6,545	58	(3)
Non-City						
• IFA	—	—	—	—	—	—
• CD	3	7	7	7	—	—
• Other	512	160	156	159	(1)	3
Total	6,895	6,654	6,711	6,711	57	—

Note: Totals may not add due to rounding.

Programmatic Review

Division for Child Protection (DCP)

DCP investigates allegations of child abuse and neglect and is responsible for monitoring children and families until it is determined whether children may remain safely in their home, or must be placed in foster care. ACS investigates an average of over 49,000 reports of child abuse or neglect each year. To ensure optimal outcomes for children and families, DCP also conducts case conferences to bring caseworkers, parents, relatives and service providers together. These conferences ensure that service and placement decisions are based on all available information and perspectives.

Preventive Services for Children and Families

ACS offers a variety of both direct and contracted services designed to prevent foster care placement or reduce the time that children spend in foster care. The Department provides 9,885 general preventive slots and 1,150 specialized slots for families with substance abuse issues through the Family Rehabilitation Program. Families also have access to the ACS housing subsidy program, which provides time-limited rental assistance to families and youth leaving foster care. These programs assist families in crisis and avert the risk of foster care placement.

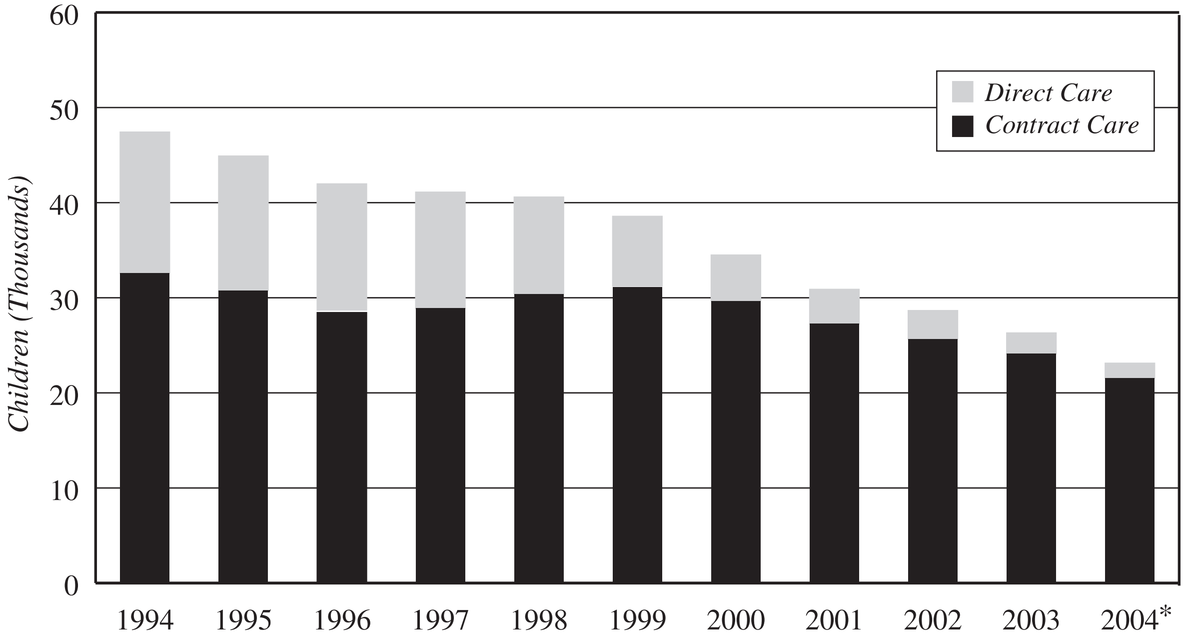
Foster Care

ACS provides Foster Care services through contracted agencies and directly run programs. Placements in foster boarding homes, congregate settings or specialized residential care facilities are provided on a temporary basis until children can be reunified with their families. If reunification is not an option, children receive services that will lead to adoption or development of independent living skills.

Since 1996, the foster care population has declined 55 percent. In 2005, the population is expected to further decline to an average caseload of 21,866 due to continuing efforts to reduce the length of stay in care. These initiatives include improving placement and service planning for infants and ensuring all alternatives for early discharge are investigated before assigning independent living goals to younger adolescents. ACS will also develop specialized congregate care projects to meet the needs of children requiring specialized treatment.

ACS will continue to enhance its regular foster boarding home programs by tracking agency performance using the Evaluation and Quality Improvement Protocol (EQUIP). This system provides a comprehensive evaluation of provider performance on process, quality and outcome measures. In January 2004, ACS began using EQUIP ratings to reward high-performing agencies and shift capacity from poor-performing programs. The performance-based rate will ensure all agencies have the necessary resources to serve children and families.

AVERAGE FOSTER CARE CASELOAD: 1994-2004



* Projected

Note: Beginning in 1996 the number of children in contract care is calculated using number of care-days rather than reported census.

Adoption

Adoption provides a stable and permanent home for children who cannot return to their birth parents. Most children adopted through ACS are considered hard to place and their adoptive families receive ongoing adoption subsidy payments to support their care. The Department's efforts to increase adoptions have contributed to a 35 percent increase in annual adoptions, from 2,312 in 1994 to a projected 3,111 in 2004.

Head Start

Head Start is a federally funded program that provides education and developmental services to low-income children from birth to age five and their families. The goal of the program is to better prepare children for school by working with the entire family to support the child's cognitive and social development. As of February 2004, the Head Start program funded capacity is 18,552 children at 240 sites operated by 77 delegate agencies. An additional 513 children will be served and four new delegate agencies will be added during 2004, bringing ACS Head Start funded capacity to 19,065.

Agency for Child Development

The Agency for Child Development (ACD) provides quality child care that enhances child development and assists families in achieving and maintaining self-sufficiency. ACD contracts with over 320 non-profit organizations to operate Child Care programs in communities across the City. Contracted care is provided in group centers that are licensed by the Department of Health and Mental Hygiene (DOHMH) or in the homes of providers that are registered by DOHMH. ACD also issues vouchers to eligible families that may be used by parents to purchase care in any legal child care setting. Subsidized child care is targeted to low-income working families, Public Assistance recipients who are employed or engaged in work activities and families receiving child welfare services. ACD programs have an average of 59,000 children enrolled in 2004.

Capital Review

The Department's Four-Year Capital Plan totals $77 million, including $16.3 million for renovation of congregate foster care facilities, $22.3 million for construction and renovation of child care facilities, $13.3 million for renovation and furnishing of ACS offices, and $32.2 million for technology and telecommunications to streamline agency operations.

Capital Commitments

($000's)

	2003 Actual		2004 Plan		2005 Plan		2006 Plan		2007 Plan		2008 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Child Welfare	$3,823	$3,902	$1,439	$1,468	$2,566	$2,605	$2,500	$2,500	$2,607	$2,607	$2,584	$2,584
Child Care	$7,350	$7,350	$6,801	$6,827	$3,120	$3,120	$9,697	$9,697	$2,624	$2,624	$2,585	$2,585
Buildings	$42	$53	$7,139	$7,448	$0	$0	$5,112	$6,500	$1,000	$1,266	$1,000	$1,266
MIS	$1,427	$1,806	$17,143	$21,572	$5,100	$6,455	$5,065	$6,412	$4,938	$6,252	$3,745	$4,742
Total	$12,642	$13,111	$32,522	$37,315	$10,786	$12,180	$22,374	$25,109	$11,169	$12,749	$9,914	$11,177

Highlights of the Four-Year Capital Plan

- continued development and expansion of management information system projects including the Integrated Case Management System, and the Outcome and Compliance Reporting System, which provides program performance tracking in order to meet various mandated program management reporting needs and requirements ($6.5 million).

- renovation of the Jefferson Group Home for adolescent foster children ($2.2 million).

DEPARTMENT OF HOMELESS SERVICES

The Department of Homeless Services (DHS) provides programs for homeless families and single adults, including transitional housing, outreach services, and permanent housing placements. Since the release of the June 2002 Strategic Plan, the Agency has augmented its primary responsibilities with a wide range of initiatives such as permanency and prevention. DHS has moved more families into permanent housing than in any other time in its history and has initiated new prevention strategies that will change and improve the City's response to those in need of emergency housing.

The recently enacted lead paint legislation could have unintended consequences on the agency's ability to house homeless families and reduce the number of people seeking shelter. The legislation imposes significant new obligations on landlords in Pre-1960 buildings where a child under seven resides. It is estimated that there are currently 97,000 families in New York City with incomes under $20,000 living in "doubled up" situations. These are families at risk of homelessness for whom DHS is focusing its prevention efforts. As a result of the legislation, some of these families might be legally evicted by landlords who have a disincentive to allow families with small children to continue living in doubled up situations which in turn could increase the number of families seeking shelter at the City's emergency assistance unit.

Within the family shelter system, the Department will survey and inspect all 9,283 units to ensure compliance with the statute. The Executive Budget provides an additional $17.2 million in 2005 for inspection and abatement costs.

Financial Review

The Department's 2005 Executive Budget provides for operating expenses of $704.8 million, of which $303.6 million are City funds.

Expense Budget Highlights

The Department provides services for eligible homeless families and single adults in a safe, supportive environment and delivers services through a continuum of care in which clients assume responsibility for achieving the goal of independent living.

Budgetary Priorities: Providing Core Service

- $11.0 million in City funds will fund the Household Stability Initiative. The initiative will provide preventive services to individuals and families in six high-risk communities through non-profit providers.

- $2.7 million in total funds will support the Case Management Field Team, which ensures that homeless families seek and maintain Public Assistance eligibility. This initiative maintains Federal and State reimbursement for the cost of family shelter.

- an increase of $5.1 million in 2004 and $13.4 million in 2005 will support additional shelter capacity for homeless families and adults.

Summary of Agency Financial Data
($000's)

	2003 Actual	2004 Forecast	2005 Preliminary Budget	2005 Executive Budget	Increase/(Decrease) 2004 Forecast	Increase/(Decrease) 2005 Preliminary Budget
Expenditures						
Salary and Wages	$96,893	$99,836	$99,668	$105,211	$5,375	$5,543
Fringe Benefits	356	188	188	188	—	—
Other Than Personal Service (OTPS)	535,169	570,125	558,757	599,421	29,296	40,664
Total	$632,418	$670,149	$658,613	$704,820	$34,671	$46,207
Funding						
City	$285,709	$276,371	$281,604	$303,600	$27,229	$21,996
Other Categorical Grants	—	—	—	—	—	—
IFA	—	—	—	—	—	—
State	192,108	189,642	188,989	205,992	16,350	17,003
Federal CD	7,120	9,683	6,175	6,175	(3,508)	—
Federal Other	135,452	162,381	151,484	157,981	(4,400)	6,497
Intra-City	12,029	32,072	30,361	31,072	(1,000)	711
Total	$632,418	$670,149	$658,613	$704,820	$34,671	$46,207
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$26,102	$29,121	$29,401	$37,243	$8,122	$7,842
Pensions	916	2,818	5,517	7,234	4,416	1,717
OTPS						
Judgments and Claims	260	303	343	322	19	(21)
Debt Service	—	—	—	—	—	—
Total Additional Costs	$27,278	$32,242	$35,261	$44,799	$12,557	$9,538
Funding						
City	18,313	18,767	23,781	33,303	14,536	9,522
Non-City	8,965	13,475	11,480	11,496	(1,979)	16
Total Agency Costs (including Central Accounts)						
Salary and Wages	$96,893	$99,836	$99,668	$105,211	$5,375	$5,543
Fringe Benefits	26,458	29,309	29,589	37,431	8,122	7,842
Pensions	916	2,818	5,517	7,234	4,416	1,717
Total PS	$124,267	$131,963	$134,774	$149,876	$17,913	$15,102
OTPS	$535,169	$570,125	$558,757	$599,421	$29,296	$40,664
Judgments and Claims	260	303	343	322	19	(21)
Debt Service	—	—	—	—	—	—
Total OTPS	$535,429	$570,428	$559,100	$599,743	$29,315	$40,643
Total Agency Costs	$659,696	$702,391	$693,874	$749,619	$47,228	$55,745
Less Intra-City	$12,029	$32,072	$30,361	$31,072	($1,000)	$711
Net Agency Costs	$647,667	$670,319	$663,513	$718,547	$48,228	$55,034
Funding						
City	304,022	295,138	305,385	336,903	41,765	31,518
Non-City	343,645	375,181	358,128	381,644	6,463	23,516
Personnel (includes FTEs at fiscal year-end)						
City	2,109	2,098	2,296	2,289	191	(7)
Non-City						
• IFA	—	—	—	—	—	—
• CD	3	3	3	3	—	—
• Other	23	—	—	—	—	—
Total	2,135	2,101	2,299	2,292	191	(7)

Note: Totals may not add due to rounding.

Programmatic Review

Homeless Single Adults

The number of homeless single adults increased from an average of 7,949 in 2003 to an average of 8,384 as of March 2004. In 2005, the Agency will provide additional capacity for homeless adults in transitional housing units with an additional $12.5 million in total funds over the 2004 forecast.

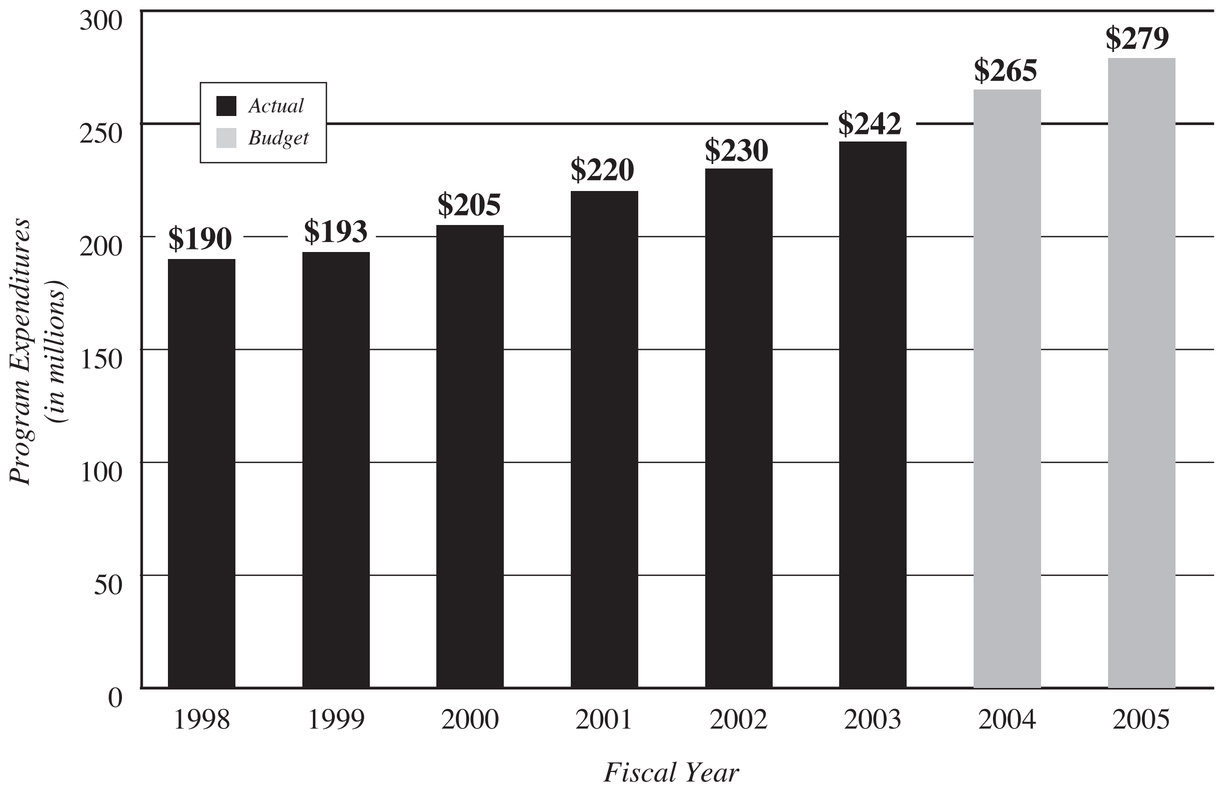
The Agency provides a variety of services for homeless single adults, including street outreach and drop-in centers for the hardest to serve, general and specialized transitional facilities, and permanent supportive housing. Outreach teams identify and engage a diverse population of homeless single adults living in public spaces such as streets, parks, terminals and transportation facilities, and link them with services that will eventually enable them to move into protective settings like transitional or permanent housing. Ten drop-in centers provide counseling, crisis intervention, meals, clothing and referrals to a variety of support services and have served an average of 1,151 individuals per day in 2004.

The Agency undertook its second annual Homeless Outreach Population Estimate (HOPE) in February 2004 in order to measure success and challenges in efforts to reduce street homelessness. DHS will expand HOPE in 2005 to include a simultaneous count in all five boroughs of New York City, which will produce the first City-wide estimate of the number of unsheltered individuals.

In 2005, DHS will continue to improve and expand specialized programs providing substance abuse, mental health and employment services to address barriers to independent living. In addition, the Agency has implemented Client Responsibility Standards for the first time. These standards require that clients follow an Independent Living Plan; seek and accept permanent or other appropriate housing; follow shelter rules; and avoid behavior that places others in the shelter at risk. The goal of these new standards is to encourage homeless individuals to move from homelessness to permanent or other appropriate housing, and to improve safety in the shelters.

The Agency also offers permanent housing assistance, including referral to supportive Single Room Occupancy (SRO) units operated by a network of not-for-profit providers. As part of a special interagency effort, the NY State Office of Mental Health, the NYC Department of Health and Mental Hygiene, and the Department of Homeless Services are asking providers of new supportive housing facilities to fill at least 50% of their units with long-term shelter stayers.

HOMELESS INDIVIDUALS - PROGRAM EXPENDITURES: 1998-2005



In 2005, the cost of serving homeless single individuals will be $279 million. The budget is supported with $131 million of City funds.

Homeless Families

The number of homeless families increased from an average of 8,954 in 2003 to 9,139 as of March 2004. In 2005, the Agency will provide additional capacity for homeless families in transitional housing units with an additional $836,000 in total funds over the 2004 forecast.

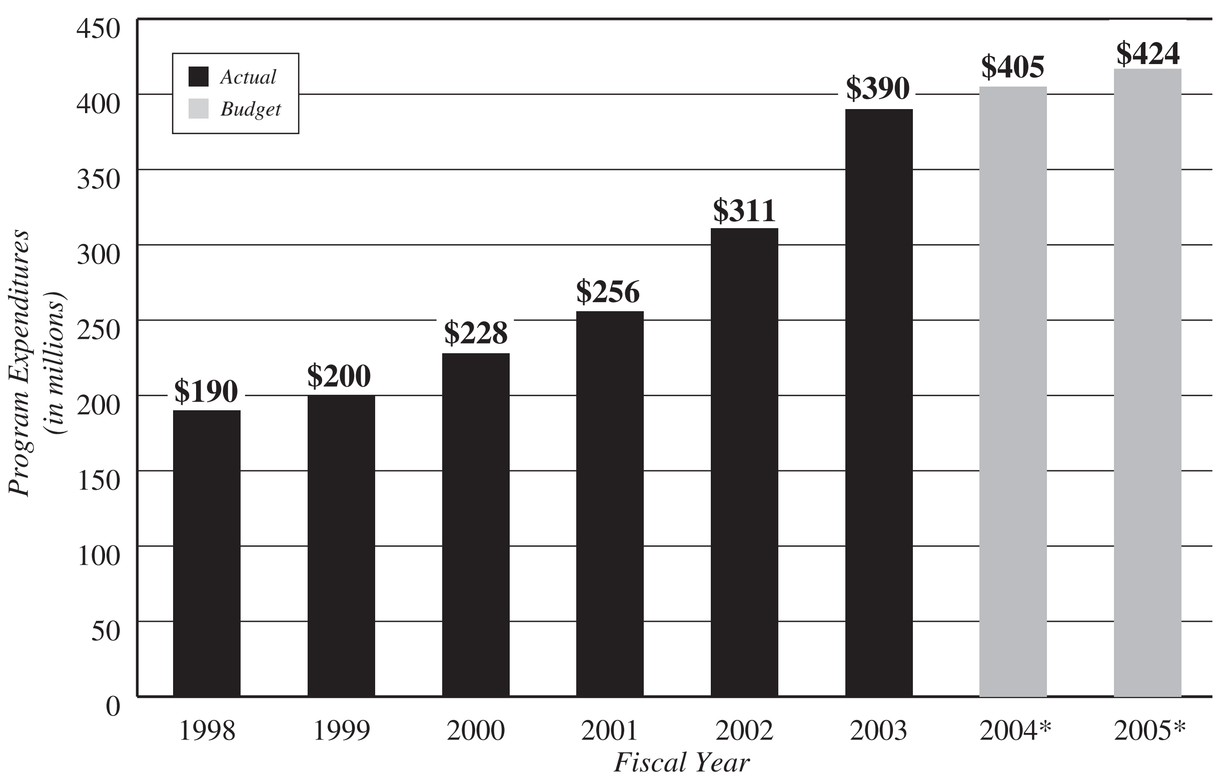
The Agency serves homeless families through a network of transitional housing facilities that provide families with stable living situations and supportive social services designed to lead to self-sufficiency.

Permanent placements in 2004 are expected to outpace record 2003 levels. DHS has established a performance investment program that encourages providers of family services to help clients make the transition from shelter to permanent housing and new client responsibility standards encourage families to follow an Independent Living Plan and seek and accept suitable housing. EARP Section 8 placements are expected to exceed 4,000 compared to 2,807 in 2003. An additional 2,000 families are expected to be placed in New York City Housing Authority (NYCHA) public housing sites.

In 2005, the Department will continue to work with the court-appointed Special Master Panel, which is assisting the City to strengthen its response to at risk and homeless families. In November 2003, the Panel issued a comprehensive report on homelessness prevention; and at the end of April it will release a report on eligibility and the Emergency Assistance Unit. Many recommendations from the first report were incorporated into the Household Stability Initiative, which will fund community based organizations to help prevent homelessness in six high-risk neighborhoods.

While undertaking initiatives aimed at increasing prevention and permanency, DHS continues efforts to minimize the trauma associated with homelessness for those in shelter. The Department places families awaiting eligibility determinations directly into transitional housing facilities (Tier IIs), so that clients do not have to transfer if they are found eligible. This policy has facilitated DHS's ability to make neighborhood based placements and has minimized children's educational disruptions. DHS has also increased the percent of eligible families now receiving Public Assistance. This initiative not only increases income stability for those experiencing homelessness, it also increases the capacity of homeless families to access rental assistance for permanent housing. The Department continues to offer extensive programming for homeless children. DHS trained shelter staff provide education regarding childhood asthma and organizes special events for homeless children, ranging from cultural programs to baseball games.

HOMELESS FAMILIES - PROGRAM EXPENDITURES: 1998-2005



* *Increased Expenditure in 2004 and 2005 reflect growth in census, initiatives to increase housing placements, and prevention services.*

The cost of housing homeless families in 2005 will be $424 million, of which $171 million are City funds.

Capital Review

The Agency's Four Year Capital Plan totals $108.3 million. Projects for homeless families total $27.3 million, projects for single adults total $ 60.4 million and $20.6 million is allocated for administration, computer systems, and equipment purchases.

Capital Commitments

($000's)

	2003 Actual		2004 Plan		2005 Plan		2006 Plan		2007 Plan		2008 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Homeless Families . . . . .$	3,164	$3,164	$8,480	$8,480	$8,869	$8,869	$5,254	$5,254	$4,700	$4,700	$4,700	$4,700
Homeless Individuals . . .$	10,606	$10,606	$4,603	$4,603	$22,464	$22,464	$19,585	$19,585	$13,702	$13,702	$13,382	$13,382
Equipment and Vehicles .$	455	$455	$5,600	$5,600	$0	$0	$0	$0	$0	$0	$0	$0
Information Technology .$	—	$0	$2,603	$2,603	$4,427	$4,427	$4,000	$4,000	$4,000	$4,000	$1,000	$1,000
Total.	$14,225	$14,225	$21,286	$21,286	$35,760	$35,760	$28,839	$28,839	$22,402	$22,402	$19,082	$19,082

Highlights of the Four-Year Capital Plan FY05-FY08

- implement a decentralized Adult Intake system for single adult homeless individuals ($7.8 million).
- building upgrade and repairs: $6.1 million at facilities for homeless adults, including Park Slope Armory, Willow and Charles Gay Annex and $12.9 million at facilities for homeless families, including Powers, Linden and Tier II facilities constructed by NYCHA and the Department of Housing Preservation and Development.
- upgrade of the DHS computer network system, including the integrated Client Tracking System, with enhanced client and shelter information reporting; and computerization of the Rehousing Unit, which tracks and locates permanent housing for homeless families ($12.6 million).

DEPARTMENT FOR THE AGING

The Department for the Aging (DFTA) administers a wide range of programs that meet the growing needs of the City's elderly population. The Department's services include the operation of senior centers, home-delivered and congregate meals, case management, social and legal counseling, home care, transportation, and information and referral services.

Financial Review

The Department's 2005 Executive Budget provides for operating expenses of $214.4 million, of which $79.9 million are City funds.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- in 2005, the Department will maintain its partnership with New York City Housing Authority (NYCHA) to operate 105 senior centers funded through NYCHA.

Restructuring and Streamlining

- DFTA and the Department of Social Services will continue to investigate opportunities to streamline home care services through improved coordination of common screening and eligibility processes.
- in 2005, the Department will implement a home-delivered meals pilot in the Bronx, which maximizes efficiencies in delivery of meals to homebound seniors through economies of scale.

Summary of Agency Financial Data
($000's)

	2003 Actual	2004 Forecast	2005 Preliminary Budget	2005 Executive Budget	Increase/(Decrease) 2004 Forecast	Increase/(Decrease) 2005 Preliminary Budget
Expenditures						
Salary and Wages	$22,774	$22,807	$14,198	$14,556	($8,251)	$358
Fringe Benefits	31	4,017	1,673	1,673	(2,344)	—
Other Than Personal Service (OTPS)	206,686	215,757	183,405	198,171	(17,586)	14,766
Total	$229,491	$242,581	$199,276	$214,400	($28,181)	$15,124
Funding						
City	$116,534	$93,532	$69,825	$79,947	($13,585)	$10,122
Other Categorical Grants	—	27,672	29,400	29,400	1,728	—
IFA	—	—	—	—	—	—
State	23,199	23,221	19,609	19,609	(3,612)	—
Federal CD	3,123	7,004	4,474	4,474	(2,530)	—
Federal Other	86,179	89,679	75,496	80,498	(9,181)	5,002
Intra-City	456	1,473	472	472	(1,001)	—
Total	$229,491	$242,581	$199,276	$214,400	($28,181)	$15,124
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$6,610	$6,471	$5,757	$5,699	($772)	($58)
Pensions	215	483	840	1,030	547	190
OTPS						
Judgments and Claims	—	38	43	40	2	(3)
Debt Service	—	—	—	—	—	—
Total Additional Costs	$6,825	$6,992	$6,640	$6,769	($223)	$129
Funding						
City	6,494	6,687	6,596	6,725	38	129
Non-City	331	305	44	44	(261)	—
Total Agency Costs (including Central Accounts)						
Salary and Wages	$22,774	$22,807	$14,198	$14,556	($8,251)	$358
Fringe Benefits	6,641	10,488	7,430	7,372	(3,116)	(58)
Pensions	215	483	840	1,030	547	190
Total PS	$29,630	$33,778	$22,468	$22,958	($10,820)	$490
OTPS	$206,686	$215,757	$183,405	$198,171	($17,586)	$14,766
Judgments and Claims	—	38	43	40	2	(3)
Debt Service	—	—	—	—	—	—
Total OTPS	$206,686	$215,795	$183,448	$198,211	($17,584)	$14,763
Total Agency Costs	$236,316	$249,573	$205,916	$221,169	($28,404)	$15,253
Less Intra-City	$456	$1,473	$472	$472	($1,001)	—
Net Agency Costs	$235,860	$248,100	$205,444	$220,697	($27,403)	$15,253
Funding						
City	123,028	100,219	76,421	86,672	(13,547)	10,251
Non-City	112,832	147,881	129,023	134,025	(13,856)	5,002
Personnel (includes FTEs at fiscal year-end)						
City	148	86	56	51	(35)	(5)
Non-City						
• IFA	—	—	—	—	—	—
• CD	2	2	2	2	—	—
• Other	681	876	681	680	(196)	(1)
Total	831	964	739	733	(231)	(6)

Note: Totals may not add due to rounding.

Programmatic Review

In 2005, DFTA will continue to provide critical senior services through a network of 335 centers throughout the five boroughs. Senior programs provide nutrition, recreation, and counseling services. Over 14 million meals will be served.

The Department administers the Senior Citizen Rent Increase Exemption Program (SCRIE) in New York City. Over 45,000 elderly households receive exemptions from rent increases through SCRIE. Legislation enacted in 2004 expanded household income eligibility, enabling over 5,000 additional households to qualify for the SCRIE program.

In 2005, the Department will maintain its Caregiver Support Program, which provides essential support services through a citywide network of 15 community-based organizations. Services for caregivers to the elderly include: training for the various facets of the caregiver role, assistance in accessing benefits and resources, supportive counseling, support group development and coordination, and respite services. Informational materials are translated into the various languages of the serviced populations and a total of thirteen languages are spoken by service providers.

Capital Review

The Department's Four Year Capital Plan totals $19 million. Capital projects include the rehabilitation of facilities that provide services to the elderly and technology projects to improve operations.

Capital Commitments

($000's)

	2003 Actual		2004 Plan		2005 Plan		2006 Plan		2007 Plan		2008 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Elec. Data Processing	$385	$385	$5,662	$5,662	$977	$977	$1,705	$1,705	$700	$700	$700	$700
Building Renovations and Vehicles	$3,800	$3,800	$9,010	$9,010	$5,546	$5,546	$6,577	$6,577	$1,400	$1,400	$1,400	$1,400
Total	$4,185	$4,185	$14,672	$14,672	$6,523	$6,523	$8,282	$8,282	$2,100	$2,100	$2,100	$2,100

Highlights of the Four-Year Capital Plan

- renovation of senior centers and establishment of centers in neighborhoods with growing senior populations ($12.9 million).
- provision of computers to senior centers that will be used to provide direct and indirect services ($4 million).

DEPARTMENT OF HEALTH AND MENTAL HYGIENE

The mission of the New York City Department of Health and Mental Hygiene is to protect and promote the health and mental health of all New Yorkers, to support the recovery of individuals with mental illness and chemical dependencies, and to promote the realization of full potential for individuals with mental retardation and developmental disabilities. The Department is committed to maintaining core public health services and continues to introduce new programs and technologies to improve the health status of New Yorkers.

In 2005, the Department will continue its focus on reducing the incidence of preventable and treatable conditions such as colon cancer, depression, unhealthy blood pressure, blood sugar, and lipid levels, chemical dependency and tobacco usage. With partners at other agencies, providers, and affected communities, the Department will intensify efforts to improve HIV prevention, care, housing, and treatment and by doing so accelerate control of the epidemic. In conjunction with the Department of Education, the Department will continue to improve the health of school children by fostering healthy behaviors, including appropriate diet, physical activity, and safe, responsible sexual behavior. The Department will also target its public health activities in Harlem, Central Brooklyn, and the South Bronx, which bear a disproportionate share of physical and mental illness and premature death, and will enhance efforts to reduce infant mortality and eliminate childhood lead poisoning in these and other high risk areas.

In addition, the Department will work with other agencies to implement Local Law 1 of 2004 regarding lead poisoning prevention. In its 2001 Annual Report, the Department stated the goal to eliminate childhood lead poisoning in New York City by 2010. Over the past decade, the number of children with elevated blood lead levels has declined by nearly 80 percent, and the City's rate of lead poisoning is far lower than that of comparable cities. To continue this significant improvement, resources must be focused on reducing lead paint hazards in communities at greatest risk: low income neighborhoods with older housing; identifying and mitigating non-paint lead sources, particularly among immigrants from countries with prevalent lead hazards; and educating families, medical providers, building owners, maintenance and repair staff, and others about lead poisoning prevention.

Rather than aiding the City's progress in eliminating childhood lead poisoning, many components of Local Law 1 will, in fact, divert resources from children, buildings, and areas at highest risk. The law raises the age of children covered by housing regulations, although elevated lead levels in older children are less likely to be related to housing conditions. The law devotes resources to examining building common areas and monitoring routine work jobs, without a clear indication that these activities will substantially reduce lead exposure. Local Law 1, however well intentioned, creates administrative and operational burdens that will reduce the overall effectiveness of lead poisoning prevention activities in the City.

Financial Review

The Department of Health and Mental Hygiene's 2005 Executive Budget provides for operating expenses of $1.4 billion, $574.3 million of which are City funds. Additional funds of approximately $175 million will be added to the budget during the fiscal year when Federal and State award notifications are received. Capital commitments of $67.3 million are also provided.

In comparison to the 2004 forecast, the 2005 Executive Budget indicates decreased City funding for the Department's mental health, mental retardation, and alcoholism services units of appropriation and increases for public health services units of appropriation, including the Office of Chief Medical Examiner (OCME). This disparity is attributable to growth in the mandated Early Intervention Program, planned expansion of the OCME's laboratory capacity and funding shifts within mental hygiene programs that do not reduce services. Therefore, pursuant to New York City Charter Section 551(a), it is in the City's best interest to submit an executive budget at variance with the City funds appropriation formula set forth in that provision.

Revenue Forecast

The Department of Health and Mental Hygiene generates revenue from licenses, permits, inspection and service fees, and fines for violations of the New York City Health Code. The Department will generate $45.1 million in 2005.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- recurring funding of $2 million total funds to support the Mayoral Pest Control Initiative targeting three neighborhoods with the most serious rodent infestation issues.

- recurring funding of $781,000 total funds to maintain and enhance lead poisoning prevention activities.

- an additional $9 million total funds to address new lead paint inspections, testing and other requirements imposed by Local Law 1 of 2004.

Restructuring and Streamlining

- continued reorganization of the maternity services program will focus resources on proven interventions, such as the nurse-family partnership program, while saving $1.1 million in total funds.

- a savings of $4.5 million total funds through administrative and programmatic efficiencies.

Summary of Agency Financial Data
($000's)

	2003 Actual	2004 Forecast	2005 Preliminary Budget	2005 Executive Budget	Increase/(Decrease) 2004 Forecast	Increase/(Decrease) 2005 Preliminary Budget
Expenditures						
Salary and Wages	$240,376	$282,466	$283,857	$292,929	$10,463	$9,072
Fringe Benefits	574	211	188	188	(23)	—
Other Than Personal Service (OTPS)	1,187,548	1,237,558	1,066,485	1,071,701	(165,857)	5,216
Total	$1,428,498	$1,520,235	$1,350,530	$1,364,818	($155,417)	$14,288
Funding						
City	$519,084	$557,035	$564,148	$574,302	$17,267	$10,154
Other Categorical Grants	211,489	211,265	219,183	219,183	7,918	—
IFA	—	—	—	—	—	—
State	426,039	476,376	467,159	471,970	(4,406)	4,811
Federal CD	553	553	553	553	—	—
Federal Other	266,308	267,996	95,466	94,789	(173,207)	(677)
Intra-City	5,025	7,010	4,021	4,021	(2,989)	—
Total	$1,428,498	$1,520,235	$1,350,530	$1,364,818	($155,417)	$14,288
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$59,223	$73,776	$81,894	$84,233	$10,457	$2,339
Pensions	2,270	8,069	16,350	20,602	12,533	4,252
OTPS						
Judgments and Claims	4,597	3,085	3,490	3,274	189	(216)
Debt Service	5,637	9,350	17,970	17,535	8,185	(435)
Total Additional Costs	$71,727	$94,280	$119,704	$125,644	$31,364	$5,940
Funding						
City	67,734	89,678	117,306	123,243	33,565	5,937
Non-City	3,993	4,602	2,398	2,401	(2,201)	3
Total Agency Costs (including Central Accounts)						
Salary and Wages	$240,376	$282,466	$283,857	$292,929	$10,463	$9,072
Fringe Benefits	59,797	73,987	82,082	84,421	10,434	2,339
Pensions	2,270	8,069	16,350	20,602	12,533	4,252
Total PS	$302,443	$364,522	$382,289	$397,952	$33,430	$15,663
OTPS	$1,187,548	$1,237,558	$1,066,485	$1,071,701	($165,857)	$5,216
Judgments and Claims	4,597	3,085	3,490	3,274	189	(216)
Debt Service	5,637	9,350	17,970	17,535	8,185	(435)
Total OTPS	$1,197,782	$1,249,993	$1,087,945	$1,092,510	($157,483)	$4,565
Total Agency Costs	$1,500,225	$1,614,515	$1,470,234	$1,490,462	($124,053)	$20,228
Less Intra-City	$5,025	$7,010	$4,021	$4,021	($2,989)	—
Net Agency Costs	$1,495,200	$1,607,505	$1,466,213	$1,486,441	($121,064)	$20,228
Funding						
City	586,818	646,713	681,454	697,545	50,832	16,091
Non-City	908,382	960,792	784,759	788,896	(171,896)	4,137
Personnel (includes FTEs at fiscal year-end)						
City	4,006	4,364	5,041	4,973	609	(68)
Non-City						
• IFA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	1,263	1,545	1,058	1,056	(489)	(2)
Total	5,269	5,909	6,099	6,029	120	(70)

Note: Totals may not add due to rounding.

Programmatic Review

Health Services

The Department is committed to protecting and promoting the health of the public through monitoring, prevention, and control activities for individuals, families, and communities in New York City. The Department prevents epidemics and the spread of diseases such as HIV/AIDS, other sexually transmitted diseases (STDs), and tuberculosis (TB); protects against environmental hazards; prevents unintentional injuries; promotes and encourages healthy behaviors; responds to disasters and assists communities in recovery; and ensures the accessibility of health services.

Agency Initiatives

The Department has launched Take Care New York, a policy that identifies 10 key areas for intervention that will help New Yorkers lead longer and healthier lives. The targeted areas are leading causes of preventable illness and death that are amenable to intervention with evidence-based programs and require coordinated response from city agencies, health care providers, community-based organizations and employers. Successful implementation of this policy will save thousands of lives and prevent hundreds of thousands of illnesses each year.

The Department has taken many steps to enhance its ability to plan for and manage all public health emergencies, including biological, chemical, or radiological terrorism. The Emergency Preparedness Unit, established after September 11, 2001, oversees Department-wide readiness for and response to public health emergencies. Within the Division of Disease Control, the Bureau of Emergency Management coordinates preparation, mitigation, response, and recovery activities for both internal and external emergencies. An Environmental Emergency Response Team (EERT), consisting of members from all Bureaus within the Division of Environmental Health, has been trained and equipped to perform core public health functions in controlled contaminated environments. Specialized Environmental staff will provide technical consultation to key agencies such as the Police Department, Fire Department, Department of Environmental Protection, and OEM on various environmental aspects of chemical, biological, and radiological incidents. The Department also coordinates with other City agencies as a member of the Local Emergency Planning Committee.

In 2005, the Department will continue to develop and implement its comprehensive tobacco control plan in New York City through a combination of media and public outreach, regulation, and medical care.

Disease Control

The Department safeguards the health of New Yorkers through the identification, surveillance, treatment, control, and prevention of infectious diseases and protects the health of citizens during emergencies.

The Bureau of Immunization operates immunization clinics, maintains the Citywide Immunization Registry, and oversees the Federal Vaccines for Children Program, which supplies over $40 million in vaccines to Medicaid and uninsured children. The Bureau also works with the Department of Education to ensure compliance with New York State Immunization requirements.

The Department will continue its efforts to reduce the incidence of tuberculosis (TB) in the City. The number of new TB cases rose five percent, from 1,084 in 2002 to 1,140 in 2003. This marks the first rise in new TB cases in more than a decade. The increase was primarily due to increased cases among immigrants, which reflects the ongoing, global TB epidemic. In addition, cases among the homeless and unstably housed grew from 49 in 2002 to 86 in 2003. The Department has targeted high-risk immigrant communities and is working to improve completion rates for treatment of latent TB infection, and to improve its efforts at controlling TB among the homeless.

The Bureau of Sexually Transmitted Diseases will continue outreach activities and targeted screening efforts to address the rise in infectious syphilis cases, which increased 82 percent in the past three years to a total of 513 cases. The Bureau operates 10 full-service STD clinics and one free standing HIV Counseling and Testing site which perform approximately 35,000 HIV tests each year. The STD clinics also provide emergency contraception as well as hepatitis A, B and C-related services.

The Public Health Laboratory will continue to support surveillance for drug resistant TB, sexually transmitted disease screening with more sensitive testing for Chlamydia and Gonorrhea, HIV testing services with follow-up and quality assurance for the rapid HIV test, regulatory and environmental services with new test methods for West Nile virus surveillance, food contamination analysis and beach water analysis for micro organisms.

The new emerging infectious disease and bioterrorism laboratory and the Bureau of Communicable Disease will continue to prioritize enhancing capacities to rapidly detect and respond to new emerging infectious disease threats, such as the Severe Acute Respiratory Syndrome (SARS) and avian influenza, and will continue to ensure preparedness for bioterrorism.

The Bureau of HIV/AIDS will continue community planning through the HIV Prevention Planning Group, Title I Ryan White Planning Council and HOPWA Advisory Groups while facilitating collaboration and coordination between these federally mandated entities. The HIV Bureau will perform core functions of HIV/AIDS surveillance, with enhanced focus on utilizing data for program planning. There are $177 million in contracts for HIV prevention, care and housing services. These programs face increased challenges with regard to the rise in unsafe sexual practices among men who have sex with men (MSM), the goal of enhanced collaboration with HIV positive individuals in developing prevention- with-positives strategies, and the promotion of rapid HIV testing to increase the number of New Yorkers who know their HIV status.

Epidemiology

The Department provides timely, systematic, and ongoing collection, analysis, and dissemination of data to monitor trends and inform interventions. In 2005, data collection and analysis will continue to be increasingly important to Departmental activities. By designing and conducting surveys and analyzing results, the Department will better monitor trends in the health status of the City and of its communities and neighborhoods.

In FY05, the Department will begin data collection for the New York City Health and Nutrition Examination Survey (NYC HANES). NYC HANES is a community-based survey that includes an interview plus a brief physical exam that measures actual health conditions of adult NYC residents. This is the first survey ever to physically measure health conditions among NYC residents. The valuable data collected will identify how many New Yorkers suffer from key conditions, and will enable the Department to better direct health resources to meet the public health needs of City residents.

The Bureau of Vital Statistics registers, processes, certifies, and issues reports of births, deaths, and spontaneous and induced terminations of pregnancy. By analyzing and disseminating vital statistics data, the Department will monitor changes in birth and death rates that may reflect changes in disease patterns in New York City.

Health Promotion and Disease Prevention

In 2004, the Department will expand its focus on control of non-communicable diseases and on reducing disparities in health care within vulnerable communities through District Public Health Offices (DPHOs) in Harlem, the South Bronx and North/Central Brooklyn. Working with other programs in the Department, DPHOs will address priority issues that contribute to inordinate mortality and ill health in these neighborhoods. These include programs that address obesity, lack of physical activity, and smoking; cancer screening (with a focus on colon cancer); and improved management of asthma and diabetes.

The Department provides public health services in public and non-public elementary and intermediate schools, including comprehensive reviews of children's medical conditions and immunization status, provision of medication and management of chronic illnesses, vision and hearing screening, and follow-up on conditions requiring referral. Ongoing computerization of school medical rooms, which introduces an automated school health record, will facilitate these activities. Other public health activities include the updating of health education and strengthening of physical education programs.

In 2004, the Department will continue its comprehensive program to reduce infant mortality in high-risk neighborhoods. While the City's infant mortality rate fell to a record low of 6.0 deaths per 1,000 live births in 2002, infant mortality remains unacceptably high in certain neighborhoods. A home visiting program for every firstborn newborn has been introduced in some of these neighborhoods, along with an intensive program for mothers at high risk. The infant mortality reduction initiative coordinates efforts through community partnerships and education of residents and service providers.

Environmental Health

The Department is prepared to respond 24 hours a day to radiological, chemical, hazardous material, and food-borne illness emergencies, including emergencies related to acts of terrorism. Core Environmental Health functions include water sampling, radiation monitoring, food service establishment inspection, enforcement of the Smoke Free Air Act (SFAA), and inspection for rodents, pests, and general sanitary conditions. A new risk based scoring system for food service establishments implemented in March 2003 imposes greater penalties for food safety hazards that pose the greatest risk for food-borne risks The number of serious violations has already begun to decrease since the new scoring system's inception.

The Department will continue the newly developed Mayoral Rodent Initiative, which has targeted rodent infested neighborhoods in the Bronx, Manhattan and Brooklyn, and will identify and respond to other strategic geographic areas with rodent problems. In 2005, the Department anticipates making more than 19,000 initial inspections in response to complaints, and a total of more than 65,000 rodent control inspections. In the area of mosquito control, the Department plans to focus efforts on ecologically-based control of larvae in order to reduce the need to apply chemical pesticide for control of adult mosquitoes and prevent human arboviral diseases, including illnesses related to the West Nile Virus.

The Department provides intensive case coordination and environmental investigation and monitoring to all children with blood lead levels at the environmental intervention action level, which will be defined as a blood lead level of 15 mcg/dL or greater in 2005. The Department will continue to communicate with families and doctors of children with blood lead levels of 10-14 mcg/dL. Additionally, outreach and education to families, medical providers, landlords, contractors and retailers about lead poisoning prevention will be enhanced especially in high-risk neighborhoods.

Health Care Access and Improvement

The Department is responsible for developing, implementing, and monitoring programs to expand the availability of health services. In conjunction with the Department of Social Services (DSS) and the New York State Department of Health (NYSDOH), it oversees New York City's Medicaid Managed Care program, in which enrollment became mandatory for most Medicaid clients beginning in 1999. During 2004, enrollment exceeded 1.2 million Medicaid recipients. The Department also developed an outreach plan in 2004 to increase voluntary enrollment of Supplemental Security Income (SSI) recipients in Medicaid Managed Care Plans. Currently, over 38,000 SSI recipients are enrolled. This represents approximately 19 percent of the eligible population. In addition to these efforts, the Department has executed five contracts with providers certified by NYSDOH to operate managed care plans for persons with HIV/AIDS. Enrollment currently stands at 500 participants. The Division will continue to increase its collaboration with managed care plans on public health priorities by improving health care management and implementing effective prevention activities.

During 2004, the Division of Health Care Access and Improvement took direct responsibility for Correctional Health Services and Oral Health, Programs and Policy which were previously contracted to the Health and Hospitals Corporation.

Under one of the City's largest contracts, the Bureau of Correctional Health Services will provide health services to the 14,000 inmates in the custody of the Department of Correction. Recent new initiatives will be expanded during 2005. This includes the pilot of the rapid HIV testing program in City jails, which reduces the wait time for test results from two weeks to twenty minutes. The recently-created Bureau of Transitional Health Care Coordination will expand its efforts to improve the access to health care for inmates (and their families) upon their release into the community.

The Bureau of Oral Health, Programs and Policy has assumed the responsibility for Correctional Dental Clinics. An oral cancer screening program for inmates was initiated in January 2004 and will be expanded. Every year 30,000 new cases of oral cancer are detected in the US, with 8,000 deaths. Early detection will help save lives. The Bureau also plans to increase the number of community-based clinics from 45 to 66. This will occur as the Bureau continues to implement the "Seal Your Smile" dental sealant initiative, which emphasizes the prevention of tooth decay in children from low-income communities.

Mental Hygiene Services

Through the Division of Mental Hygiene, the Department provides planning, funding, and oversight for the provision of mental health, mental retardation, developmental disabilities, alcoholism, and substance abuse services for New York City residents. In addition, the Department funds public education, prevention, and training while maintaining culturally responsive, cost-effective, and high-quality care for its clients. The Department serves over 400,000 clients annually through 365 contracts with voluntary service agencies and hospitals and HHC facilities.

Mental Health

The Department plans and funds a variety of mental health services, including outpatient services for adults and families, outreach services, and services for special populations, including immigrants. The Department's priorities include programs for children and adolescents, the homeless and the severely and persistently mentally ill.

Mental Retardation and Developmental Disabilities

The Department plans and funds services for people with developmental disabilities, including mental retardation, cerebral palsy, epilepsy, autism, and other neurological impairments. Services include adult vocational programs, employment programs, diagnostic evaluations, clinic treatment programs, family support programs, counseling, after-school and weekend recreation and respite programs, special continuing education, sleep-away camp, transportation, information and referral, and public education.

Alcoholism

The Department plans and funds an array of services to assist individuals in need of alcoholism treatment, including inpatient detoxification, alcoholism crisis centers, comprehensive outpatient services, and community residences. The priority populations include the homeless, pregnant women, families, and adolescents.

Substance Abuse Services

The Department funds a variety of services to assist individuals in need of substance abuse treatment, including integrated outpatient services for adult substance abusers and mentally ill chemical abusers (MICA), family centered adolescent substance abuse and MICA treatment, and integrated substance abuse services focusing on sobriety and employment readiness.

Project Liberty

In response to the September 11, 2001 attacks on the World Trade Center, the Department implemented Project Liberty, a program funded by the Federal Emergency Management Agency that provides free individual and group counseling and public education to New Yorkers. To date, over 1,086,000 individuals, including an estimated 203,000 children, have been served. As of December 31, 2003, the majority of Project Liberty program services ended. However, services provided through the New York City Fire Department and Department of Education are continuing.

Early Intervention Services

The Early Intervention program, which serves approximately 40,000 children and their families annually, is designed to create an effective system for the early identification and treatment of infants and toddlers, 0-3 years of age, with developmental delays; reduce the duplication of services; provide more timely and efficient evaluation of young children; and provide comprehensive services in a natural setting for each child.

Office of Chief Medical Examiner

The September 11, 2001 terrorist attack killed an estimated 2,749 victims at the World Trade Center (WTC), and has resulted in almost 20,000 remains recovered to date. Over the past year, the Office of Chief Medical Examiner (OCME) has identified 65 of the 2,749 WTC victims for a total of 1,546 identifications. The OCME response has utilized all of the strengths of forensic science, including DNA, fingerprinting, and forensic dentistry, to identify victims. The OCME continues to identify WTC remains and meet with families and relatives of the victims to provide updates on the identification process. The archiving of all case folders and the return of the OCME to routine operations is not expected to occur for at least a year after the completion of the identification of remains.

The Office operates an accredited Forensic Biology Laboratory that processes DNA evidence from over 3,000 homicides and sexual assaults. Over the past year, the Laboratory completed the NYPD Backlog Project. This entailed the analysis of 16,000 evidence kits of historical sexual assault cases held by the New York City Police Department. The cases were tested by outside laboratories and DNA profiles were analyzed by the OCME. The average turnaround to complete a DNA case is 66 days for regular cases and 10 days for rush cases.

By the start of 2005, the High Sensitivity DNA Training Laboratory will begin limited testing for low levels of DNA on evidence from property crimes. The laboratory will handle approximately fifty property crime scene cases per day. By the end of 2005, this number will increase to 800 cases per day. In addition, the training laboratory will implement the City's first mitochondrial DNA (mtDNA) laboratory. This type of DNA analysis will allow for DNA testing on hair evidence recovered from crime scenes. The number of mtDNA cases per year is projected to be 100 until the laboratory expands with the opening of the new DNA building.

The High Sensitivity Laboratory will be the training ground for the staffing of a new DNA facility scheduled to open by 2007. This new 15 story building on the campus of Bellevue Hospital will consolidate OCME's existing laboratories into a world class, custom-built facility for forensic DNA analysis. The new building will house the following expanded functions: (1) a new evidence delivery area capable of accepting over 100,000 pieces of evidence per year; (2) high-density storage systems to house 12 years of evidence as retained specimens; (3) an expanded casework laboratory to handle 16,000 cases annually, up from the current level of 3,000; (4) a total of 70,000 property crime cases, up from the 35,000 cases to be processed in the High Sensitivity Laboratory; (5) a high-volume, high-throughput exemplar laboratory to perform DNA profiling from blood and saliva taken from suspects, elimination samples, postmortems, and for paternity testing; (6) a mitochondrial laboratory to perform DNA typing of hair samples for body identifications where regular DNA from blood and semen is unavailable; (7) an in-situ/genetics laboratory that will use DNA and biochemical testing to perform molecular autopsies; and (8) training facilities and conference rooms essential for supporting programs on proper evidence collection.

Capital Review

The Four -Year Capital Plan totals $122.1 million for facilities new construction, renovation, and equipment. The table below shows capital commitments by major program areas over the FY 2004-2008 period and actuals for 2003.

Capital Commitments
($000's)

	2003 Actual		2004 Plan		2005 Plan		2006 Plan		2007 Plan		2008 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Equipment	$20,439	$22,597	$32,242	$32,242	$4,417	$4,417	$3,800	$3,800	$3,987	$3,987	$4,138	$4,138
Renovation	34,572	34,572	45,403	45,403	62,919	62,919	22,120	22,120	13,513	13,513	7,170	7,170
Total	$55,011	$57,169	$77,645	$77,645	$67,336	$67,336	$25,920	$25,920	$17,500	$17,500	$11,308	$11,308

Highlights of the Four-Year Plan include:

- $61.6 million to complete the renovation of the Public Health Laboratory via a comprehensive master plan, which includes the creation of multiple Bio-terrorism (BL3 - level) labs, the installation of an emergency generator (2000 kw), replacement of the current heating, ventilation, and air conditioning (HVAC) and fire alarm systems, electrical service, and the use of commissioning agents to ensure public safety for the community and the lab personnel in an emergency situation. ($42.1 million in FY 2005)

- $33.6 million for repair and renovation of health clinics, including roof replacement and facade rehabilitation at the Williamsburg Health Center, completion of the renovations at the Jamaica Health Center, and exterior and interior renovation of the Crown Heights Health Center. ($14.6 million in FY 2005)

- $8.4 million for computer network infrastructure, the Electronic Death Registry System, and other program-related automation initiatives to improve service quality and efficiency. ($2.3 million in FY 2005)

- $1.0 million of the renovation of the Prison Health Warehouse for Correctional Health Services.

FIRE DEPARTMENT

The Fire Department is responsible for protecting the lives and the property of the citizens of New York City while responding to fire, medical and other emergencies, and investigating building hazards. The Fire Department extinguishes fires, promotes fire prevention awareness, investigates suspicious fires, provides ambulance and emergency medical services, and inspects for building safety. The Department currently has 356 fire units that provide fire and rescue and emergency medical services, while public outreach and enforcement of New York City's fire codes promote fire prevention. The Department's Fire Marshals investigate fires and apprehend perpetrators. The Bureau of Emergency Medical Services (EMS), assisted by the Certified First Responder - Defibrillation (CFR-D) trained personnel responding from Engine Companies, provide pre-hospital emergency medical care and ambulance transport, where required.

Financial Review

The Fire Department's 2005 Executive Budget provides for operating expenses of $1.1 billion, a decrease of $79 million from the amount forecasted for 2004. This decrease is primarily due to expected overtime spending reductions in 2005 as well as a projected reduction in expenses supported by Federal grant funding.

Capital commitments of $86.7 million are also provided in 2005. This represents a decrease of $39.6 million or a 31 percent change from 2004 due to accelerated procurement and construction activity in 2004, including renovations of the borough communications offices, the construction of two EMS ambulance stations, the replacement of apparatus, and the upgrade of computer equipment.

Revenue Forecast

The Fire Department issues permits and collects fees for the inspection of fire suppression and electrical systems, places of public assembly, laboratories, high-rise buildings, and the storage and use of combustible materials. In addition, the Department realizes revenues from fees charged to out-of-state fire insurers that issue policies in New York City and to private fire alarm companies. In 2005, the revenue estimate for the Fire Department is $56.4 million.

The Department also collects revenue from Emergency Medical Services (EMS) ambulance transports. In 2005, revenue from Medicaid and non-Medicaid sources is projected at $103.1 million which is $3.1 million more than 2004. This increase in EMS revenue projections is associated with the Department contracting with a private firm to collect non-Medicaid EMS revenue on its behalf.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- continue to provide on-site emergency medical care and ambulance transport services citywide.
- hire 200 Probationary Firefighters in May 2004 and 500 Probationary Firefighters throughout 2005 to further fill the Department's vacancies and reduce overtime costs in 2005.
- reinstate the fifth firefighter per tour for 39 engine companies with overtime savings achieved through a reduction in sick leave.
- hire 11 additional clerical positions for the Bureau of Fire Prevention in order to eliminate a backlog of inspection billing and data entry, and 13 positions to improve the Pension Division's operations.
- implement a Random Drug Testing program to annually test 3,500 randomly selected employees.

- add five municipal ambulance tours to replace voluntary tours reductions.
- purchase 100 new defibrillator batteries to ensure the continued working order of the current stock of Life Support Defibrillators.
- hire 15 additional firefighters for fire safety coverage on Governor's Island.

Streamlining

- reduce the Department's telecommunications charges through the implementation of a "Virtual Private Network"

Summary of Agency Financial Data
($000's)

	2003 Actual	2004 Forecast	2005 Preliminary Budget	2005 Executive Budget	Increase/(Decrease) 2004 Forecast	Increase/(Decrease) 2005 Preliminary Budget
Expenditures						
Salary and Wages	$1,090,200	$1,074,177	$1,011,830	$1,017,259	($56,918)	$5,429
Fringe Benefits	17,009	21,881	18,117	13,889	(7,992)	(4,228)
Other Than Personal Service (OTPS)	94,039	115,420	90,299	101,388	(14,032)	11,089
Total	$1,201,248	$1,211,478	$1,120,246	$1,132,536	($78,942)	$12,290
Funding						
City	$1,046,649	$1,068,863	$1,013,255	$1,025,151	($43,712)	$11,896
Other Categorical Grants	96,456	100,735	102,739	103,119	2,384	380
IFA	—	—	—	—	—	—
State	1,606	2,760	1,846	1,846	(914)	—
Federal CD	—	—	—	—	—	—
Federal Other	56,537	37,020	377	391	(36,629)	14
Intra-City	—	2,100	2,029	2,029	(71)	—
Total	$1,201,248	$1,211,478	$1,120,246	$1,132,536	($78,942)	$12,290
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$328,905	$342,549	$364,251	$362,876	$20,327	($1,375)
Pensions	339,417	435,196	488,200	520,670	85,474	32,470
OTPS						
Judgments and Claims	26,640	19,605	22,178	20,805	1,200	(1,373)
Debt Service	49,802	51,694	57,335	55,974	4,280	(1,361)
Total Additional Costs	$744,764	$849,044	$931,964	$960,325	$111,281	$28,361
Funding						
City	664,697	804,407	906,707	935,077	130,670	28,370
Non-City	80,067	44,637	25,257	25,248	(19,389)	(9)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$1,090,200	$1,074,177	$1,011,830	$1,017,259	($56,918)	$5,429
Fringe Benefits	345,914	364,430	382,368	376,765	12,335	(5,603)
Pensions	339,417	435,196	488,200	520,670	85,474	32,470
Total PS	$1,775,531	$1,873,803	$1,882,398	$1,914,694	$40,891	$32,296
OTPS	$94,039	$115,420	$90,299	$101,388	($14,032)	$11,089
Judgments and Claims	26,640	19,605	22,178	20,805	1,200	(1,373)
Debt Service	49,802	51,694	57,335	55,974	4,280	(1,361)
Total OTPS	$170,481	$186,719	$169,812	$178,167	($8,552)	$8,355
Total Agency Costs	$1,946,012	$2,060,522	$2,052,210	$2,092,861	$32,339	$40,651
Less Intra-City	—	$2,100	$2,029	$2,029	($71)	—
Net Agency Costs	$1,946,012	$2,058,422	$2,050,181	$2,090,832	$32,410	$40,651
Funding						
City	1,711,346	1,873,270	1,919,962	1,960,228	86,958	40,266
Non-City	234,666	185,152	130,219	130,604	(54,548)	385
Personnel (includes FTEs at fiscal year-end)						
City	15,176	15,432	15,470	15,482	50	12
Non-City						
• IFA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	4	14	14	14	—	—
Total	15,180	15,446	15,484	15,496	50	12

Note: Totals may not add due to rounding.

Programmatic Review

In 2004, the Department expects that well over one-half of the responses by its fire companies will be to medical and other non-fire emergencies. The Department's citywide response time to structural fires is estimated to be less than four and one-half minutes in 2005. The Department anticipates that its ambulances will respond to over one million medical incidents in 2005.

Fire Extinguishment

The Fire Department provides fire and rescue operations via 197 Engine Companies, 143 Ladder Companies, seven Squads, five Rescue Units, three Marine Companies, and one Hazardous Materials Unit.

Emergency Medical Services

The Department provides pre-hospital medical care through the deployment of 545 daily ambulance tours. Engine Companies' personnel have received CFR-D training, and re-certification continues for those whose initial certification will expire.

Fire Prevention

The Bureau of Fire Prevention is responsible for enforcing the City's fire code through the inspection of public and private properties. The Bureau was recently expanded to focus on on-site examinations for fire safety directors in high-rise buildings, overdue account inspections and residential sprinkler inspections.

Fire Investigation

The Bureau of Fire Investigation is responsible for investigating and determining the cause and origin of all suspicious fires, and for the apprehension of arsonists. The Department will deploy 80 Fire Marshals to field duty in 2005.

Capital Review

The Capital Commitment Plan allocates $210.5 million over the next four years. This funding will be used for the purchase of fire-fighting apparatus, support vehicles, fire suppression and emergency medical equipment, the renovation and modernization of firehouses, and the upgrade and replacement of computer and communications systems.

The city is undertaking significant upgrades and enhancements to its 911 Emergency Dispatch System. The majority of the capital funding for this initiative, known as the Emergency Communications Transformation Program, is contained within the capital budget of the Department of Information Technology and Telecommunications (DOITT).

Capital Commitments

($000's)

	2003 Actual		2004 Plan		2005 Plan		2006 Plan		2007 Plan		2008 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Fire Alarm Communications	4,010	4,010	7,794	7,794	3,027	3,027	634	634	622	622	200	200
Electronic Data Processing	(3,046)	(3,046)	16,648	16,648	18,196	18,196	350	350	350	350	350	350
Reconstruction/Modernization of Facilities	55,620	55,620	69,860	69,860	46,629	46,629	37,650	37,650	6,085	6,085	10,305	10,305
Vehicles and Equipment	24,311	42,371	28,803	31,959	18,825	18,825	23,852	23,852	25,580	25,280	17,842	17,842
Total	80,895	98,955	123,105	126,261	86,677	86,677	62,486	62,486	32,637	32,637	28,697	28,697

Highlights of the Four-Year Capital Plan

- the replacement of front-line fire-fighting apparatus according to mandated replacement cycles and support vehicles and equipment ($82.9 million).
- the renovation of firehouse components such as boilers, electrical upgrades, kitchens, roofs, bathrooms, waterproofing, apparatus doors, floors, and windows ($58.6 million).
- the complete rehabilitation of four (4) firehouses ($29 million).
- professional services for the upgrade and integration of the emergency response and dispatch system ($13.6 million).
- the relocation and consolidation of the fleet maintenance facility to a new site ($9.9 million).
- the purchase of new mobile radios that are compatible with the City's Channel 16 radio infrastructure for front-line vehicles, replacement of current Motorola 800 MHz portable radios, and the purchase of communications equipment for the emergency response system ($7.2 million).
- the purchase and upgrade of computer equipment to support agency operations ($3.8 million).

The 2005 Plan for the Department totals $86.7 million and highlights include:

- the renovation of firehouse components such as boilers, electrical upgrades, kitchens, roofs, bathrooms, waterproofing, apparatus doors, floors, and windows ($24.9 million).
- the complete rehabilitation of three firehouses ($18 million).
- the replacement of front-line fire-fighting apparatus and support vehicles and equipment ($16.7 million).
- professional services for the integration and upgrade of the emergency response and dispatch system ($13.6 million).
- the purchase of new mobile radios ($4.7 million).
- the purchase and upgrade of computer equipment to support agency operations ($2.7 million).
- the rehabilitation and dry-docking of fireboats ($2.1 million).

DEPARTMENT OF SANITATION

As one of the oldest, largest, and most diverse public solid waste organizations in the United States, the Department of Sanitation maintains sanitary conditions and enforces sanitary compliance through the collection, management, recycling, and disposal of municipal solid waste in the City's 59 Community Districts.

Financial Review

The Department of Sanitation's 2005 Executive Budget provides for operating expenses of $1.1 billion, an increase of $50.7 million from the 2004 forecast. This increase is primarily due to the recent reintroduction of both glass and weekly recycling, increased export contract costs, the conversion to ultra low sulfur diesel fuel and a waste composition study.

Capital commitments of $631.4 million are also provided in 2005, an increase of $480.0 million from the 2004 Plan amount. This increase is primarily due to the infrastructure development for the new Solid Waste Management Plan and for garage and facility construction and rehabilitation in 2005.

Revenue Forecast

The Department of Sanitation generates revenue from contracts for the removal of abandoned vehicles from City streets and property, from concession fees on methane gas extracted from the Fresh Kills Landfill, from the sale of recycled paper and metal to private processors, and from an assortment of miscellaneous fees and minor sales. The Department's 2005 revenue estimate is $7.6 million from these sources.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- the Department has re-introduced weekly recycling, including glass, which will require an additional 261 Sanitation Workers and six civilians and will cost $13.3 million in 2005.
- the Department's snow removal budget has been increased by $7.0 million in 2005, based on the previous five-year spending average.
- the Department's refuse export contracts for Manhattan and Staten Island will increase in cost by $5.7 million in 2005.
- to comply with Local Law 77, the Department will run its diesel vehicles on ultra low sulfur diesel fuel, and install filters in 400 off-road vehicles at a cost of $4.4 million.
- the Department will conduct a waste composition study that will cost $2.0 million in 2005.
- the Department will re-introduce Christmas trees and leaves composting which will cost $1.8 million in 2005.

Streamlining

- the Department will save $2.1 million in 2005 by running a new basket collection and motorized litter patrol program with full-time positions instead of on overtime.
- the Department will add 11 additional staff members in the DSNY medical division, at a cost of $0.5 million, to better monitor sick and medical leave use.

Summary of Agency Financial Data
($000's)

	2003 Actual	2004 Forecast	2005 Preliminary Budget	2005 Executive Budget	Increase/(Decrease) 2004 Forecast	Increase/(Decrease) 2005 Preliminary Budget
Expenditures						
Salary and Wages	$616,236	$609,857	$604,199	$613,736	$3,879	$9,537
Fringe Benefits	17,499	17,780	17,780	17,888	108	108
Other Than Personal Service (OTPS)	357,705	387,623	416,320	434,311	46,688	17,991
Total	$991,440	$1,015,260	$1,038,299	$1,065,935	$50,675	$27,636
Funding						
City	$956,839	$968,179	$1,005,505	$1,034,525	$66,346	$29,020
Other Categorical Grants	3,771	1,767	1,600	1,600	(167)	—
IFA	5,154	10,205	10,139	10,205	—	66
State	—	22,211	6,770	6,770	(15,441)	—
Federal CD	10,780	12,107	12,022	12,093	(14)	71
Federal Other	12,675	—	—	—	—	—
Intra-City	2,221	791	2,263	742	(49)	(1,521)
Total	$991,440	$1,015,260	$1,038,299	$1,065,935	$50,675	$27,636
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$199,700	$204,827	$219,344	$224,627	$19,800	$5,283
Pensions	7,668	23,479	58,557	70,091	46,612	11,534
OTPS						
Judgments and Claims	21,076	24,007	27,157	25,476	1,469	(1,681)
Debt Service	95,941	132,459	157,800	153,980	21,521	(3,820)
Total Additional Costs	$324,385	$384,772	$462,858	$474,174	$89,402	$11,316
Funding						
City	313,887	373,521	454,398	465,954	92,433	11,556
Non-City	10,498	11,251	8,460	8,220	(3,031)	(240)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$616,236	$609,857	$604,199	$613,736	$3,879	$9,537
Fringe Benefits	217,199	222,607	237,124	242,515	19,908	5,391
Pensions	7,668	23,479	58,557	70,091	46,612	11,534
Total PS	$841,103	$855,943	$899,880	$926,342	$70,399	$26,462
OTPS	$357,705	$387,623	$416,320	$434,311	$46,688	$17,991
Judgments and Claims	21,076	24,007	27,157	25,476	1,469	(1,681)
Debt Service	95,941	132,459	157,800	153,980	21,521	(3,820)
Total OTPS	$474,722	$544,089	$601,277	$613,767	$69,678	$12,490
Total Agency Costs	$1,315,825	$1,400,032	$1,501,157	$1,540,109	$140,077	$38,952
Less Intra-City	$2,222	$791	$2,263	$742	($49)	($1,521)
Net Agency Costs	$1,313,603	$1,399,241	$1,498,894	$1,539,367	$140,126	$40,473
Funding						
City	1,270,726	1,341,700	1,459,903	1,500,479	158,779	40,576
Non-City	42,878	57,541	38,991	38,888	(18,653)	(103)
Personnel (includes FTEs at fiscal year-end)						
City	8,757	9,340	8,934	9,476	136	542
Non-City						
• IFA	137	166	166	165	(1)	(1)
• CD	192	226	226	225	(1)	(1)
• Other	—	—	—	—	—	—
Total	9,086	9,732	9,326	9,866	134	540

Note: Totals may not add due to rounding.

Programmatic Review

The Department's main administrative and planning divisions include the Bureau of Long Term Export, Financial Management and Administration, and the Bureau of Waste Prevention, Re-use, and Recycling. The two operational divisions are the Bureau of Cleaning and Collection (BCC) and the Bureau of Waste Disposal (BWD). The Bureau of Motor Equipment (BME) and the Bureau of Building Management (BBM) provide support operations.

Long Term Solid Waste Management

On July 31, 2002, the Mayor asked the Department of Sanitation to develop a new City waste export infrastructure to replace the existing contracts, limit truck-based export and maximize the export of containerized waste by barge or rail. The Mayor directed the Department to focus on the conversion of existing Marine Transfer Stations for barge export from four Boroughs and to build a facility to export Staten Island waste by rail.

The Department's efforts resulted in designs for new containerization facilities to be built at the Marine Transfer Station sites for the Department-managed waste generated in four Boroughs. Through procurement solicitations, the Department also obtained proposals from vendors interested in providing long-term waste services at the Marine Transfer Stations, as well as private vendor proposals that offer alternatives to the conversion of certain Marine Transfer Stations.

For Staten Island waste, the Department has embarked on the construction of a facility at a site at the closed Fresh Kills landfill that will containerize waste for rail transport once the final connections are complete.

Containerization at Marine Transfer Stations and at the Staten Island facility will provide the City with an environmentally sound approach to waste management and increased flexibility in disposal options. As required by New York State Conservation Law, the City expects to submit a revised Solid Waste Management Plan (SWMP) to the City Council by September 14, 2004.

The Department's Four-Year Capital Plan provides $493.7 million for the implementation of the City's SWMP.

Bureau of Waste Prevention, Re-use, and Recycling

The Department continues its efforts to reduce the quantity of solid waste that must be disposed. The Department currently operates a dual-stream recycling program that requires residents to separate metal, plastic and glass (MGP) from paper and place it in bins, bags or bundles.

Pursuant to Local Law 11 of 2002, the glass component of the metal, glass and plastic (MGP) recycling stream had been suspended in 2004. Pursuant to Local Law 50 of 2003, the Executive Budget assumes the re-introduction of glass recycling, which occurred on April 1, 2004.

In 2003, the City received $30.11 per ton for processing metal. In 2004, the City managed to obtain a favorable revenue bid of $5.10 per ton for metal and plastic (MP) processing. With the re-introduction of glass on April 1, 2004, the City will now pay $51.00 per ton to process metal, glass and plastic (MGP). The paper recycling program generates an average of $7.55 of revenue per ton from various vendors or $2.9 million per year.

Pursuant to Local Law 50, the Department increased the recycling collection frequency from alternate week to weekly collection on April 1, 2004.

Bureau of Cleaning and Collection

The Bureau of Cleaning and Collection (BCC) is primarily responsible for collecting household refuse and recyclables, cleaning City streets, and enforcing recycling regulations and portions of the City's health and administrative codes.

Currently, BCC provides refuse collection services two to three times a week depending on the population density of the community. During 2003, the Department's curbside collection program averaged 10.9 tons per truck, primarily because of the temporary suspension of plastic and glass recyclables; while, in 2004, the Department averaged 10.7 because of the temporary suspension of glass recyclables.

Bureau of Waste Disposal

The Bureau of Waste Disposal (BWD) is responsible for the receipt, transfer, transportation, and final disposal of approximately 12,100 daily tons of residential and institutional waste through its waste export contracts.

BWD is also responsible for the Fresh Kills landfill closure activities. The Financial Plan includes funds for closure activities including final capping of the landfill, leachate treatment and control, methane gas collection and flaring, maintenance and security of the site and waterways, and environmental monitoring.

Support Bureaus

The Bureau of Motor Equipment (BME) provides services related to the acquisition, repair, and maintenance of the Department's equipment including collection trucks, street sweepers, salt spreaders, cranes, tractors, and other vehicles and equipment. BME operates an extensive repair and maintenance facility to ensure that equipment is available to implement the Department's operational functions. This Bureau researches and develops equipment specifications to improve productivity, vehicle design, and to take advantage of alternative fuel vehicles.

The Bureau of Building Maintenance provides maintenance and emergency repair work for the Department's 204 facilities.

Capital Review

The Department's Four-Year Plan totals $1.2 billion. The Four-Year Capital Plan provides the Department with funding to construct, rehabilitate, purchase, and develop the necessary infrastructure and assets to support refuse collection, recycling, cleaning, waste disposal, and support operations. The Department's Four-Year Capital Plan consists of three major components - garage construction and rehabilitation, transfer stations renovation and construction, and vehicle purchases. These three major programs represent 97.3 percent of the total Four-Year Capital Plan.

The Department supports its collection and cleaning operations through its garage program. The garage program will be developed to complement the size of the Department's fleet and work force. Garages and facilities will be constructed and rehabilitated in all five Boroughs. In accordance with the revised focus of the City's Long Term Solid Waste Management Plan, the Department has also embarked on the renovation and the construction of transfer stations. These containerized facilities will enable the City to export its refuse via barge or rail. The Department continues to replace vehicles, within established life cycles, including collection trucks, dual bin trucks, mechanical brooms, and salt spreaders in order to support operations.

The table below shows capital commitments by program area over the 2005-2008 period.

Capital Commitments

($000's)

	2003 Actual		2004 Plan		2005 Plan		2006 Plan		2007 Plan		2008 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Bureau of Waste Disposal	9,592	9,592	-9,420	-3,170	0	0	11,000	11,000	10,000	10,000	11,000	11,000
Solid Waste Management Plan	11,339	11,339	50,683	50,683	493,664	493,664	0	0	0	0	0	0
Garages	117,642	117,642	37,398	37,398	104,952	104,952	64,866	64,866	115,476	115,476	115,726	115,726
Equipment	20,109	20,109	59,427	66,427	32,744	32,744	64,623	64,623	78,411	78,411	84,955	84,955
TOTAL	158,682	158,682	138,088	151,338	631,360	631,360	140,489	140,489	203,887	203,887	211,681	211,681

Highlights of the Four-Year Plan

- construction and rehabilitation of garages ($401.0 million), including Queens District 14 Garage ($27.0 million); Brooklyn Districts 13/15 Garage ($65.2 million) and 3/3A Garage ($49.7 million); Manhattan Districts 6/8/8A Garage ($125.5 million), and 4/4A/7 Garage ($43.8 million).

- construction and renovation of transfer stations in accordance with the revised focus of the City's Long Term Solid Waste Management Plan ($493.7 million).

- replacement of vehicles ($260.7 million), including collection trucks ($128.5 million), mechanical brooms ($33.9 million), and salt spreaders ($20.7 million) in accordance with established replacement cycles.

The 2005 Capital Plan provides $631.4 million in FY2005 including:

- design and construction services necessary for the Transfer Stations ($351.5 million).

- replacement of mechanical brooms ($7.1 million), collection trucks ($6.0 million) and salt spreaders ($5.2 million) in accordance with established replacement cycles.

- construction of Manhattan 4/4A/7 Garage ($43.8 million); construction of Queens 14 Garage ($23.2 million); demolition and design of Manhattan 6/8/8A Garage ($9.6 million) and design of Brooklyn 3/3A Garage ($2.4 million).

- construction of salt sheds, citywide ($12.1 million).

DEPARTMENT OF PARKS AND RECREATION

The Department of Parks and Recreation maintains one of the oldest and most extensive municipal park systems in the country. The Department is responsible for 28,700 acres of developed, natural, and undeveloped parkland, which constitutes 14 percent of the City's landmass. The municipal park system includes 800 athletic fields, 550 tennis courts, 63 swimming pools, 35 recreation centers, 14 miles of beaches, 13 golf courses, six ice rinks, four stadia, and three zoos. The Department is also responsible for the care of 1,200 monuments, 22 historic house museums and the cultivation of 2.5 million park and street trees.

Financial Review

The 2005 Executive Budget for the Department provides for operating expenses of $255 million, which represents a net decrease of $17 million from the amount forecasted in 2004. This decrease is primarily due to a projected decrease in expenses supported by grant funding and a slight reduction to the seasonal budget.

Capital commitments for 2005 of $190.7 million are also provided, a decrease of $274.7 million from the 2004 capital plan of $465.4 million. This decrease is due to accelerated procurement and construction activity in 2004 for the reconstruction of various neighborhood parks and playgrounds, the acquisition of land for parks, and the reconstruction of East River Park and other large parks.

Revenue Forecast

The Department of Parks and Recreation issues recreational permits, collects revenue from stadium rentals, and receives revenue generated by concessions operated on Parks property. In 2005, the Department will collect $62.4 million from these sources, compared to $66.1 million in 2004. Non-recurring stadium rent collections and additional concession revenue account for this change.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- maintaining the City's parks, playgrounds, infrastructure, and safety equipment, while maintaining the level of acceptable ratings for the cleanliness and overall condition of parks. The budget provides for the cleaning and maintenance of parks with full-time and part-time staff. Funding is also provided by the City's Human Resources Administration for the Parks Opportunity Program. This program provides manpower to the Parks Department to maintain and operate its parks, while helping to train and employ public assistance recipients.

- operating pools and beaches, and employing lifeguards at beaches. The 2005 budget includes the continuation of a $6 million allocation to provide the necessary staff for the operation and maintenance of pools and other recreation facilities during the summer months.

- developing athletic, artistic, and academic skills for children at recreational centers and playgrounds. The budget has been increased by $825,000 for the operation of the newly opened Chelsea Recreation Center.

- maintaining street trees, park flora and fauna. The 2005 budget includes an increase of $6 million for the disposal of wood waste in areas affected by the Asian Longhorned Beetle infestation throughout the New York City area, preventing further infestation and damage to the City's trees.

- the 2005 budget also includes $9.2 million to fully subsidize the Wildlife Conservation Society for the operation of the Central Park Zoo, the Prospect Park Zoo and the Queens Wildlife Center.

Summary of Agency Financial Data
($000's)

	2003 Actual	2004 Forecast	2005 Preliminary Budget	2005 Executive Budget	Increase/(Decrease) 2004 Forecast	Increase/(Decrease) 2005 Preliminary Budget
Expenditures						
Salary and Wages	$203,112	$210,509	$165,195	$192,278	($18,231)	$27,083
Fringe Benefits	522	1,136	544	544	(592)	—
Other Than Personal Service (OTPS)	50,535	60,412	44,004	62,223	1,811	18,219
Total	$254,169	$272,057	$209,743	$255,045	($17,012)	$45,302
Funding						
City	$159,653	$184,829	$169,414	$187,292	$2,463	$17,878
Other Categorical Grants	6,892	8,570	—	—	(8,570)	—
IFA	16,246	18,089	18,246	18,589	500	343
State	926	612	—	—	(612)	—
Federal CD	5,875	6,007	5,764	5,865	(142)	101
Federal Other	761	1,554	—	—	(1,554)	—
Intra-City	63,816	52,396	16,319	43,299	(9,097)	26,980
Total	$254,169	$272,057	$209,743	$255,045	($17,012)	$45,302
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$40,112	$42,834	$41,564	$41,423	($1,411)	($141)
Pensions	1,918	5,864	9,397	11,990	6,126	2,593
OTPS						
Judgments and Claims	17,216	18,882	21,360	20,038	1,156	(1,322)
Debt Service	92,808	108,663	149,929	146,299	37,636	(3,630)
Total Additional Costs	$152,054	$176,243	$222,250	$219,750	$43,507	($2,500)
Funding						
City	148,241	171,690	215,364	212,977	41,287	(2,387)
Non-City	3,813	4,553	6,886	6,773	2,220	(113)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$203,112	$210,509	$165,195	$192,278	($18,231)	$27,083
Fringe Benefits	40,634	43,970	42,108	41,967	(2,003)	(141)
Pensions	1,918	5,864	9,397	11,990	6,126	2,593
Total PS	$245,664	$260,343	$216,700	$246,235	($14,108)	$29,535
OTPS	$50,535	$60,412	$44,004	$62,223	$1,811	$18,219
Judgments and Claims	17,216	18,882	21,360	20,038	1,156	(1,322)
Debt Service	92,808	108,663	149,929	146,299	37,636	(3,630)
Total OTPS	$160,559	$187,957	$215,293	$228,560	$40,603	$13,267
Total Agency Costs	$406,223	$448,300	$431,993	$474,795	$26,495	$42,802
Less Intra-City	$63,816	$52,396	$16,319	$43,299	($9,097)	$26,980
Net Agency Costs	$342,407	$395,904	$415,674	$431,496	$35,592	$15,822
Funding						
City	307,894	356,519	384,778	400,269	43,750	15,491
Non-City	34,513	39,385	30,896	31,227	(8,158)	331
Personnel (includes FTEs at fiscal year-end)						
City	5,373	5,128	2,990	4,679	(449)	1,689
Non-City						
• IFA	294	448	463	452	4	(11)
• CD	131	168	136	133	(35)	(3)
• Other	16	11	—	—	(11)	—
Total	5,814	5,755	3,589	5,264	(491)	1,675

Note: Totals may not add due to rounding.

Programmatic Review

The Parks Department continues to explore approaches to maximize funding available to provide for safe and clean recreational space. To that end the Department expects to build upon past successes in establishing private and public partnerships along with Federal and State funding to assist in parkland maintenance and operations.

Maintaining Parks

The Department of Parks and Recreation will continue to optimize its reduced manpower resources in order to maintain cleanliness in all parks and playgrounds citywide. In 2005 the Department will absorb a 13% reduction in seasonal employees, a key component of the Department's workforce responsible for maintaining park cleanliness.

As a continued cost cutting measure, the Parks Department will accelerate the reconstruction of asphalt or barren athletic fields, converting them to fields carpeted with synthetic turf. This initiative, known as the "Green Acres" program, maximizes recreational use of the fields, which can then sustain year-round play. Furthermore, the program reduces maintenance costs by eliminating the need to mow, weed, fertilize or seed, thus allowing the Department to shift resources to other facilities or programs.

Expanding Public-Private Partnerships

The Department of Parks and Recreation continues to explore a variety of opportunities to increase resources for specific programmatic allocation. In the past, the Department has received support for capital projects, maintenance, programming and special events from non-profit partners like the Central Park Conservancy, the Randall's Island Sports Foundation, the Prospect Park Alliance, and the Friends of Van Cortland and Pelham Bay Park. These partnerships allow City resources to focus on much needed programs such as reconstruction of neighborhood parks and playgrounds.

The Department is expanding its partnerships to include corporate sponsors to provide funding for special events such as AOL Time Warner's Dave Matthews Concert and the co-funded Cool New York winter event series by American Express and Con Edison. These public-private partnerships help the Department provide informative and entertaining programs as well as supporting its maintenance and operations of New York City parkland. The Department has not only benefited from cash donation but corporations like Daimler-Chrysler have made in-kind donations of 248 Global Electric Motorcars and Toyota donated 10 electric sports utility vehicles. The Rockaway Artists Alliance provided labor and materials for the maintenance of the City's monuments.

In October 2003, the Mayor and the City Parks Foundation officially launched the $25 million 'Catalyst for Neighborhood Parks' program focusing on four collections of parks: Historic Harlem, Astoria/Long Island City Waterfront, Red Hook and the High Bridge and Highbridge parks. This innovative program builds community stewardship of New York City Parks through concentrated projects that cultivate diverse partnerships with community groups, government agencies, nonprofits, schools and businesses and through those partnerships leverages resources to produce changes on-the-ground. At each collection of parks, the Parks Department is identifying and recruiting key stakeholders to help build commitment for both specific parks activities and for larger neighborhood revitalization strategies.

In addition to cleanliness, the Department places an equal emphasis on beautification. With funding from MetLife and Wendy's for the Greenstreets program the Department converted an additional 51 traffic triangles and medians into pocket-parks and tree-lined malls, resulting in a combined total of more than 2,000 citywide.

Recreational Services

In an effort to promote cultural, recreational, and academic enrichment, the Department offers free after-school programs in 33 recreation centers citywide. Youth membership at recreational centers is at 25,000, an increase of approximately forty percent from two years ago. The Department continues to make children a priority by enhancing its after school programs. Through programs such as Shape Up New York, Teens at Parks and Parks Afterschool, the Department is encouraging physical and mental health as well as developing leadership, teambuilding and creative skills throughout the City during the entire school year.

Capital Review

The Four-Year Plan totals $468.4 million, including $31 million of non-city funding. The table below shows capital commitments by program area over the 2005 - 2008 period.

Capital Commitments

($000's)

	2003 Actual		2004 Plan		2005 Plan		2006 Plan		2007 Plan		2008 Plan	
Ten Year Plan Category	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Beaches and Boardwalks	772	772	6,296	6,296	3,075	3,075	1,036	1,036	700	700	1,700	1,700
Land Acquisition and Tree Planting	19,024	19,024	47,985	49,946	11,901	11,901	13,560	13,560	10,476	10,476	6,982	6,982
Major Recreation Facilties	42,179	42,179	31,032	32,910	22,125	23,396	2,365	5,023	865	865	0	0
Neighborhood Parks and Playgrounds	39,993	41,479	87,896	98,957	58,824	62,957	39,175	39,175	24,300	24,300	16,189	16,189
Vehicles, Equipment and Facility Reconstruction	17,362	17,362	20,533	21,849	12,898	16,494	20,792	20,892	12,950	12,950	12,700	12,700
Large, Major and Regional Park Reconstruction	87,269	89,593	183,052	248,521	52,404	71,348	67,929	67,929	21,443	21,743	18,403	18,403
Zoos	8,100	8,100	6,959	6,959	1,542	1,542	3,079	3,079	0	0	0	0
TOTAL	214,699	218,509	383,753	465,438	162,769	190,713	147,936	150,694	70,734	71,034	55,974	55,974

Highlights of the Four-Year Capital Plan

- construction of Brooklyn Bridge Park ($44.9 million).
- reconstruction and replacement of safety surfaces, play equipment and paths in neighborhood parks and playgrounds ($51.9 million).
- planting an average of 12,300 street trees per year ($31.9 million).
- reconstruction of bridges within Central Park, Prospect Park, and other parks ($24.5 million).
- rehabilitation of Shea and Yankee Stadium ($18.2 million).
- reconstruction and rehabilitation of park buildings ($18.2 million).
- construction of Hudson River Park ($17.8 million, following $61.6 million in 2004).
- reconstruction of pools ($8.4 million).
- reconstruction of sidewalks affected by street trees ($8.0 million).

The 2005 Plan for the Department totals $195.7 million and highlights include:

- construction and reconstruction of neighborhood parks and playgrounds ($50.9 million).

- reconstruction and replacement of safety surfaces, play equipment and paths neighborhood parks and playgrounds ($13.0 million).

- rehabilitation of Shea and Yankee Stadium ($13.5 million).

- construction of Brooklyn Bridge Park ($7.5 million).

- construction of Hudson River Park ($10.0 million).

- tree replacement ($10.5 million).

- construction of athletic fields on Randall's Island ($5.0 million).

- reconstruction of recreational centers ($3.0 million), as well as beaches and boardwalks ($3.1 million).

- reconstruction of Staten Island Botanical Garden ($3.4 million).

- construction of Soundview Park, in the Bronx, including greenways, pathways, field house and skate park ($3.8 million).

- reconstruction of Socrates Sculpture Park, in Queens ($450,000).

DEPARTMENT OF ENVIRONMENTAL PROTECTION

The major functions of the Department of Environmental Protection (DEP) include the collection, storage and delivery of the City's water; the conveyance and treatment of stormwater and sanitary flow; the enforcement of air, noise and water use regulations; water use billing, revenue collection and customer service; the management of environmental issues and natural resource protection; and the construction and reconstruction of the related infrastructure. The City is reimbursed for the costs of operating the water and sewer system by the New York City Water Board (the "Water Board") and the Department's capital program is financed through the New York City Municipal Water Finance Authority (the "Water Authority").

Financial Review

The Department of Environmental Protection's 2005 Executive Budget provides $764.4 million in operating expenses, an increase of $40.9 million from the amount forecast for 2004. It also provides capital commitments of $2.2 billion in Water Authority funds and $144.0 million in State funds.

Revenue Forecast

The Department collects revenue from environmental quality permits, the sale of hydro-energy to upstate power utilities, property rentals, summonses adjudicated before the Environmental Control Board (ECB), and other fees. The revenue estimate for 2005 is $63.0 million. In addition, DEP also gathers the data used to generate bills for customers and collects water and sewer fees for the Water Board. DEP projects approximately $1.77 billion in water and sewer revenue for 2005.

The Bureau of Environmental Compliance, which regulates air, noise and hazardous materials, performs inspections, issues licenses and permits, and reviews technical plans related to asbestos control, air quality, and noise abatement laws. The Bureau will collect $10.7 million from these sources in 2005. The Environmental Control Board will collect $49.5 million in 2005.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- supplying on average 1.3 billion gallons per day of drinking water to eight million City residents and one million upstate residents and maintaining the City's water main and sewer infrastructure. Approximately 2,360 personnel and $294.7 million are dedicated to this function.

- treating approximately 1.3 billion gallons of dry-weather sewage per day at the City's 14 wastewater treatment plants. Approximately 1,892 personnel and $321.3 million are dedicated to this function.

- enforcing the City's air and noise codes, responding to hazardous materials emergencies, and adjudicating environmental violations through the Environmental Control Board. Approximately 298 personnel and $28.8 million are dedicated to this function, including the addition of five inspectors to respond to increased noise complaints that have been made through 311.

- additional funds of $3.0 million will be provided for watershed filtration avoidance programs.

- DEP will enhance its watershed security program by increasing its helicopter surveillance rental contract ($0.8 million) and other measures. Currently the watershed police force personnel are comprised of 221 budgeted positions including 195 environmental police officers.

Restructuring and Streamlining

- contracting out for sewer dragging services to alleviate the accumulation of debris and silt ($0.3 million in 2005 and $1.0 million in 2006).

- continue improvements to its water and sewer computer billing system ($3.0 million).

- the Department will contract out for various maintenance and service repairs at its wastewater treatment plants and sewage pumping stations ($2.8 million).

- the forestry management program will expand with the reallocation of three new forester positions. Better management of the City's forested watershed lands will aid in the protection of the City's drinking water supply. This will compliment the agency's cost effective Land Acquisition Program, which helps to protect the watershed from environmental degradation.

Summary of Agency Financial Data
($000's)

	2003 Actual	2004 Forecast	2005 Preliminary Budget	2005 Executive Budget	Increase/(Decrease) 2004 Forecast	Increase/(Decrease) 2005 Preliminary Budget
Expenditures						
Salary and Wages	$323,241	$342,203	$332,452	$346,300	$4,097	$13,848
Fringe Benefits	176	199	199	199	—	—
Other Than Personal Service (OTPS)	378,223	381,102	385,698	417,868	36,766	32,170
Total	$701,640	$723,504	$718,349	$764,367	$40,863	$46,018
Funding						
City	$655,668	$674,770	$680,679	$716,457	$41,687	$35,778
Other Categorical Grants	—	—	—	—	—	—
IFA	32,854	44,696	36,702	46,396	1,700	9,694
State	388	2,720	—	—	(2,720)	—
Federal CD	—	—	—	—	—	—
Federal Other	12,730	291	—	550	259	550
Intra-City	—	1,027	968	964	(63)	(4)
Total	$701,640	$723,504	$718,349	$764,367	$40,863	$46,018
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$98,779	$107,262	$118,540	$117,018	$9,756	($1,522)
Pensions	3,046	9,559	19,510	24,129	14,570	4,619
OTPS						
Judgments and Claims	16,081	17,034	19,269	18,076	1,042	(1,193)
Debt Service	78,512	113,154	94,468	92,181	(20,973)	(2,287)
Total Additional Costs	$196,418	$247,009	$251,787	$251,404	$4,395	($383)
Funding						
City	191,566	240,988	248,143	247,764	6,776	(379)
Non-City	4,852	6,021	3,644	3,640	(2,381)	(4)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$323,241	$342,203	$332,452	$346,300	$4,097	$13,848
Fringe Benefits	98,955	107,461	118,739	117,217	9,756	(1,522)
Pensions	3,046	9,559	19,510	24,129	14,570	4,619
Total PS	$425,242	$459,223	$470,701	$487,646	$28,423	$16,945
OTPS	$378,223	$381,102	$385,698	$417,868	$36,766	$32,170
Judgments and Claims	16,081	17,034	19,269	18,076	1,042	(1,193)
Debt Service	78,512	113,154	94,468	92,181	(20,973)	(2,287)
Total OTPS	$472,816	$511,290	$499,435	$528,125	$16,835	$28,690
Total Agency Costs	$898,058	$970,513	$970,136	$1,015,771	$45,258	$45,635
Less Intra-City	—	$1,027	$968	$964	($63)	($4)
Net Agency Costs	$898,058	$969,486	$969,168	$1,014,807	$45,321	$45,639
Funding						
City	847,234	915,758	928,822	964,221	48,463	35,399
Non-City	50,824	53,728	40,346	50,586	(3,142)	10,240
Personnel (includes FTEs at fiscal year-end)						
City	398	426	413	440	14	27
Non-City						
• IFA	693	784	784	777	(7)	(7)
• CD	—	—	—	—	—	—
• Other	4,756	5,144	5,143	5,096	(48)	(47)
Total	5,847	6,354	6,340	6,313	(41)	(27)

Note: Totals may not add due to rounding.

Programmatic Review

Water Supply Strategies

The New York City Water System consists of 18 collecting reservoirs and three controlled lakes located within the 2,000 square miles of the Croton, Catskill and Delaware watersheds. The Croton Watershed provides 10% of the City's water supply and is located approximately 45 miles north of the City in Westchester and Putnam Counties. The Catskill Watershed provides 40% of the City's water supply and is located 100 miles north of the City in the central and eastern portions of the Catskill Mountains. The Delaware Watershed provides 50% of the City's Water Supply and is located approximately 125 miles northwest of the City along the branches of the Delaware River.

The Department will continue the implementation of programs related to the water Filtration Avoidance Determination (FAD) for the City's Catskill and Delaware water supplies, which was renewed by the United States Environmental Protection Agency (USEPA) on November 26, 2002. The renewed FAD, which provides the City with an additional five year water filtration waiver, is based on DEP's ongoing long-term watershed protection program and will continue funding for certain programs that have been particularly effective and enhance or modify certain programs where needed. Additionally, the FAD requires DEP to build an ultraviolet light disinfection facility to disinfect Catskill and Delaware water.

In addition, DEP will continue to address security concerns by providing the Watershed Police with increased funding beginning in 2005. Five new upstate watershed police precincts that were recently constructed under the Department's Watershed Security capital contract with the Army Corps of Engineers will go into full operation during 2005. In addition, other security measures are being developed for protection of the water supply.

Wastewater Treatment Initiatives

The City's 14 Wastewater Treatment Plants play a crucial role in the City's efforts to improve water quality. These facilities treat about 1.3 billion gallons of wastewater from homes, businesses, schools, and streets in the five boroughs everyday. These plants treat captured sewage to the standards established by State and Federal laws and regulations regarding discharge into the City's receiving waters. This also ensures maintenance of exceptional quality of life standards for City communities.

The renegotiated federal consent order governing the disposal of the City's dewatered sludge (or biosolids) allows the City to replace its prior management program with an improved and more cost-effective program. Beginning in 1999, DEP's biosolids disposal strategy has realized annual cost savings of approximately $45 million while obtaining greater environmental benefits through increased recycling or reuse. The Department will continue this successful program in 2005, with 100 percent of its dewatered sludge beneficially used (e.g. fertilizer pellets and ground cover at landfills) at a projected cost of approximately $50 million.

According to a recent Harbor Survey issued by the Department, water quality in New York Harbor and its surrounding waters continues to improve. The Harbor Survey has provided ongoing monitoring of water quality at 53 sampling stations since 1909. For example, coliform bacterial counts, which are indicators of sewage pollution, have continued to decline and, since 1993, compliance with New York State standards continues at the highest levels recorded by this program. Improvements have also been realized in the measure of dissolved oxygen (DO) in the City's surrounding waters. DO is a universal indicator of overall water quality in aquatic systems and its concentrations in most areas of the Harbor have been notably higher throughout the 1990s than in the prior decade. These improvements are primarily in response to the following Department initiatives: continued wastewater treatment plant (WWTP) reconstruction and upgrades throughout the City; the abatement of illegal discharges; improved surveillance and sewer maintenance; decreased water consumption, and increased capture of wet weather flows.

Customer Services Programs

As required by the NYS Department of Environmental Conservation and the Water Board, the Department is progressing towards its goal of universally metering all properties. The major goals of universal metering include water conservation, improved water supply system management and rate equity. The Department services approximately 828,000 water and sewer customer accounts, of which 44,000 are un-metered and 784,000 are metered accounts. Of the metered accounts, DEP bills 755,000 for water and sewer services based on metered consumption and 29,000 on an annual flat-rate system. These 29,000 accounts are receiving a flat rate during a transition period which allows owners to install water saving devices and conduct water leak audits. Owners of 16,000 properties that still have not taken steps to have meters installed are billed surcharges added to their annual flat rate bills.

The Department's outreach program offers communities an opportunity to learn about the Department's billing policies and learn about water conservation programs. DEP has improved convenience for customers paying their water and sewer bills by entering into an agreement with privately operated Neighborhood Payment Centers (NPCs). Customers can make payments by cash, check, or money order at over 400 NPCs.

DEP has enhanced the capabilities of its Interactive Voice Response (IVR) system so that customers now hear key information about their accounts including current balance due, payment received, and data from their last meter reading. In addition, customers may now view current water and sewer charges, make payments and view bills for the last year on the City's NYCServ Website.

The Department's conservation programs will also conduct 25,000 annual surveys for water leaks on customers' properties and supply low-flow showerheads and faucet aerators at no cost to its customers. Where leaks are detected and promptly corrected, customers may qualify for a "forgiveness" program that reduces increased charges caused by the leaks. The program was recently expanded to service both residential and commercial properties.

Environmental Compliance

The Bureau of Environmental Compliance responds to hazardous material emergencies, maintains a Citywide database of facilities containing hazardous materials under its Right-to-Know Program (RTK), monitors emissions and environmental impacts from alternative fuel vehicles, reviews and inspects asbestos abatement projects, investigates air quality and noise complaints, maintains four air monitoring stations on Staten Island, and assists environmental economic development.

The Asbestos Control Program (ACP) certifies asbestos handlers, provides telephone response service to contractors and the public, laboratory analysis of asbestos materials, and inspects asbestos remediation projects. ACP also inspects the cleanup of parks containing soil and dust contaminated by lead-based paint (LBP) from nearby bridges.

Capital Review

Overview

In total, the Four-Year Capital Plan provides $7.4 billion from the following sources: $7.2 billion in Water Authority funds; $8.7 million in City funds; and $224.9 million in State funds.

The major elements of the Four-Year Capital Plan include:

- constructing the Croton Water Filtration Plant and related projects ($1.5 billion).

- continuing construction of Stage Two of City Tunnel Number 3 for $622.7 million. Work on this stage of tunnel construction will be primarily in Manhattan.

- designing and constructing an ultraviolet light water disinfection facility for water from the Catskill and Delaware Watersheds ($587.8 million). This facility along with other elements of the FAD will enable DEP to avoid having to construct a conventional filtration plant estimated to cost between $4.0 and $6.0 billion.

- replacing and extending trunk and distribution water mains ($406.1 million).

- extending and reconstructing sewers ($514.5 million).

- designing and reconstruction of upstate dams ($344.5 million), including $210.0 million for the reconstruction of the Gilboa Dam in the Catskill Watershed.

- upgrading to secondary treatment of the Newtown Creek Wastewater Treatment Plant (WWTP) ($608.6 million).

- ensuring compliance with mandated permit requirements by stabilizing in-City WWTPs, including: Bowery Bay WWTP ($106.5 million), Hunts Point WWTP ($158.6 million), Jamaica WWTP ($12.8 million), North River WWTP ($20.0 million), Rockaway WWTP ($25.0 million), Port Richmond & Oakwood Beach WWTPs ($24.0 million), Tallman Island WWTP ($139.9 million), Ward's Island WWTP ($143.0 million), and 26th Ward WWTP ($95.2 million).

- implementing initiatives that address water quality problems attributable to combined sewer overflow (CSO) discharges into the City's surrounding waterways during rainstorms. These include an estimated $100 million in New York State funds, as part of the Clean Water/Clean Air Bond Act of 1996, for various water quality improvement projects that are included in the Four-Year Plan ($199.1 million).

- continuing water conservation programs that include the installation of water meters ($40.7 million) and the toilet rebate program ($24.0 million).

Major projects scheduled for 2005 include:

- continue construction of the Third Water Tunnel, Stage Two ($617.7 million).

- upgrading portions of the Newtown Creek WWTP ($242.7 million).

- reconstruction and stabilization of the four WWTPs discharging to the Upper East River to reduce nitrogen discharges ($99.6 million).

- continue construction of the Paerdegat Basin Combined Sewage Overflow facility ($150.9 million).

- begin construction of the Croton Water Filtration Facility ($197.0 million).

- site preparation for the Catskill/Delaware Ultraviolet Water Disinfection Facility construction ($100.0 million).

- continue in-City water main construction ($100.4 million).

- explore alternative sources of water supply for the City ($40.0 million).

- reconstruction and extension of the City's sewer system ($174.0 million).

- reconstruction and remediation of the Brookfield Avenue Landfill ($93.3 million).

- continuing water conservation programs that include the installation of water meters ($18.7 million) and the toilet rebate program ($6.0 million).

The table below shows capital commitments by program area over the 2003-2008 period.

Capital Commitments

($000's)

	2003 Actual		2004 Plan		2005 Plan		2006 Plan		2007 Plan		2008 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Water Pollution	706,599	712,460	1,179,536	1,303,469	593,588	618,588	962,066	987,066	144,300	169,300	436,395	461,395
Water Mains	357,245	357,212	690,846	697,325	629,679	629,679	446,805	446,805	1,596,554	1,596,554	589,543	589,543
Sewers	231,081	231,815	269,495	270,048	174,048	174,080	151,258	151,258	66,363	66,363	122,801	122,801
Water Supply	78,337	78,337	89,107	89,107	689,800	689,800	197,500	197,500	0	0	50,000	50,000
Equipment	93,271	93,262	89,553	108,691	161,249	280,187	65,188	67,188	58,714	60,714	46,961	48,961
Total	1,466,534	1,473,086	2,318,537	2,468,640	2,248,364	2,392,334	1,822,817	1,849,817	1,865,931	1,892,931	1,245,700	1,272,700

The 2005-2008 Capital Plan provides $7.4 billion in funding. The major elements of the Four-Year Plan are described below in the context of the four major program areas.

Water Supply

DEP provides water for consumption and fire fighting in the City, and in many upstate communities, by maintaining 18 reservoirs and three controlled lakes in three watersheds, with a storage capacity of about 550 billion gallons. A network of three aqueducts, three City water tunnels, and over 6,200 miles of water mains are or will be used to convey water from upstate to provide water within the City and to several upstate communities.

The Four-Year Plan provides approximately $4.2 billion for the protection and upkeep of the City's source water supply and water distribution systems. The highlights of this Four-Year Plan include the initiation of new Water Conveyance Measures, the construction of the Croton Filtration Plant, the Catskill/Delaware Ultraviolet Light Water Disinfection Facility, Stages One and Two of City Tunnel Number 3, the replacement and construction of distribution water mains and trunks and various improvements to the water supply system upstate.

The Four-Year Plan forecasts $1.5 billion for the construction of the Croton Filtration Plant and related projects. The City previously selected the Mosholu Golf Course site in Van Cortlandt Park, in the Bronx, as its preferred site for this facility. In February 2001, the New York Court of Appeals ruled that the construction of the facility at such site amounted to alienation of parkland, requiring the approval of the State Legislature. To maintain the Mosholu Golf Course site as a potential site for the facility, the City secured passage of a bill by the Legislature, in July 2003, which authorized alienation of the Mosholu Golf Course for the construction and operation of a Croton Filtration Plant. The City is currently completing a Supplemental Environmental Impact Statement, reviewing three potential sites (the Mosholu Golf Course site, a site along the Harlem River near the University Heights Bridge, and the City-owned Eastview site in Westchester County), and expects to announce its preferred site for the facility by June 30, 2004.

The Four-Year Plan provides $622.7 million for the completion of Stage Two of City Tunnel Number 3. The bulk of this amount will be committed to the completion of the boring and lining of the tunnel within Manhattan, and the construction of Shaft sites 24B through 33B on the east and west sides of Manhattan.

The Four-Year Plan also includes $90 million for Water Conveyance Measures. This program will research and develop alternate water supplies and delivery systems for the City in order to provide more dependability within the Water System. The alternate water supplies and delivery systems could be used during drought situations, repairs and inspections of existing aqueducts and tunnels and to augment the City's daily water supply.

The Department also forecasts $1.3 billion within this Four-Year Plan for improvements to the watershed upstate. This includes the continuation of the Filtration Avoidance Measures totaling $63.9 million, the reconstructions of upstate dams totaling $344.5 million and the construction of an Ultraviolet Light Water Disinfection Facility for Catskill and Delaware totaling $587.8 million.

Sewers

The Department operates and maintains over 6,600 miles of sanitary, storm and combined sewers. Approximately 70 percent of the existing system is composed of combined sewers that carry both storm and wastewater to the City's 14 wastewater treatment plants for treatment. The sewage collection system, which is divided into 14 drainage areas, also includes 131,243 catch basins and approximately 5,000 seepage basins to prevent flooding and sewer backups. The Four-Year Capital Plan allocates a total of $514.5 million for the replacement, construction and expansion of the City's sewer system to improve the collection and transport of storm and wastewater.

The Four-Year Plan provides $36.6 million for the replacement and augmentation of sewers to enhance capacity where required by population increases and economic development projects. Approximately $256.2 million is allocated for the replacement of sewers experiencing chronic malfunctions that may cause flooding or potential health hazards. The Department will continue to extend the sewer system into new areas that are currently underserved, primarily in Queens and Staten Island, for $202.0 million within this Four-Year Plan.

Wastewater Treatment

DEP's Bureau of Wastewater Treatment operates 14 wastewater treatment plants (WWTPs), one storm-overflow retention facility, 89 wastewater pumping stations, nine laboratories, eight sludge dewatering facilities and three inner-harbor sludge transport vessels. On average each day, these facilities treat approximately 1.3 billion gallons of dry-weather sewage and handle approximately 1,200 wet-tons of sludge. The Four-Year Plan for Wastewater Treatment projects is $2.2 billion, including $100.0 million of State funds.

The Four-Year Plan includes $671.3 million for consent decree upgrading and construction projects for water pollution control facilities. The largest of these projects is $608.6 million for the continued upgrade of the Newtown Creek WWTP to provide full secondary treatment ($2.4 billion total cost).

The Four-Year Plan has scheduled $725.2 million for the stabilization of in-City wastewater treatment facilities that are in need of system-wide reconstruction to ensure their continued compliance with mandated permit requirements into the future. These facilities include the Bowery Bay, Hunts Point, Jamaica, North River, Rockaway, Port Richmond, Oakwood Beach, Tallman Island, Wards Island, and 26th Ward WWTPs. The Capital Plan includes: $106.5 million for improvements at Bowery Bay, $139.9 million for improvements at the Tallman Island, $158.5 million for improvements at Hunts Point, $143.0 million for the improvement at the Ward's Island and $95.2 million for the 26th Ward.

The Four-Year Plan allocates $485.3 million for the reconstruction of wastewater pumping stations, regulators, tide gates, and force mains. The System's 89 pumping stations are used to convey wastewater over long distances, to drain low-lying areas, and to lift flows to WWTPs.

Portions of the City's water bodies have been identified as having significant water quality impacts in part from combined sewer overflow (CSO) discharges. The Four-Year Plan provides $199.1 million for the study, design and implementation of CSO abatement projects that includes the following: Flushing Bay, Paerdegat Basin, Residual Chlorine Reduction, Hunts Point, Alley Creek, and the Gowanus Canal. The allocations include $100.0 million that the Department is forecasting in State funds, as part of the Clean Water/Clean Air Bond Act of 1996, for various water quality improvement projects.

Equipment

The Four-Year Plan totals $457.0 million for this category that is funded as follows: $8.7 million in City General Obligation funding, $124.9 million in State funds, and $323.4 million in Water Authority funding. The plan includes the remediation of closed landfills, water meter installation, facility purchase and reconstruction and the relocation of utility gas mains for sewer and water projects and the purchase of vehicles and computer equipment.

DEP will continue upgrading and consolidating its facilities over this Four-Year Plan for a cost of $127.4 million. This includes the construction of the Clove Rd. Consolidated Maintenance Facility for Water & Sewer Operations in Staten Island for $30.7 million and the upgrade of DEP's East 38th St. Water & Sewer Operations Maintenance Facility in Manhattan for $17.3 million.

DEP will continue to remediate certain landfills previously operated by the Department of Sanitation. As a result of past illegal dumping which occurred at these sites, they have been placed on the State list of inactive hazardous waste sites. DEP will supervise the remediation of Brookfield Avenue Landfill in Staten Island, which will require a cap, a gas collection and disposal system, and a stormwater management system. Remediation scheduled for 2005 will cost $93.3 million, of which $20.7 million will be funded by City G.O. funds and $72.6 million funded by State funds. The Four-Year Plan reflects additional State funding of $43.8 million for the on-going remediation at Pennsylvania and Fountain Avenues Landfill, in Brooklyn, which results from a recent State Environmental Quality Bond Act (EQBA) amendment. The total amount of additional State funds anticipated for this project is $62.1 million, including $18.3 million forecasted for 2004.

DEPARTMENT OF TRANSPORTATION

The Department of Transportation (DOT) maintains, operates and reconstructs City bridges, maintains and resurfaces streets and arterial highways within the five boroughs, plans and funds street reconstruction, operates the Staten Island Ferry, manages the streetlighting system and traffic signal network, maintains and collects revenue from parking meters, operates parking facilities, helps regulate traffic flow, coordinates transportation planning, oversees subsidized bus and private ferry operations, and manages street use franchises.

Financial Review

The Department's 2005 Executive Budget provides for operating expenses of $509.0 million, a decrease of $38.4 million from the amount forecast for 2004. This decrease is primarily the result of Federal and State grants expiring at the end of 2004. A number of these grants are expected to be renewed during 2005. Capital commitments of almost $1.4 billion are also provided for 2005, including $413.2 million in Federal and State funding.

Revenue Forecast

The Department of Transportation collects revenue from parking meters and garages, franchises, concessions, and street opening permits. In 2005, the Department will collect $187.9 million in revenue.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- an allocation of $66.6 million for the resurfacing of 722.5 lane miles of streets and the repair of approximately 117,000 street defects (potholes). This includes $3.3 million for recycled asphalt product ("RAP") disposal by the Department of Sanitation.

- funding of $48.5 million to energize all streetlights and traffic signals throughout the City, including approximately $12.0 million for the maintenance of the electrical distribution systems connecting streetlights and signals.

- over $46.7 million in 2005 for the operation of the Staten Island Ferry and private ferry service.

- funding of $25.7 million for the maintenance of over 11,500 traffic signalized intersections and $20.5 million for the maintenance of over 334,000 streetlights, citywide.

- over $15.0 million for the preventive maintenance, cleaning, and painting of City bridges.

- approximately $15.9 million in 2005 for the maintenance and cleaning of arterial highways located throughout the five boroughs.

- an allocation of $11.6 million to repair hazardous or potentially hazardous safety and structural conditions on bridges, also known as "flags."

Restructuring

- an increase in five positions for the News Rack Unit to monitor the placement of news racks on City sidewalks to be funded by fines collected by the Environmental Control Board.

- an additional $600,000 and eight positions for the continued expansion of the Commercial Parking Program to improve traffic flow, resulting in an increase of $1.5 million in revenue for 2005 and $3.2 million in revenue for the out-years.

- an increase of $158,524 and four positions due to increased sales of muni-meter parking cards resulting in an increase of $1.0 million in revenue.

- an addition of $5.0 million for implementing United States Coast Guard-recommended marine security enhancements within the Staten Island Ferry system and at City-owned passenger ferry terminals and landings.

- an enhancement of $5.3 million and 47 positions to cover Staten Island Ferry operating and safety improvements recommended by the Global Maritime and Transportation School (GMATS) study, including $1.6 million for emergency response training, and $400,000 for safety equipment.

- an increase of approximately $1.3 million in 2005 and nearly $1.7 million in the out-years for 28 positions to staff two new *Centennial*-class ferry vessels.

Summary of Agency Financial Data
($000's)

	2003 Actual	2004 Forecast	2005 Preliminary Budget	2005 Executive Budget	Increase/(Decrease) 2004 Forecast	Increase/(Decrease) 2005 Preliminary Budget
Expenditures						
Salary and Wages	$240,733	$256,294	$230,641	$242,205	($14,089)	$11,564
Fringe Benefits	244	5,006	237	237	(4,769)	—
Other Than Personal Service (OTPS)	260,471	286,120	258,297	266,594	(19,526)	8,297
Total	$501,448	$547,420	$489,175	$509,036	($38,384)	$19,861
Funding						
City	$255,507	$296,204	$295,815	$311,407	$15,203	$15,592
Other Categorical Grants	1,575	1,920	—	—	(1,920)	—
IFA	91,870	95,356	91,626	94,620	(736)	2,994
State	50,696	54,311	31,474	31,474	(22,837)	—
Federal CD	74	602	87	87	(515)	—
Federal Other	46,429	41,249	12,788	13,788	(27,461)	1,000
Intra-City	55,297	57,778	57,385	57,660	(118)	275
Total	$501,448	$547,420	$489,175	$509,036	($38,384)	$19,861
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$76,925	$78,357	$81,264	$81,751	$3,394	$487
Pensions	2,270	7,168	13,318	16,740	9,572	3,422
OTPS						
Judgments and Claims	129,015	115,835	148,005	123,844	8,009	(24,161)
Debt Service	257,626	324,217	359,984	351,269	27,052	(8,715)
Total Additional Costs	$465,836	$525,577	$602,571	$573,604	$48,027	($28,967)
Funding						
City	460,730	518,605	590,615	561,652	43,047	(28,963)
Non-City	5,106	6,972	11,956	11,952	4,980	(4)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$240,733	$256,294	$230,641	$242,205	($14,089)	$11,564
Fringe Benefits	77,169	83,363	81,501	81,988	(1,375)	487
Pensions	2,270	7,168	13,318	16,740	9,572	3,422
Total PS	$320,172	$346,825	$325,460	$340,933	($5,892)	$15,473
OTPS	$260,471	$286,120	$258,297	$266,594	($19,526)	$8,297
Judgments and Claims	129,015	115,835	148,005	123,844	8,009	(24,161)
Debt Service	257,626	324,217	359,984	351,269	27,052	(8,715)
Total OTPS	$647,112	$726,172	$766,286	$741,707	$15,535	($24,579)
Total Agency Costs	$967,284	$1,072,997	$1,091,746	$1,082,640	$9,643	($9,106)
Less Intra-City	$55,297	$57,778	$57,385	$57,660	($118)	$275
Net Agency Costs	$911,987	$1,015,219	$1,034,361	$1,024,980	$9,761	($9,381)
Funding						
City	716,237	814,809	886,430	873,059	58,250	(13,371)
Non-City	195,750	200,410	147,931	151,921	(48,489)	3,990
Personnel (includes FTEs at fiscal year-end)						
City	2,035	2,093	2,122	2,177	84	55
Non-City						
• IFA	1,036	1,249	1,179	1,233	(16)	54
• CD	2	2	2	2	—	—
• Other	1,232	1,425	861	861	(564)	—
Total	4,305	4,769	4,164	4,273	(496)	109

Note: Totals may not add due to rounding.

Programmatic Review

Bridges

The Bureau of Bridges is responsible for the reconstruction, repair, maintenance and operation of approximately 753 bridge structures including six tunnels. In 2005, the Bureau of Bridges will be staffed with 797 positions and has an operating budget of $58.0 million, a decrease of $7.4 million from the amount forecast for 2004. This decrease is primarily the result of Federal and State grants expiring at the end of 2004. A number of these grants are expected to be renewed during 2005.

The Bridge program in the 2005 Executive Budget continues the City's commitment to preserve and maintain its infrastructure, including $32.3 million for its "Flag" ($11.6 million), Corrective Repair ($5.6 million) and Preventive Maintenance ($15.1 million) programs.

The Bridge "Flag" Repair program corrects structural and safety deficiencies on bridges by using both in-house and contract forces. The Executive Budget provides 145 positions in 2005 for the "Flag" Repair program. Of the $11.6 million budgeted, approximately $3.8 million is provided for contracts to help reduce the backlog of "yellow" and "safety" flags and to keep current on all new occurrences of "red" flags. Flag Repair is also performed by the Department's capital budget contractors doing large-scale reconstruction work on the East River Bridges and other bridges. As a result of these combined strategies, the more serious "red" flags are treated expeditiously.

In addition, 30 positions are planned in 2005 for the Corrective Repair program, which primarily oversees mechanical and electrical systems on the City's 25 movable bridges. Furthermore, the Preventive Maintenance program will have a workforce of 207 positions for the oiling, sweeping, cleaning, washing, electrical maintenance and spot and salt splash zone painting of the City's bridges. Operating in conjunction with the expense-funded program, the Capital Budget also funds large-scale bridge protective coating programs.

To complement the City's commitment to the Bridges program, the Federal government will continue grants for preventive maintenance on the Manhattan, Williamsburg, Queensboro and Brooklyn Bridges while these four bridges are under capital reconstruction.

This continuing commitment to the City's Bridges program, in conjunction with a Four-Year Capital Plan of approximately $2.1 billion, will result in an extensive bridge system in good condition, with lower future capital reconstruction costs, fewer emergency repairs, and a more cost effective maintenance and repair program.

Highway Operations

The Roadway Repair and Maintenance Division is responsible for maintaining approximately 5,700 linear miles of streets and arterial highways within the five boroughs. The Permits Management and Construction Control programs are responsible for regulating the excavation and various other uses of City streets and sidewalks. In 2005, these operations will be staffed by approximately 936 full-time and over 200 seasonal positions with a budget totaling $105.2 million, a decrease of $10.1 million over the 2004 budget. This decrease is primarily the result of Federal and State grants expiring at the end of 2004. A number of these grants are expected to be renewed during 2005.

The City continues to dedicate significant resources to its in-house resurfacing program, with 216.8 linear miles (722.5 lane miles) to be resurfaced annually in 2004 and 2005, a total increase of 13.6 linear miles (45 lane miles) over the amount resurfaced in 2003. These additional lane miles are being resurfaced in the Midtown Manhattan area in preparation for the Republican National Convention. The City will repair approximately 117,000 small street defects in 2005, in addition to other street defects addressed in the resurfacing program. Currently, 79.8 percent of the City's 5,700 linear miles of street surfaces are rated in good condition.

In an effort to maintain the arterial highways within the City, and increase community participation, the Department will continue its successful Adopt-a-Highway Program. This program enables sponsors to adopt up to 362 miles of highway and contribute funding for the cleaning and maintenance of the roadside. Additionally, the Department utilizes available State aid to perform both road maintenance and repair activities. Currently, the Department annually cleans and maintains 1,175 lane miles of arterial highway and 2,525 acres of landscaped areas and shoulders with a staff of approximately 268.

Traffic Operations

The Bureau of Traffic Operations maintains and collects revenue from approximately 76,700 metered spaces, operates 51 municipal parking facilities, and installs and maintains an estimated 1.2 million traffic signs, approximately 11,500 signalized intersections, and over 334,000 streetlights. The 2005 Executive Budget for the Bureau of Traffic provides for 1,128 positions and $184.4 million, a decrease of $20.8 million from the amount forecast for 2004. This decrease is primarily the result of Federal and State grants expiring at the end of 2004. A number of these grants are expected to be renewed during 2005. The 2005 Executive Budget includes $46.2 million for the continued maintenance of streetlights and traffic signals.

The Red Light Camera program is designed to promote safe, responsible driving by photographing and fining vehicles “running” red lights. To further enhance the effectiveness of the Red Light Camera program, DOT has 50 red light cameras, over 200 dummy red light cameras and 25 spare sites installed at various intersections throughout the City. As drivers become aware of the operation of a red light camera at an intersection, the number of drivers “running” a red light at that intersection declines. DOT has begun rotating red light cameras among various locations to maximize the benefits of the program. The 2005 Executive Budget includes $7.8 million for the operation of this program.

Under the Safe Routes to School program, the Bureau has completed collecting traffic safety data on the City’s 1,359 elementary and middle schools and has identified the 135 schools with the greatest traffic safety risks. In 2005, long-term improvement projects will be initiated at 32 of these schools.

The Bureau is expanding the successful Commercial Parking Program in the central business core of Manhattan. The initial program has alleviated traffic congestion in midtown by creating expanded traffic corridors, reducing double parking, improving timely parking space turnover and expediting cross-town traffic flow.

Transit Operations

The Passenger Transport Division operates and maintains the Staten Island Ferry and its terminals, regulates private ferry operations, provides school bus service for disabled pre-kindergarten children, and manages the subsidized franchise bus program. The 2005 Executive Budget provides for 653 positions and an operating budget of $114.3 million. This includes $13.2 million in annualized operating, safety and security enhancements for the Staten Island Ferry added in 2004 and 2005. It also includes $2.3 million for continuing the four-boat rush hour ferry schedule. Concurrently, the Passenger Transport Division oversees expenditures of approximately $207.1 million in operating subsidies to the franchised bus program, including $48.6 million in State subsidies. These bus subsidies are paid from the City’s Miscellaneous Budget.

The Staten Island Ferry is expected to carry approximately 19.0 million passengers and the Department anticipates that the Ferry program will achieve an on-time performance rate of 96 percent. The Division currently estimates that annual ridership on privately operated commuter ferries is approximately 10 million passengers. Prior to September 11, 2001, only about eight million passengers per year were transported on privately operated commuter ferries. Ridership peaked at approximately 15 million passengers per year in 2002 and 2003, before the restoration of the WTC PATH service in November 2003.

The Passenger Transport Division also provides financial management and operating assistance, and administers the capital program for the subsidized franchise bus program. The program, which includes seven bus operators, provides local and express service in areas generally not covered by New York City Transit’s bus network in The Bronx, Brooklyn and Queens. This system is expected to carry approximately 100 million passengers in 2005. In addition, the City is currently managing and monitoring selected private express bus service to southern Staten Island. On April 19, 2004, the Mayor, the Governor and the Chairman of the MTA announced their agreement which provides that by July 1, 2004, the MTA will take over operating responsibilities for the service previously provided by the private bus franchises.

With the introduction of "One City, One Fare" on July 4, 1997, which eliminated two-fare zones and established free intermodal transfers between the subsidized franchise buses and the New York City Transit (NYCT) system, and the more recent introduction of fare discounts and fixed price transit passes, mass transit ridership had increased significantly. However, the compounded effects of the World Trade Center disaster, the economic recession, a seven-week strike in 2002 and an increase in the express fare (from $3 to $4) have negatively impacted ridership. Ridership on the subsidized franchise buses has decreased approximately six percent as compared to the prior year.

The City currently owns two bus depots, located in College Point, Queens and in Southeast Brooklyn, that are equipped to fuel and maintain Compressed Natural Gas (CNG) buses. Currently, 356 out of 1,245 buses are fueled by Compressed Natural Gas (CNG).

Capital Review

The Department's 2005-2008 Four-Year Capital Commitment Plan totals $3.9 billion for the reconstruction of transportation infrastructure, of which approximately 75 percent is City-funded. The table below shows commitments by program area over the 2003-2008 period.

Capital Commitments

($000's)

	2003 Actual		2004 Plan		2005 Plan		2006 Plan		2007 Plan		2008 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Highways and Streets	$170,674	$166,420	$273,955	$341,286	$259,400	$329,932	$331,909	$364,649	$258,105	$291,797	$260,606	$260,606
Highway Bridges	190,915	231,668	189,738	255,485	486,525	488,866	194,921	194,921	302,023	443,195	234,577	368,660
Waterway Bridges	181,403	235,929	201,177	330,671	103,593	198,098	58,375	58,375	167,460	277,460	36,235	36,235
Traffic	12,236	52,735	44,568	86,104	36,685	111,746	25,843	48,795	25,030	43,533	19,256	36,756
Vehicles/Equipment	25,733	25,733	25,386	26,118	15,408	20,408	6,120	6,120	5,000	5,000	6,000	6,000
Ferries	45,648	53,138	-5,286	108,202	25,675	41,225	12,250	12,250	8,500	8,500	8,053	8,053
Franchise Transit	0	0	500	5,000	18,931	176,511	3,148	29,023	2,875	31,360	0	0
Total	$626,609	$765,623	$730,038	$1,152,866	$946,217	$1,359,386	$632,566	$714,133	$768,993	$1,100,845	$564,727	$716,310

The highlights of the Four-Year Capital Commitment Plan include:

- the continued reconstruction/rehabilitation of the four East River Bridges and the complete reconstruction/rehabilitation of 63 other bridge structures. The Plan also includes programs to resurface bridge decks, replace expansion joints and other bridge components, and apply protective coating treatments to prolong the useful life of City bridges ($2.1 billion).

- the reconstruction and/or resurfacing of approximately 946.2 linear miles (3,150.6 lane miles) of City streets to maintain and improve their condition. In addition, it provides for the installation of pedestrian ramps at over 40,000 corners to increase accessibility for the disabled, and the reconstruction of 19.9 million square feet of sidewalk to reduce defects ($1.2 billion).

- the modernization and expanded computerization of the City's traffic signal network to improve traffic flow, the upgrade of the streetlighting system, the installation of pavement markings, and the reconstruction of municipal parking facilities ($240.8 million).

- the reconstruction and improvement of various ferry vessels and facilities, including the completion of the Whitehall and St. George Ferry Terminals and the final phase of the construction of three next-generation *Centennial*-class ferry vessels ($62.6 million).

- the purchase of CNG and diesel-fueled buses, equipment and the rehabilitation of bus facilities for the City's subsidized franchise transit program ($236.9 million).

- the replacement of vehicles for field forces and the upgrading of computer equipment ($37.5 million).

Bridges

The Four-Year Plan for the Bureau of Bridges totals $2.1 billion, of which 77 percent is City-funded. The plan includes $249.2 million for the continuing reconstruction of the East River Bridges, including $34.7 million for the reconstruction of the Brooklyn Bridge, $195.5 million for the Manhattan Bridge, $8.0 million for the Williamsburg Bridge and $11.0 million for the Queensboro Bridge. The Four-Year Plan will complete the major reconstruction of the Queensboro Bridge and the Williamsburg Bridge.

Another $1.3 billion is provided in the Four-Year Plan to reconstruct six "poor" and 40 "fair" bridge structures, including the Willis Avenue Bridge over Harlem River, the Hamilton Avenue Bridge over the Gowanus Canal and six of the Belt Parkway bridges. The Bridge Life Extension program, designed to address the capital needs of bridges before total capital reconstruction becomes necessary, will rehabilitate 17 bridge structures, at a total cost of $296.8 million. All bridge structures currently rated "poor" will be committed for reconstruction by 2008. In addition, $52.5 million is provided to apply protective coating treatments to various highway and waterway bridges to preserve and enhance their condition.

The 2005 Capital Plan for Bridges totals $687.0 million, including $174.3 million for the reconstruction of the Manhattan Bridge, $56.9 million for the construction of the new East 153rd Street Bridge over Metro-North Railroad, and $41.9 million for the protection against marine borers along the FDR Drive substructure. Additionally, the Plan includes $178.3 million for the reconstruction of 14 "fair" rated bridge structures, including the Woodside Avenue Bridge over the Long Island Rail Road.

Highways

The Four-Year Plan for Highways totals $1.2 billion of which 89 percent is City-funded. The Plan provides $622.2 million for street reconstruction of 99.4 linear miles (328.1 lane miles), and $322.1 million for street and arterial resurfacing of 846.8 linear miles (2,822.5 lane miles), this includes an additional 6.8 linear miles (22.5 lane miles) of street resurfacing work in 2005 in Midtown Manhattan in preparation for the Republican National Convention. The Plan also provides $90.8 million for the installation of pedestrian ramps at over 40,000 corners. Another $144.9 million is allocated for the replacement of over 19.9 million square feet of sidewalks, citywide.

The 2005 Capital Plan for Highways totals $329.9 million and includes $265.3 million for the reconstruction or resurfacing of 247.4 linear miles (822.4 lane miles) of streets, including Sutter Avenue in Queens, Ely Avenue in The Bronx and Columbia Street in Brooklyn. Funds are also provided for constructing a second asphalt plant in order to realize savings in asphalt purchasing contracts as well as to avoid the disposal costs of asphalt millings.

Traffic

The Four-Year Plan for Traffic totals $240.8 million, of which 44 percent is City-funded. The Plan provides $128.3 million for signal installations and maintenance, as well as the computerization and modernization of signalized intersections to improve the flow of traffic. The Plan includes $41.9 million for the upgrade and replacement of lampposts and luminaires for lighting and safety, $36.8 million for signal and streetlight work associated with the highway and bridge reconstruction programs, $7.5 million for the installation of approximately 16 million linear feet of thermoplastic markings for traffic control in conjunction with the in-house resurfacing program, and $15.5 million for the replacement of 165,000 linear feet of electrical distribution systems along the City's streets. In addition, the Plan includes $10.8 million for the rehabilitation of an estimated five municipal parking garages and seven parking lots and the purchase of over 400 muni-meters.

The 2005 Capital Plan for Traffic totals $111.7 million. This includes $14.0 million for the installation of signals at roughly 220 intersections and $13.2 million for Advanced Traffic Controllers. Additionally, the Plan includes $27.7 million for the final phase of the Traffic Operations Program to Increase Capacity and Safety (TOPICS) IV initiative - which will connect 2,200 signalized intersections to DOT's signal control system in order to improve traffic flow and control in the outer boroughs.

Transit

The Four-Year Plan for Passenger Transport totals $299.5 million, including $62.6 million for Ferries and $236.9 million for Franchise Transit. The Plan for Ferries, which is 87 percent City-funded, includes $36.0 million for the reconstruction and replacement of ferry boats and $26.6 million for ferry terminal and facility improvements.

The 2005 Capital Plan for Ferries totals $33.8 million, including $9.6 million in operations, security and safety enhancements recommended by the Global Maritime and Transportation School (GMATS) and the US Coast Guard for the Staten Island Ferry. The Plan also includes $7.0 million for dry-docking and maintenance of the Staten Island Ferry fleet. Additionally, the Plan includes emergency funding for projects related to the October 2003 Staten Island Ferry accident: $9.0 million for emergency repairs to the damaged *Andrew J. Barberi* ferry vessel and $6.0 million for repairs to the damaged Pier 1 at the St. George Ferry Terminal.

The Four-Year Plan for the Franchise Transit program, of which 11 percent is City-funded, provides $222.6 million for the purchase and inspection of approximately 600 diesel and 125 Compressed Natural Gas (CNG) buses. The Plan also provides $9.4 million for the construction and improvement of bus facilities, including $4.3 million for the construction of a vehicle emissions lab, and an additional $4.0 million for other bus-related projects and miscellaneous equipment.

The 2005 Capital Plan for the Franchise Transit program totals $176.5 million. This amount includes $162.2 million for the scheduled purchase and inspection of over 400 diesel and 90 CNG buses, in accordance with Local Law 6 which mandates that 20 percent of all new bus purchases should be alternative fuel vehicles, $2.9 million for an Automatic Vehicle Location and Control (AVLC) System pilot program on the Q60 local bus route in Queens and $1.0 million for a new bus simulator to be used in bus driver safety training.

HOUSING PRESERVATION AND DEVELOPMENT

The Department of Housing Preservation and Development (HPD) is responsible for the preservation, rehabilitation and expansion of New York City's housing stock. HPD serves as a catalyst for private investment in communities with the greatest need. As reflected in the 2005 Executive Budget, the agency will work towards the preservation and development of affordable housing through direct investment and the provision of loans and other forms of financial assistance. The budget is highlighted by "The New Housing Marketplace," a $3 billion plan composed of new programs and the expansion of existing programs. The goal of this new initiative is to create and preserve more than 65,000 homes and apartments citywide from 2004 to 2008. HPD will also continue to enforce compliance with housing quality standards and maximize neighborhood ownership and management of housing by soliciting local participation in its disposition and development programs. The Office of Housing Operations and the Office of Development manage the majority of HPD's programs.

The primary responsibility of the Office of Housing Operations is the maintenance of occupied, privately owned and City owned (*in rem*) buildings. This Office is also charged with addressing emergency repairs where necessary. Through its six divisions, this Office also enforces the City's Housing Maintenance Code, assists owners in correcting dangerous code violations and provides emergency shelter for households displaced as a result of fire or emergency vacate orders. Within this Office, the Division of Anti-Abandonment works to prevent the abandonment and consequent City ownership of distressed buildings. The Division of Alternative Management Programs designs initiatives to return buildings that are currently in City ownership to responsible private owners. The Division of Tenant Resources also provides low income families with housing made affordable through the use of Federal Section 8 vouchers and certificates that subsidize monthly rental payments.

Each of these divisions will be significantly impacted by the new lead paint abatement law, Local Law 1 of 2004. The total cost of the new law is estimated at $52 million; this, and the law's operational complexity, may limit HPD's ability to carry out other essential housing functions in the City. Because of its extensive inspection and abatement requirements, HPD will need to hire upwards of 300 new housing inspectors and construction managers, at an annual cost of approximately $14 million, and have them trained to Federal EPA standards. HPD will be expected to correct lead paint violations in an abbreviated time frame not only in city-owned but privately owned buildings as well (should the owner not be able to conduct the work himself). In some instances the law requires that intact surfaces be disturbed, potentially exposing households to greater risk than might otherwise have occurred. In addition to the expense budget burden, HPD is anticipating a capital cost as well, in the provision of loans to private owners to comply with the new law. This will limit the amount of structural and systems repairs an owner can afford and, by taking on additional debt, lead to rising rental costs in an already tight rental housing market.

The Office of Development, through its three divisions, will continue to provide affordable housing opportunities by promoting the construction of new homes and apartments on formerly City owned vacant land and by reconstructing and selling vacant and occupied buildings. Through various neighborhood initiatives and homeownership programs, the Division of Homeownership helps build new homes, making HPD the most prolific developer of affordable housing in the nation. In order to encourage private construction, rehabilitation, and economic development, the Division of Housing Finance provides loans for multifamily housing development and uses a variety of tools, including tax incentive programs, low interest loans, and Low Income Housing Tax Credit allocations. The Office also includes the Division of Special Needs Housing which administers the Supportive Housing Loan Program.

The Office of Legal Affairs, the Office of the Special Counsel, the Office of Community Partnerships and the Office of Planning and Intergovernmental Affairs provide support for the above programs.

Financial Review

The 2005 Executive Budget for HPD provides $449 million for operating expenses as compared to $460 million in 2004, a decrease of $11 million. Of the total operating expenses, $131 million is for personal services and the remaining $318 million is for other than personal services. Concurrently, the Four Year Plan allocates $1.59 billion in capital to the City's housing programs over the period 2005-2008.

Revenue Forecast

HPD collects revenue from residential and commercial tenants occupying *in rem* buildings and from the sale of *in rem* buildings back to the private sector. HPD also collects fees for processing tax abatement and exemption applications, multiple dwelling registrations, document searches, and administrative fees. The Department will generate $35.3 million in 2005, $26.2 million less than the amount for 2004. The 2005 decrease is primarily attributable to non-recurring revenue from negotiated land sales and the one time collection of application fees in 2004. Additional decreases reflect reductions in *in rem* rental income due to the disposition of *in rem* units to the private sector.

Expense Budget Highlights

Providing Core Services

The agency will maintain its core services in 2005 including management of *in rem* property, enforcement of the housing maintenance code, development of new affordable housing, and preservation of privately owned housing.

- HPD continues to maintain services for the City's stock of occupied *in rem* dwelling units, including emergency repairs, fuel, utilities, and handypersons.

- Community Development Block Grant (CDBG) funding is maintained for HPD's Emergency Repair Program (ERP) to remove hazardous conditions in private buildings where landlords have been negligent in correcting violations detrimental to the life, health and safety of tenants.

- HPD administers a portion of New York City's allotment of Federal Section 8 subsidies to eligible New Yorkers. Over $140 million worth of subsidies, serving 26,000 households, are planned in 2005. HPD achieved some tax levy savings by contributing Section 8 administrative fees towards the agency's fringe benefits.

Summary of Agency Financial Data
($000's)

	2003 Actual	2004 Forecast	2005 Preliminary Budget	2005 Executive Budget	Increase/(Decrease) 2004 Forecast	Increase/(Decrease) 2005 Preliminary Budget
Expenditures						
Salary and Wages	$115,453	$115,171	$115,504	$131,214	$16,043	$15,710
Fringe Benefits	—	—	—	—	—	—
Other Than Personal Service (OTPS)	274,450	345,783	280,048	317,798	(27,985)	37,750
Total	$389,903	$460,954	$395,552	$449,012	($11,942)	$53,460
Funding						
City	$57,099	$57,628	$55,248	$104,887	$47,259	$49,639
Other Categorical Grants	290	1,943	—	—	(1,943)	—
IFA	13,069	14,115	14,119	14,365	250	246
State	877	890	877	890	—	13
Federal CD	125,590	158,574	139,899	141,012	(17,562)	1,113
Federal Other	181,124	217,896	175,914	178,363	(39,533)	2,449
Intra-City	11,854	9,908	9,495	9,495	(413)	—
Total	$389,903	$460,954	$395,552	$449,012	($11,942)	$53,460
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$39,270	$43,142	$48,449	$50,984	$7,842	$2,535
Pensions	1,088	3,298	6,861	8,383	5,085	1,522
OTPS						
Judgments and Claims	23,752	23,495	26,579	24,933	1,438	(1,646)
Debt Service	96,889	390,040	415,704	405,687	15,647	(10,017)
Total Additional Costs	$160,999	$459,975	$497,593	$489,987	$30,012	($7,606)
Funding						
City	139,556	434,085	462,498	456,135	22,050	(6,363)
Non-City	21,443	25,890	35,095	33,852	7,962	(1,243)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$115,453	$115,171	$115,504	$131,214	$16,043	$15,710
Fringe Benefits	39,270	43,142	48,449	50,984	7,842	2,535
Pensions	1,088	3,298	6,861	8,383	5,085	1,522
Total PS	$155,811	$161,611	$170,814	$190,581	$28,970	$19,767
OTPS	$274,450	$345,783	$280,048	$317,798	($27,985)	$37,750
Judgments and Claims	23,752	23,495	26,579	24,933	1,438	(1,646)
Debt Service	96,889	390,040	415,704	405,687	15,647	(10,017)
Total OTPS	$395,091	$759,318	$722,331	$748,418	($10,900)	$26,087
Total Agency Costs	$550,902	$920,929	$893,145	$938,999	$18,070	$45,854
Less Intra-City	$11,854	$9,908	$9,495	$9,495	($413)	—
Net Agency Costs	$539,048	$911,021	$883,650	$929,504	$18,483	$45,854
Funding						
City	196,655	491,713	517,746	561,022	69,309	43,276
Non-City	342,393	419,308	365,904	368,482	(50,826)	2,578
Personnel (includes FTEs at fiscal year-end)						
City	506	578	584	910	332	326
Non-City						
• IFA	228	278	278	275	(3)	(3)
• CD	1,180	1,373	1,374	1,362	(11)	(12)
• Other	506	522	462	513	(9)	51
Total	2,420	2,751	2,698	3,060	309	362

Note: Totals may not add due to rounding.

HPD's budgeted headcount of 2,938 positions is funded at $131 million, $41 million of which is City funds. Funding for other than personal services amounts to $318 million, $64 million of which is City funds.

Programmatic Review

Housing Operations

The Division of Alternative Management Programs (DAMP) promotes the rehabilitation, management and ownership of occupied City owned buildings by tenant, not-for-profit, and for-profit housing organizations. DAMP also administers the Article 7A Program, which manages and funds necessary repairs for privately owned buildings that have been all but abandoned.

The Division of Property Services manages City owned (*in rem*) residential and commercial properties until they can be returned to responsible private ownership. In 2005, the Division will maintain an average of approximately 1,336 *in rem* residential units in occupied multiple dwellings and one- and two-family homes. In addition, within Property Services, the Division of Anti-Abandonment (DAA) identifies, monitors and recommends treatment plans for distressed buildings. DAA also oversees the work of Neighborhood Preservation Consultants. Within the division, the Emergency Housing Services Bureau provides emergency housing for victims of fires and other disasters.

The Division of Enforcement Services enforces compliance with the City's Housing Maintenance Code and the New York State Multiple Dwelling Law and responds to complaints concerning possible housing violations such as the lack of heat, water or electricity. This area of HPD will be most affected by the onerous requirements of Local Law 1, in its inspection and repair workload. The Division of Maintenance, within Enforcement Services, performs emergency repairs in privately owned buildings in response to emergency violations (including lead paint) issued by code inspectors if the landlord fails to perform the repair. The Division also coordinates major repairs and contracts for improvements in City owned buildings, including lead hazard remediation. In addition, this Division is responsible for sealing and demolishing vacant and unsafe buildings.

The Division of Tenant Resources develops and coordinates programs designed to enhance the economic self sufficiency of tenants of City owned and City assisted housing. This Division also provides permanent housing assistance to households that have been displaced by fires or emergency vacate orders. The Rent Subsidies unit provides low income families with housing made affordable through the use of Federal Section 8 certificates and vouchers that subsidize monthly rental payments.

The Division of Housing Supervision is responsible for the regulation of 130 Mitchell-Lama rental and co-op housing companies with approximately 54,000 apartments. Housing Supervision is also responsible for administering the Senior Citizens Rent Increase Exemption program for 4,500 households in City and State Mitchell-Lamas.

The Division of Architecture, Construction and Engineering (DACE) reviews the contract documents of private architects to ensure conformance to HPD standards and to all zoning and building codes. DACE also monitors ongoing construction work to ensure conformity to contract documents, construction techniques and codes.

Development

The Office of Development is responsible for HPD's housing production functions. Its Division of Homeownership promotes the construction of new homes and apartments on vacant City owned land. Activity for 2005 includes the construction of approximately 962 units in new one- to three-family homes, multiple dwellings and mixed use multiple dwellings. These owner occupied housing units will be built on City owned land with City capital subsidies for construction and associated costs. Through the Alliance for Neighborhood Commerce, Home Ownership and Revitalization (ANCHOR), HPD combines retail development along targeted commercial corridors with new housing construction to generate economic activity and provide neighborhood services in revived residential communities. HPD will also continue the development of long term, large scale projects for both homeowners and rental tenants in selected neighborhoods in Brooklyn, the Bronx, Manhattan and Queens from 2005 through 2008.

The Office of Development's Division of Housing Finance administers multifamily and small building disposition and loan programs. Through these programs, vacant City owned buildings are rehabilitated and returned to the private housing market. This division also coordinates the financing stages of the Third Party Transfer process, which will convey approximately 3,627 units in tax delinquent buildings to responsible new owners between 2005 and 2008. Finally, the Division of Special Needs Housing is responsible for the Supportive Housing Program, which from 2005-2008 will produce approximately 1,649 units of supportive housing for mentally ill, persons with AIDS, and low income New Yorkers.

Capital Review

The 2005-2008 Four Year Capital Plan for HPD is $1.59 billion, including $1.09 billion in City funding and $495 million in other, primarily Federal, funds. The agency continues to use its City capital sources to leverage State and Federal funds as well as substantial private equity (which does not flow through the City's capital budget). The Four Year Plan reflects the City's continuing commitment to affordable housing by funding the creation and preservation of units in City owned and privately owned buildings.

New Initiatives

Through HPD's newest initiative, known as "The New Housing Marketplace," several programs have been created and existing programs expanded to provide an array of housing options. In five years, from 2004 to 2008, new programs will provide over $800 million in City, Federal, and Housing Development Corporation (HDC) funds to support the development of over 30,000 affordable housing units. HDC is a state public benefit corporation, created to provide both taxable and tax-exempt financing for affordable housing. Through the issuance of bonds (or use of its reserves), HDC invests in both new construction and rehabilitation of multifamily housing projects throughout the City.

As part of the New Housing Marketplace, HDC will invest $500 million in the development of 12,500 units. Low cost financing and, in some cases, direct subsidies will provide for construction of multifamily rental and cooperative housing for low and moderate income households. In addition, HDC will contribute to substantial rehabilitation, residential conversion, and preservation of Mitchell-Lama and other affordable housing assets.

A total of $146 million, in City and Federal funds, will fund an expansion of the supportive housing network, incorporating units large enough for families, as well as units for singles; addressing youth aging out of foster care; and developing pilot homeownership plans for formerly homeless families. Over 2,800 units will benefit these low income households.

Through the New Venture Incentive program, an innovative public/private partnership, $8 million in HDC funds will leverage up to $200 million in private funds to provide pre-development subsidies for acquisition, environmental review, remediation, and site clearance, which, because of their cost, often preclude private investment. These funds will enable the construction of 10,000 units by private developers. Capital funding is also dedicated to the recently created New Partners program, which allocates $20 million to rehabilitate approximately 500 residential units that have been kept off the market for want of low cost financing.

Furthermore, as part of the new initiative, $35 million in Federal funds will be used to assist first time homebuyers with downpayments and other closing costs through the HomeFirst Downpayment Assistance Program and the Employer Assisted Housing Program (3,500 units). Finally, $27 million in Low Income Housing Tax Credits will be leveraged to develop 2,670 units of affordable housing.

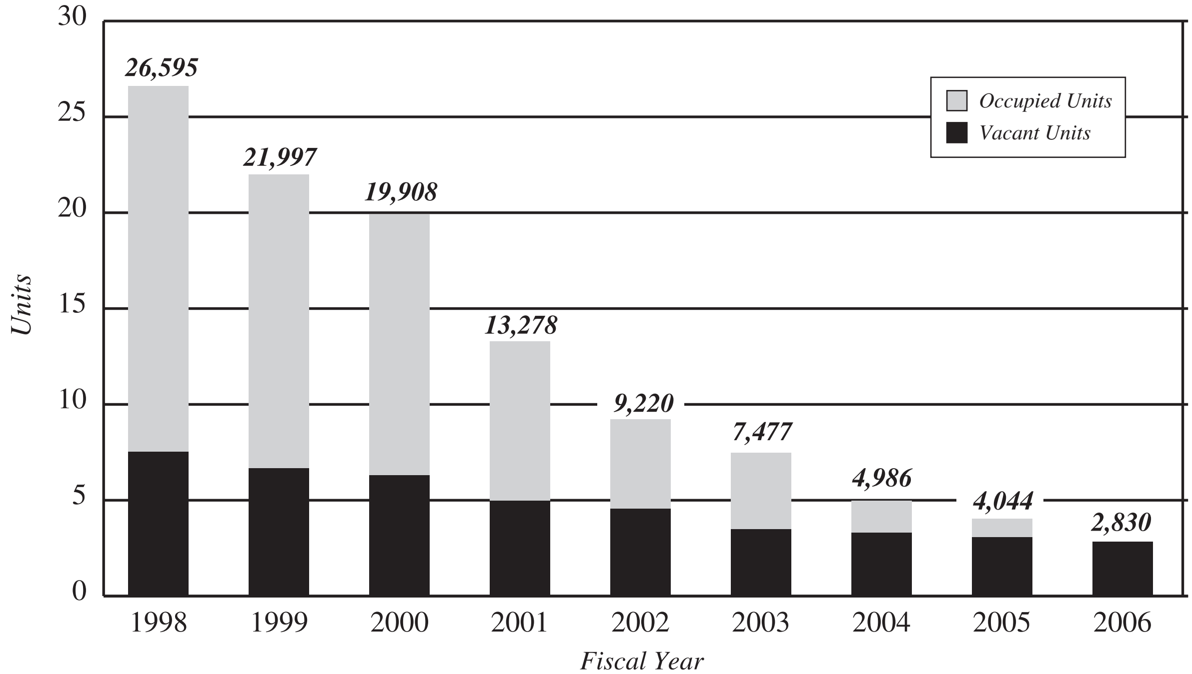
Ongoing Programs

Under the Four Year Plan, the City will continue to pursue the "Building Blocks!" strategy: the rehabilitation and sale of *in rem* residential buildings to responsible private owners, including tenant cooperatives, not-for-profit organizations, and local entrepreneurs. A total of $545 million ($366 million in City funds) is provided to fund the occupied *in rem* programs under this strategy, namely TIL, NRP, NEP, and Neighborhood Homes. Through the use of asset sales and the tax exemption certificate program, HPD will be able to transfer additional housing units to the private sector.

The table and chart below summarize the progress of the *in rem* disposition program from FY98 through the Four Year Plan.

HPD *IN REM* DISPOSITION PROGRAM HISTORY

There were 44,000 *in rem* dwelling units in FY94, when HPD initiated the *In Rem* disposition programs within the "Building Blocks" strategy. The chart below shows remaining units by fiscal year and includes commercial units.



Concurrently, the City will enhance its efforts to prevent abandonment of privately owned buildings and forestall their entry into City ownership by investing a total of $699 million ($467 million in City funds) in programs providing financial and technical assistance to private landlords. The City will combine its current loan programs, such as Participation Loan (PLP), Article 7A (7A), Article 8A (8A), Small Homes Private (SHP), Home Improvement (HIP), and Senior Citizen Home Assistance (SCHAP), with the more recent Housing Preservation program. The Housing Preservation program, also referred to as Third Party Transfer, will allow tax delinquent property to be transferred to responsible new owners without the City taking title in the interim.

The Four Year Plan also includes funds for new construction projects to promote homeownership to families at various income levels. Neighborhood Based Initiatives and the Nehemiah program provide for the construction of one- to three-family homes. These programs form the basis for the new construction projects being built in conjunction with large scale neighborhood redevelopment programs in Brooklyn, the Bronx, Manhattan and Queens.

The table below shows capital commitments by Ten Year Plan category over the 2005-2008 period, including actual commitments for 2003.

Capital Commitments

($000's)

	2003 Actual		2004 Plan		2005 Plan		2006 Plan		2007 Plan		2008 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Occupied *In-Rem* Rehab/ Privatization	$110,084	$189,392	$83,355	$107,636	$113,919	$198,698	$134,729	$205,147	$56,578	$69,924	$61,000	$71,000
Vacant *In-Rem* Rehab	6,850	6,850	708	708	0	0	0	0	0	0	0	0
New Construction	15,396	15,396	26,340	47,649	10,909	16,109	1,790	12,240	40,000	40,000	31,785	96,785
Neighborhood Initiatives	16,189	16,189	28,169	28,169	26,972	26,972	21,172	21,172	39,673	39,673	17,065	17,065
Assistance to Private Owners	50,047	89,208	92,752	121,391	104,685	168,148	107,727	158,810	137,020	181,770	143,239	215,239
Other Housing Support Investment	21,965	21,965	18,713	20,702	9,730	14,730	8,279	8,279	9,196	9,196	20,472	20,472
Total	$220,531	$339,000	$250,037	$326,255	$266,215	$424,657	$273,697	$405,648	$282,467	$340,563	$273,561	$420,561

The $1.59 billion Four Year Plan emphasizes the following goals:

- treatment and disposition of occupied and vacant City owned buildings - rehabilitation in 2005 through the privatization initiatives ($199 million total funds, including $114 million in City funds); rehabilitation in the 2005-2008 period ($545 million total funds, including $366 million in City funds).

- assistance to private owners - the Housing Preservation, PLP, 8A, 7A, SHP, HIP and SCHAP programs will allow the rehabilitation of 18,989 units in the private sector in the 2005-2008 period ($537 million total funds, including $438 million in City funds).

- construction of new units - funding for the production of approximately 4,677 homeownership and rental units in the 2005-2008 period ($165 million total funds, including $84 million in City funds) under the new construction homeownership programs, including the large scale neighborhood projects.

- production of supportive housing - funding for the creation of 1,649 units for homeless and low income single adults and special needs populations in the 2005-2008 period ($187 million total funds, including $54 million in City funds).

DEPARTMENT OF CITYWIDE ADMINISTRATIVE SERVICES

The Department of Citywide Administrative Services (DCAS) is the principal administrative support agency for the City of New York providing City agencies with services in a variety of areas, including personnel, real estate, facilities management, and municipal supply. Services are provided by seven programmatic divisions: the Executive Division, which includes the Office of Citywide Equal Employment Opportunity (OCEEO), the Division of Citywide Personnel Services (DCPS), the Division of Real Estate Services (DRES), the Division of Facilities Management and Construction (DFMC), the Division of Municipal Supply Services (DMSS), the Division of Fiscal Management and Operations (DFMO), and the Division of Administration and Security (DAS).

Financial Review

The 2005 Executive Budget for the Department of Citywide Administrative Services provides $733.5 million, an increase of $29.4 million above the amount forecasted for 2004. This increase is primarily attributable to increases and adjustments in intra-city sales. The $159.3 million DCAS Capital Commitment Plan for 2005 includes $157.7 million for the Public Buildings program and $1.6 million for the Real Property program.

Revenue Forecast

In 2005, DCAS will collect $60.0 million in revenue, $38.1 million less than the amount forecasted for 2004. The decrease is mainly attributable to one-time revenue collected from property sales, commercial rents, and early mortgage satisfactions in 2004. The Division of Real Estate Services (DRES), the largest revenue generating component of DCAS, will collect $41.9 million from land sales and rents from commercial properties.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- The 2005 Executive Budget provides total funds of $733.5 million for the Department, of which $486.6 million is for goods and services that agencies purchase from DCAS through intra-city agreements including the following: utilities ($415.0 million), leases ($43.9 million), storehouse supplies ($19.1 million), maintenance and repair of facilities and vehicles ($4.4 million), personnel training ($3.9 million), and other services ($0.3 million).

- The 2005 Executive Budget provides a total of $620.7 million for the Division of Facilities Management and Construction (DFMC). DFMC maintains and operates 53 public buildings, which includes court facilities. Included in the $620.7 million are intra-city agreements for utilities ($415.0 million), leases ($42.5 million), and building maintenance ($2.5 million). Also included in the $620.7 million is $26.5 million in State funding to provide cleaning services for court facilities.

- The 2005 Executive Budget provides a total of $14.1 million for the Division of Real Estate Services (DRES).

- The 2005 Executive Budget provides a total of $9.5 million for security services in DCAS-managed buildings.

Restructuring and Streamlining

- To streamline the development, administration and rating of competitive civil service examinations, DCAS is automating the exams process by creating a Computerized Testing Center. Candidates will be able to register for exams on a walk-in basis or in advance via phone or the Internet. Exam sessions will commence with a short tutorial and information session via a user-friendly mouse and touch screen interface. The exam will be timed automatically and at the conclusion of the exam candidates can learn their unofficial results. During the first phase of the Testing Center, DCAS will offer the Police Officer exam. Later phases will incorporate other multiple choice exams.

- DCAS is developing the Space Management System to be shared by DFMC and DRES. Currently, information generated by each Division is independently stored and maintained in separate databases. The Space Management System will provide a centralized database of all space utilization information and a mechanism for sophisticated planning, analysis and reporting. This will enable the Department to dynamically manage and improve space efficiencies. DCAS is piloting the new system in six high-priority buildings.

Summary of Agency Financial Data
($000's)

	2003 Actual	2004 Forecast	2005 Preliminary Budget	2005 Executive Budget	Increase/(Decrease) 2004 Forecast	Increase/(Decrease) 2005 Preliminary Budget
Expenditures						
Salary and Wages	$92,324	$99,512	$101,004	$105,363	$5,851	$4,359
Fringe Benefits	171	177	177	177	—	—
Other Than Personal Service (OTPS)	590,927	604,356	617,059	627,952	23,596	10,893
Total	$683,422	$704,045	$718,240	$733,492	$29,447	$15,252
Funding						
City	$143,603	$132,581	$152,470	$153,888	$21,307	$1,418
Other Categorical Grants	53,152	53,974	56,878	54,577	603	(2,301)
IFA	7,653	9,071	9,941	9,941	870	—
State	30,323	37,174	23,216	26,541	(10,633)	3,325
Federal CD	158	397	—	—	(397)	—
Federal Other	12,822	2,000	2,000	2,000	—	—
Intra-City	435,711	468,848	473,735	486,545	17,697	12,810
Total	$683,422	$704,045	$718,240	$733,492	$29,447	$15,252
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$26,915	$30,377	$34,829	$34,733	$4,356	($96)
Pensions	871	2,765	5,996	7,331	4,566	1,335
OTPS						
Judgments and Claims	6,818	3,470	3,925	3,682	212	(243)
Debt Service	128,058	145,343	193,429	189,997	44,654	(3,432)
Total Additional Costs	$162,662	$181,955	$238,179	$235,743	$53,788	($2,436)
Funding						
City	141,911	163,577	216,300	213,866	50,289	(2,434)
Non-City	20,751	18,378	21,879	21,877	3,499	(2)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$92,324	$99,512	$101,004	$105,363	$5,851	$4,359
Fringe Benefits	27,086	30,554	35,006	34,910	4,356	(96)
Pensions	871	2,765	5,996	7,331	4,566	1,335
Total PS	$120,281	$132,831	$142,006	$147,604	$14,773	$5,598
OTPS	$590,927	$604,356	$617,059	$627,952	$23,596	$10,893
Judgments and Claims	6,818	3,470	3,925	3,682	212	(243)
Debt Service	128,058	145,343	193,429	189,997	44,654	(3,432)
Total OTPS	$725,803	$753,169	$814,413	$821,631	$68,462	$7,218
Total Agency Costs	$846,084	$886,000	$956,419	$969,235	$83,235	$12,816
Less Intra-City	$435,711	$468,848	$473,735	$486,545	$17,697	$12,810
Net Agency Costs	$410,373	$417,152	$482,684	$482,690	$65,538	$6
Funding						
City	285,514	296,158	368,770	367,754	71,596	(1,016)
Non-City	124,859	120,994	113,914	114,936	(6,058)	1,022
Personnel (includes FTEs at fiscal year-end)						
City	1,346	1,414	1,577	1,606	192	29
Non-City						
• IFA	120	171	171	171	—	—
• CD	—	—	—	—	—	—
• Other	553	587	488	543	(44)	55
Total	2,019	2,172	2,236	2,320	148	84

Note: Totals may not add due to rounding.

Programmatic Review

DCAS provides an array of support services to City agencies through the seven divisions described below.

Executive Division

The Executive Division includes the Office of the Commissioner, Office of the First Deputy Commissioner, General Counsel, Public Affairs, Special Events, Management Information Systems, and Citywide Occupational Safety and Health (COSH). The Commissioner oversees all the functions of the agency as well as serves on the boards of the Management Benefits Funds, Deferred Compensation, and the Citywide Blood Program. The Office of the General Counsel provides legal support in areas such as real estate (leasing, acquisitions, and disposals), civil service and employment law, and procurement. COSH is responsible for the oversight of citywide occupational safety and health issues, and in conjunction with City agency safety officers provides training on these issues.

Office of Citywide Equal Employment Opportunity

The Office of Citywide Equal Employment Opportunity (OCEEO) monitors compliance with EEO policy. The EEO policy requires agencies to conduct specialized training programs and document workforce composition. City agencies are required to report annually to OCEEO on policy compliance. OCEEO carries out its monitoring function through training initiatives, agency site visits, and personnel interviews.

Division of Citywide Personnel Services

The Division of Citywide Personnel Services (DCPS) is responsible for civil service administration including the classification of positions and salaries, administering examinations, personnel development and training, citywide redeployment, and other special programs such as the Employee Blood Program, the Urban Fellows, Public Service Corps, and Leadership Institute programs. DCPS also offers training in office and clerical skills for Work Experience Program (WEP) participants.

In order to simplify civil service job titles and streamline exam administration, DCPS is continuing to consolidate, reclassify, and broadband titles with overlapping functions as well as eliminate vacant job titles that are no longer needed. The Division also continues its efforts to reduce, eliminate or combine civil service examinations for titles that require similar knowledge and skills. DCPS has eliminated eight exams and three competitive civil service titles thus far in 2004. Examinations are administrated by DCPS for City and non-City entities such as the Metropolitan Transportation Authority and the New York City Housing Authority. The preliminary plan for examinations in 2005 includes 100 civil service and 68 license examinations. As of March, 73 civil service and 49 license exams were administered in 2004.

The Department is continuing the development of the New York Citywide Automated Personnel System (NYCAPS). The system will permit oversight agencies and agency personnel divisions, citywide, to share and access data easily. It will standardize and simplify workflow and system management resulting in more accurate personnel-related information. The Department has implemented the Personal Data Module that provides basic tracking data regarding City employees. Currently, DCAS is conducting reviews of the core Human Resources and Benefits System with both Mayoral and oversight agencies.

Division of Real Estate Services

The Division of Real Estate Services (DRES) offers real property services including broker services, site searches, lease services, and property acquisition for client agencies. This Division also provides architectural design and project management services for client agencies in both DCAS-managed and privately owned space. The Division manages and oversees approximately 37 City leases as well as the leasing of City-owned commercial properties. DRES manages and disposes of City-owned commercial properties acquired through tax foreclosure, condemnation, and the transfer or surrender of City surplus properties.

The Division also audits leases to ensure proper lease billing and management. The Lease Audit Program realizes annual savings averaging $1.3 million in recoveries and credits.

Division of Facilities Management and Construction

The Division of Facilities Management and Construction (DFMC) is responsible for maintaining and operating 53 City-owned public buildings. This Division performs technical engineering along with architectural and construction management services to maintain and operate its facilities. This Division also coordinates with the State Office of Court Administration to ensure proper maintenance of court facilities within the City.

Division of Municipal Supply Services

The Division of Municipal Supply Services (DMSS) is the City's chief procurement entity. DMSS procures, warehouses, and distributes supplies necessary for City agencies to fulfill their missions. Centralized contracting enables the City to utilize economies of scale to purchase various commodities at the most favorable market price. This Division ensures the quality of goods purchased through inspections and operates the Central Storehouse which warehouses over 2,000 different items. DMSS manages the Direct Delivery Program for office supplies for various client agencies. This program delivers office supplies from the vendor directly to City agencies, thereby reducing the waiting period for the receipt of goods and associated overhead costs. This Division is also responsible for the salvaging of surplus property through redistribution to other City agencies and auction.

The Division is continuing to move ahead with its efforts to enhance the procurement process through new technology. Development of an internet-enabled procurement application continued in 2004. The development of the inventory management system, which includes the evaluation and selection of a software product and systems integrator, is planned for 2005.

Division of Fiscal Management and Operations

The Division of Fiscal Management and Operations (DFMO) is responsible for providing the Department with the fiscal management and coordination needed to carry out its mandate. This Division includes the Office of Operations and Strategic Planning, the Capital Budget Office, the Office of Program Evaluation and Support, and the Office of Financial Services, including budget control, audits and accounts, and State court reimbursement. The Office of Energy Conservation (OEC), an office within DFMO, is the City's primary energy management entity. This office develops and reports on the City's annual energy budget.

DFMO is also charged with the publication of official City publications such as the City Record and the Green Book. The Division is responsible for the operation of the City's official book and gift shop, the CityStore. The CityStore operates in the North Lobby of the Manhattan Municipal Building and will open a second outlet in Midtown Manhattan during 2005. CityStore, as well as the City Record and the Green Book, are accessible online through the City's website.

Division of Administration and Security

The Division of Administration and Security (DAS) is responsible for internal administrative support for DCAS including human resources, payroll and timekeeping, disciplinary proceedings, labor relations, printing services, communication services, and records management. DAS also coordinates security within the Department, including all DCAS-managed facilities and some leased facilities. Security responsibilities include risk assessment, security analysis, implementation, and continued evaluation of DCAS facilities.

Capital Review

The 2005-2008 Four-Year Capital Commitment Plan for the Department is $402.2 million, with $159.3 million provided in 2005.

The Department is responsible for capital improvements to all DCAS-managed and client agencies' buildings including office space, warehouses and courts; oversight and improvements to City leased properties; and the sale, lease and acquisition of City-owned nonresidential waterfront and non-waterfront properties. The capital program includes compliance work for public safety and legal mandates, renovation, rehabilitation, construction, design and outfitting of various sites, including the purchase of furniture. The Department also purchases vehicles and various communications and technological equipment.

The table below shows capital commitments by program area over the 2003-2008 period.

Capital Commitments

($000's)

	2003 Actual		2004 Plan		2005 Plan		2006 Plan		2007 Plan		2008 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Rehabilitation of City-Owned Facilities	$40,728	$40,728	$55,092	$55,092	$43,181	$43,181	$47,004	$47,004	$44,825	$44,825	$51,473	$51,473
Renovation of Other City-Owned Facilities	5,308	5,308	38,688	38,818	11,087	11,087	0	0	0	0	0	0
Rehabilitation of Court Facility System	144	1,899	61,106	62,205	0	0	0	0	428	428	0	0
Renovation of Leased Space	25,217	26,077	31,462	31,462	6,088	6,088	16,361	16,361	8,450	8,450	0	0
Legal Mandates and Correction of Unsafe Conditions	18,660	18,660	13,689	13,689	40,252	40,252	21,848	21,848	7,701	7,701	15,076	15,076
Equipment and Interagency Services	4,659	6,037	8,315	8,315	3,212	3,212	3,028	3,028	1,905	1,905	750	750
Communications Equipment	553	553	3,560	3,560	0	0	0	0	0	0	0	0
Board of Elections	0	0	0	0	10,185	10,185	0	0	0	0	0	0
Miscellaneous Construction	3,578	3,578	22,568	22,568	41,765	41,765	8,000	8,000	424	424	0	0
Acquisition of Real Property	0	0	0	0	1,900	1,900	1,500	1,500	0	0	0	0
Rehabilitation of Waterfront & Non-Waterfront Properties	10,365	10,365	7,770	7,855	1,609	1,609	4,593	4,593	5,107	5,107	4,421	4,421
TOTAL	$109,212	$113,205	$242,250	$243,564	$159,279	$159,279	$102,334	$102,334	$68,840	$68,840	$71,720	$71,720

The Four-Year Capital Commitment Plan provides a total of $402.2 million, including $386.4 million for the renovation, reconstruction and outfitting of Public Buildings and $15.7 million for Real Property.

Highlights of the Four-Year Plan include:

- reconstruction and rehabilitation of public buildings, courts and City-owned facilities with the focus on the replacement of mechanical, electrical, plumbing and structural systems ($198.0 million); including the interior rehabilitation and renovation of the Manhattan Municipal Building ($16.3 million), Brooklyn Municipal Building ($14.4 million), Queens Borough Hall ($8.4 million) and Brooklyn Borough Hall ($4.5 million), exterior reconstruction at 346 Broadway, Manhattan ($9.1 million), and rehabilitation of heating and air-conditioning systems at 100 Gold Street, Manhattan ($4.6 million).

- renovation of leased space ($30.9 million); including the construction of the Department of Finance Bronx

Business Center ($7.3 million) and the renovation of the Department of Emergency Management Warehouse ($1.4 million).

- legal mandates ($84.9 million); including upgrades and replacement of petroleum underground storage tanks ($41.8 million), fire safety improvements ($3.7 million), and compliance with the Americans with Disabilities Act ($3.5 million).

- equipment and interagency services ($8.9 million); including DCAS Management Information Systems infrastructure ($4.4 million), the Space Management System ($1.1 million), and the Fleet Management System ($0.8 million).

- modernization of Board of Elections facilities ($10.2 million); including office and warehouse space in Manhattan ($7.1 million), Brooklyn ($2.6 million), and Queens ($0.5 million).

- miscellaneous construction and the acquisition of real property ($53.6 million), including Seaview Senior Housing ($10.0 million), the Police Athletic League West Side Community Center ($7.0 million), the Gloria Wise Boys and Girls Club ($5.3 million), and the Jewish Community Center of Staten Island ($4.6 million).

- reconstruction of waterfront properties ($14.1 million); including various pier improvements.

- reconstruction of non-waterfront properties ($1.6 million).

The 2005 Plan provides $159.3 million and includes:

- reconstruction of public buildings and City-owned facilities ($54.3 million); including the upgrade of heating and air-conditioning systems at 100 Gold Street, Manhattan ($4.6 million), the reconstruction of Queens Borough Hall ($5.4 million) and Brooklyn Borough Hall ($4.1 million), and exterior reconstruction at 346 Broadway, Manhattan ($1.5 million).

- renovation of leased space ($6.1 million); including the Department of Emergency Management Warehouse ($1.4 million).

- legal mandates ($40.3 million); including the upgrade and replacement of petroleum underground storage tanks ($23.0 million).

- equipment and interagency services ($3.2 million); including the completion of the Fleet Management System ($0.8).

- modernization of Board of Elections facilities ($10.2 million); including office and warehouse space in Manhattan ($7.1 million), Brooklyn ($2.6 million), and Queens ($0.5 million).

- miscellaneous construction and acquisition of real property ($43.7 million); including the Gloria Wise Boys and Girls Club ($5.3 million), Seaview Senior Housing ($5.0 million), the Jewish Community Center of Staten Island ($4.6 million), and the Police Athletic League West Side Community Center ($4.0 million).

- reconstruction of waterfront properties ($0.7 million) and non-waterfront properties ($0.9 million).

DEPARTMENT OF INFORMATION TECHNOLOGY AND TELECOMMUNICATIONS

The Department of Information Technology and Telecommunications (DoITT) provides Citywide coordination and technical expertise in the development and use of voice, video and data technologies in City services and operations. DoITT's Commissioner directs the development of information technology (IT) strategies as the City's Chief Information Officer and the chair of the Technology Steering Committee. DoITT also provides infrastructure support for data processing and communications services to numerous City agencies, researches and manages IT projects, manages the City's television network NYC TV, and administers the City's cable television, public pay telephone and high capacity telecommunications franchises. In addition, DoITT is the managing agency of the City's 311 Citizen Service Center.

Financial Review

DoITT's 2005 Executive Budget provides for an operating budget of $236.8 million, an increase of $37.7 million over the amount forecasted for 2004. This increase is primarily attributable to additional funds to support the Emergency Communications Transformation Program in 2005.

Revenue Forecast

The Department collects revenue from cable television and high capacity telecommunications franchises, public pay telephone franchises, recovery of overpayments of City telephone billings, and international programming fees for use of the City's NYC TV cable television network. The Department will generate $108.0 million in revenue for 2005, $15.0 million less than the amount forecasted for 2004. The decrease is attributable to higher than expected revenue from the reconciliation of telecommunication billings in 2004.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- the Department's 2005 Executive Budget includes $105.5 million for services that DoITT purchases on behalf of client agencies, including telecommunications, data and consultant services.

- the Department's 2005 Executive Budget provides $33.5 million for the 311 Citizen Service Center. The Service Center gives the public access to non-emergency City services through one phone number 24 hours a day, seven days a week.

- the Department's 2005 Executive Budget provides $34.3 million for the Information Utility Division. This Division is responsible for the Data Center operations and fiber optic network that provide data processing and networking services to over 60 City agencies, 24 hours a day, seven days a week.

- the Department's 2005 Executive Budget provides $2.0 million for the administration of the City's five cable channels on the NYC TV network, formerly known as Crosswalks. The City produces programming designed to inform the public on City affairs.

Summary of Agency Financial Data

The following table compares the 2005 Executive Budget with the 2005 Preliminary Budget, the 2004 forecast and actual expenditures for 2003.

Summary of Agency Financial Data
($000's)

	2003 Actual	2004 Forecast	2005 Preliminary Budget	2005 Executive Budget	Increase/(Decrease) 2004 Forecast	Increase/(Decrease) 2005 Preliminary Budget
Expenditures						
Salary and Wages	$29,561	$44,535	$50,805	$57,881	$13,346	$7,076
Fringe Benefits	—	—	—	—	—	—
Other Than Personal Service (OTPS)	160,798	154,489	158,979	178,880	24,391	19,901
Total	$190,359	$199,024	$209,784	$236,761	$37,737	$26,977
Funding						
City	$70,636	$83,314	$96,663	$121,704	$38,390	$25,041
Other Categorical Grants	758	840	565	565	(275)	—
IFA	158	4,325	7,941	7,941	3,616	—
State	—	—	—	—	—	—
Federal CD	540	1,164	1,064	1,064	(100)	—
Federal Other	2,744	—	—	—	—	—
Intra-City	115,523	109,381	103,551	105,487	(3,894)	1,936
Total	$190,359	$199,024	$209,784	$236,761	$37,737	$26,977
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$7,115	$12,563	$15,685	$17,386	$4,823	$1,701
Pensions	278	1,305	3,003	3,687	2,382	684
OTPS						
Judgments and Claims	—	—	—	—	—	—
Debt Service	—	—	—	—	—	—
Total Additional Costs	$7,393	$13,868	$18,688	$21,073	$7,205	$2,385
Funding						
City	6,939	13,102	18,346	20,756	7,654	2,410
Non-City	454	766	342	317	(449)	(25)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$29,561	$44,535	$50,805	$57,881	$13,346	$7,076
Fringe Benefits	7,115	12,563	15,685	17,386	4,823	1,701
Pensions	278	1,305	3,003	3,687	2,382	684
Total PS	$36,954	$58,403	$69,493	$78,954	$20,551	$9,461
OTPS	$160,798	$154,489	$158,979	$178,880	$24,391	$19,901
Judgments and Claims	—	—	—	—	—	—
Debt Service	—	—	—	—	—	—
Total OTPS	$160,798	$154,489	$158,979	$178,880	$24,391	$19,901
Total Agency Costs	$197,752	$212,892	$228,472	$257,834	$44,942	$29,362
Less Intra-City	$115,523	$109,381	$103,551	$105,487	($3,894)	$1,936
Net Agency Costs	$82,229	$103,511	$124,921	$152,347	$48,836	$27,426
Funding						
City	77,575	96,416	115,009	142,460	46,044	27,451
Non-City	4,654	7,095	9,912	9,887	2,792	(25)
Personnel (includes FTEs at fiscal year-end)						
City	552	837	709	869	32	160
Non-City						
• IFA	6	97	90	90	(7)	—
• CD	47	38	38	38	—	—
• Other	—	—	—	—	—	—
Total	605	972	837	997	25	160

Note: Totals may not add due to rounding.

Programmatic Review

DoITT takes a lead role advancing technology projects and programs designed to enhance service delivery to the public and facilitate efficient intra-city operations. These components include the 311 Citizen Service Center, the Emergency Communications Transformation Program (ECTP), a Citywide Broadband Mobile Wireless Network, the Channel 16 Radio Network, NYC.gov, the Geographic Information Systems Utility, NYC TV, and various initiatives to help streamline agency operations.

311 Citizen Service Center

DoITT operates the City's 311 Citizen Service Center, which provides the public with access to non-emergency City services via one central phone number. The Service Center is staffed by trained customer service representatives 24 hours a day, seven days a week, and offers services in over 170 languages. In 2005, DoITT will enhance the functionality of the 311 Citizen Service Center by providing online access to 311 services, analytics and reports. The Department will also continue to expand the service offering by incorporating new agency functionality, and assist agencies with their daily operations by leveraging the tools built for 311.

Emergency Communications Transformation Program

DoITT is working closely with the NYPD, FDNY and DCAS to develop an integrated 911 system that will enhance the City's emergency response capabilities. The program will include development of an integrated dispatch system, an upgraded telecommunications infrastructure, and redundant call-taking and dispatch centers. The DoITT Capital Plan for 2005-2008 provides $1.3 billion for design, construction and technology.

Citywide Broadband Mobile Wireless Network

DoITT will spearhead the City's effort to build a Citywide broadband mobile wireless network for the exclusive use of public safety and public service agencies. Once completed, the network will provide for the transmission of broadband applications such as video feeds, large graphics files, wireless call box alarms, traffic control signals, automatic vehicle location (AVL) data, and biological, chemical and radiological monitoring data. In 2005, DoITT plans to select a vendor to conduct a pilot study to begin the design process.

Channel 16 Radio Network

Channel 16 will be a Citywide radio network infrastructure that will operate in the 482-488 MHz spectrum. The purpose of the project is to implement new radio systems and services that will relieve congestion on other channels. The project will also address the critical need of public safety agencies in the New York metropolitan area to communicate during emergencies. In 2005, a vendor will be selected, and implementation will commence.

NYC.gov

DoITT continues to redesign and upgrade NYC.gov, the City's official website, to allow for an improved interactive relationship between the public and the City through the Internet. DoITT has recently migrated the City's web environment from an externally hosted vendor to DoITT managed facilities. In 2005, the Department will focus on creation of a business portal that will provide information related to starting or expanding a business within New York City.

Geographic Information Systems Utility

Citywide data resource integration is being advanced by DoITT through the Geographic Information Systems (GIS) Utility. The GIS Utility coordinates geographically-oriented data, produced by several City agencies, to improve service delivery and enhance public safety. GIS also offers useful information the public can access over the Internet. In 2005, DoITT will continue to update existing maps and coordinate planning for new data layers, and assist the NYPD and FDNY with geographic data and applications in support of a new public safety dispatch system.

NYC TV

DoITT is the managing agency of NYC TV, the official television network of the City of New York. Delivering content 24 hours a day on five channels to all basic cable subscribers in New York City, NYC TV reaches over 1.8 million households in the five boroughs. In 2005, NYC TV will continue to broaden its coverage and focus on programming that support the City's economic interests, community traditions, and City-supported cultural and arts events.

Streamlining Agency Operations

DoITT will continue to leverage its data center, fiber optic network and other resources in order to provide cost savings to City agencies in need of Internet access, data center hosting and management, e-mail, security and firewall solutions, disaster recovery sites, wireless solutions, and remote access. In 2005, the Department of Education's data center will be consolidated into DoITT's providing for an upgraded data center environment and hardware and software savings. Furthermore, DoITT will continue to migrate additional agencies to Microsoft Exchange for e-mail, calendaring and task management, ensuring greater security and lower costs. The DoITT Capital Plan for 2005-2008 includes $43.8 million for infrastructure improvements associated with these Citywide initiatives.

ECONOMIC DEVELOPMENT

Since 1992, two organizations, the Department of Small Business Services (SBS) and the Economic Development Corporation (EDC), have administered the City's economic development programs. As a result of its recent merger with the Department of Employment, SBS now also administers the City's adult workforce development programs. In addition, SBS provides administrative support to the Mayor's Office of Film, Theatre and Broadcasting (Film Office). In order to facilitate comprehensive service delivery to businesses, both SBS and EDC are located at 110 William Street, while the Film Office is located in the Midtown Entertainment District.

SBS provides services primarily to small businesses in New York City by overseeing the City's Business Improvement Districts, providing technical assistance in procurement, contracting and local commercial development, and increasing opportunities for minority and women-owned businesses. SBS also assists small businesses in their interactions with other City agencies to facilitate the delivery of City services and utilities. Within workforce development, SBS provides job training and placement services to jobseekers and businesses through its One-Stop Centers and contracted service providers.

EDC serves as the City's corporate attraction and retention arm. In addition, EDC undertakes financing initiatives and develops commercial and industrial projects. Waterfront, maritime, and inter-modal transportation development are also under EDC's purview.

Financial Review

The 2005 Executive Budget for Economic Development provides $87.7 million in operating expenses at SBS and $4.8 million in operating expenses at EDC, with Federal funds of $60.5 million and City funds of $32 million. This represents an increase of $64.7 million for SBS (due mainly to the merger with the Department of Employment) and $800,000 for EDC above the amount forecasted in 2004. The SBS operating budget includes allocations for NYC & Company (formerly known as the New York Convention and Visitors Bureau), the NYC Empowerment Zone, the Film Office, and other SBS programs such as the Commercial Revitalization program and the Vendor/Micro-Enterprise Division. EDC funds the majority of its operating budget through the management of its real estate portfolio.

City funded capital commitments of $651 million are forecast in the 2005-2008 capital plan. Of this amount, $609 million reflect Mayoral commitments. The remaining $42 million reflect Elected Officials commitments. The amount of total City funded capital commitments for the 2005-2008 plan represents an increase of $228 million over the amount of commitments forecast in the 2004-2007 plan.

Revenue Forecast

The Department of Small Business Services collects revenue from the rental and sale of commercial, industrial, maritime and market properties administered by EDC, and other miscellaneous fees. The 2005 revenue estimate for Economic Development is $26.9 million.

Expense Budget Highlights

- the Neighborhood Economic Development Division develops and promotes Business Improvement Districts (BIDs) and Local Development Corporations (LDCs). The Business Services Division coordinates the small business assistance, incentives, vendor and microenterprise programs. The Economic and Financial Opportunity Division focuses on outreach and technological assistance to certify minority and women-owned businesses for government contracts. The Executive Budget for 2005 provides $4.1 million in City and Federal funds to run these programs with a staff of 38 full-time people.

- the Workforce Development division runs the City's One-Stop Centers in Queens, Upper Manhattan and the Bronx and other employment services and training programs. New One-Stop Centers in Brooklyn and Staten Island are expected to open in 2005 at a cost of $8 million. A new Lower Manhattan One-Stop Center is also planned for 2005.

- through a contract with SBS, NYC & Company will receive $6 million in City funding in 2005 for its work to promote the City as the country's premier convention center and tourist destination. This is the same amount represented in the 2004 forecast.

- in 1995, portions of Upper Manhattan and the South Bronx were designated an Empowerment Zone (EZ), entitling the City to an additional $100 million in Federal aid over ten years. Both the City and New York State have committed funds matching the Federal investment. These funds facilitate economic development initiatives by local businesses and community-based organizations. In 2002, program funding was extended from 2005 to 2009.

Summary of Agency Financial Data
($000's)

	2003 Actual	2004 Forecast	2005 Preliminary Budget	2005 Executive Budget	Increase/(Decrease) 2004 Forecast	Increase/(Decrease) 2005 Preliminary Budget
Expenditures						
Salary and Wages	$6,041	$12,685	$12,327	$12,520	($165)	$193
Fringe Benefits	—	136	93	93	(43)	—
Other Than Personal Service (OTPS)	35,913	122,225	75,077	75,070	(47,155)	(7)
Total	$41,954	$135,046	$87,497	$87,683	($47,363)	$186
Funding						
City	$18,957	$37,411	$24,819	$25,852	($11,559)	$1,033
Other Categorical Grants	94	648	502	502	(146)	—
IFA	—	—	—	—	—	—
State	—	32	—	—	(32)	—
Federal CD	7,388	7,640	5,280	5,285	(2,355)	5
Federal Other	14,349	87,258	55,279	55,284	(31,974)	5
Intra-City	1,166	2,057	1,617	760	(1,297)	(857)
Total	$41,954	$135,046	$87,497	$87,683	($47,363)	$186
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$2,065	$3,023	$3,804	$3,758	$735	($46)
Pensions	57	357	729	895	538	166
OTPS						
Judgments and Claims	—	5	5	5	—	—
Debt Service	27,527	48,772	52,550	51,454	2,682	(1,096)
Total Additional Costs	$29,649	$52,157	$57,088	$56,112	$3,955	($976)
Funding						
City	29,334	51,394	55,463	54,487	3,093	(976)
Non-City	315	763	1,625	1,625	862	—
Total Agency Costs (including Central Accounts)						
Salary and Wages	$6,041	$12,685	$12,327	$12,520	($165)	$193
Fringe Benefits	2,065	3,159	3,897	3,851	692	(46)
Pensions	57	357	729	895	538	166
Total PS	$8,163	$16,201	$16,953	$17,266	$1,065	$313
OTPS	$35,913	$122,225	$75,077	$75,070	($47,155)	($7)
Judgments and Claims	—	5	5	5	—	—
Debt Service	27,527	48,772	52,550	51,454	2,682	(1,096)
Total OTPS	$63,440	$171,002	$127,632	$126,529	($44,473)	($1,103)
Total Agency Costs	$71,603	$187,203	$144,585	$143,795	($43,408)	($790)
Less Intra-City	$1,166	$2,057	$1,617	$760	($1,297)	($857)
Net Agency Costs	$70,437	$185,146	$142,968	$143,035	($42,111)	$67
Funding						
City	48,291	88,805	80,282	80,339	(8,466)	57
Non-City	22,146	96,341	62,686	62,696	(33,645)	10
Personnel (includes FTEs at fiscal year-end)						
City	92	104	100	100	(4)	—
Non-City						
• IFA	—	—	—	—	—	—
• CD	13	15	15	15	—	—
• Other	3	120	117	117	(3)	—
Total	108	239	232	232	(7)	—

Note: Totals may not add due to rounding.

Programmatic Review

Department of Small Business Services

The Department of Small Business Services, through the programmatic divisions detailed below, carries out its mission by providing direct services to New York City's business community.

Neighborhood Development

- the BID unit and the Commercial Revitalization unit were merged under the Neighborhood Economic Development Division. This division assists business communities in establishing and operating BIDs, provides fiscal oversight and technical assistance for the City's 46 BIDs, as well as contracts with 74 LDCs to revitalize business corridors throughout the five boroughs, using a combination of Federal and City funds.

Business Services

- through outreach and technical assistance services, the City Business Assistance Program (CBAP) helps businesses interact with other City agencies. CBAP agents also advise businesses about local stoop-line, sanitation and vending regulations. The unit coordinates graffiti removal projects and helps merchants conform to the Zero Visibility Rule, which prohibits sidewalk merchandise display. CBAP agents have assisted over 493 businesses in the past year.

- the Emergency Response Unit (ERU) works directly with the Mayor's Office of Emergency Management to respond to businesses affected by disasters in the five boroughs. The ERU provides updates on building re-openings, facilitates the resolution of matters affecting day-to-day business operations, and compiles evidence to support business claims for assistance. In 2004, ERU provided critical aid to over 450 cases related to the August 2003 blackout and 126 other emergencies, including water main breaks in Washington Heights and Greenwich Village and looting due to the blackout in East Flatbush.

- the Business Incentives Unit coordinates the Lower Manhattan Energy Program (LMEP), which offers benefits in the form of utility credits for up to 12 years. To date, 36 office towers have applied for and received benefits on behalf of their tenants. The Energy Cost Savings Program, which helps businesses in other NYC areas, approved 48 projects affecting 3,071 jobs in 2004.

- the Vendor/Microenterprise Unit has conducted courses for 2,700 individuals, including 1,027 clients for computer classes and 417 clients for technical assistance classes in 2004. Classes are given in five locations around the City.

- SBS is in the process of opening small business assistance satellite centers in each borough, in partnership with local economic development organizations. Centers are currently open in Manhattan, the Bronx and Brooklyn. New centers will open in Queens and Staten Island in 2005. The centers will offer consultations on many aspects of opening and running a small business, referrals to financial and government agencies, human resource assistance, and business classes.

Economic and Financial Opportunity

- the Economic and Financial Opportunity Division enables small, minority and women-owned businesses to grow and actively participate in the City's procurement process. It provides personal outreach, registration, and technological assistance to connect businesses with new opportunities.

Workforce Development

- the Workforce Development Division provides employment services to the City's adult private-sector workforce. Funds for these programs are provided through the federal Workforce Investment Act (WIA).

Through partnerships with private employers, SBS trains and places New Yorkers; employers cover 50 percent of the cost of these training programs.

- the One-Stop system is the centerpiece of the adult workforce system. SBS operates the centers in conjunction with federal, state and City partners to provide coordinated services. In 2004, SBS operated three One-Stop Centers and opened a fourth, in Downtown Brooklyn. Centers will open in Staten Island and Lower Manhattan in 2005. These centers provide job search, training and placement opportunities for all New Yorkers. They also provide universal access to Individual Training Accounts (ITAs), which customers can use to pay for training at schools throughout the City. As of March 2004, there were 15,214 customers active in the One-Stop system.

- training providers serve dislocated workers and special adult populations through targeted outreach and occupational skills training. These programs have already served 4,500 New Yorkers in 2004.

- the Rikers Island Employment Re-Entry Program was implemented in 2004 to provide job training, transitional employment, job placement and related services to adult inmates being released from Rikers Island to assist their integration into their communities. The Center for Employment Opportunities administers the program.

New York City Economic Development Corporation

EDC works with the private and public sectors to revitalize businesses, create jobs and generate revenue for the City. EDC also manages and develops City-owned commercial, industrial, and waterfront properties, including marine terminals, public markets, rail yards and industrial parks.

The financing arm of EDC includes several small business lending, guarantee and bond issuance programs. The purpose of these programs is to create jobs and retain and expand businesses through financial assistance offered at market or below market rates. EDC also contracts with the New York City Industrial Development Agency (IDA) to provide financing for larger industrial projects. Since mid September 2001, EDC resources have focused on the redevelopment of Lower Manhattan by providing loans and grants to businesses affected by the World Trade Center disaster.

- in conjunction with and administered by the Empire State Development Corporation, EDC has awarded grants totaling $10 million to 1,679 small and medium-sized businesses in lower Manhattan to date.

- in partnership with the State, EDC established a $50 million loan guarantee fund to support a $250 million bridge loan program for small businesses, most of which qualify for Small Business Administration (SBA) relief. Participating banks approve bridge loans within three days of application while SBA processes the loan applications. To date, a total of 610 businesses have received an aggregate sum of $3.2 million in loans.

- during the first three quarters of 2004, EDC (through IDA) financed over $1.4 billion to secure business commitments representing 11,445 jobs retained, 6,215 jobs to be created, and $40 million in estimated tax revenue.

SBS contracts with EDC to manage the City's waterfront properties. Since the World Trade Center disaster, EDC worked with the Department of Transportation (DOT) to expand ferry service into Manhattan. Additional ferry service is active at piers 11 and 16 in lower Manhattan, and improvements were made to Pier 4 at the Brooklyn Army Terminal. EDC also constructed a ferry landing at Pier 79, located at 39th Street on the Hudson River.

Under its contract with SBS, EDC acts as a managing agent for City-sponsored projects, funded primarily through the capital budget, as described below.

Capital Review

The primary goal of the Four Year Capital Plan is to encourage development in order to create and retain jobs in New York City, to bolster the City's tax base, and to maintain city-owned facilities in a state of good repair. The 2005-2008 Four-Year Plan totals $651 million.

The following chart shows Capital plan commitments by major function over the 2003-2008 period. Actual commitments are provided for 2003.

Capital Commitments

($000's)

	2003 Actual		2004 Plan		2005 Plan		2006 Plan		2007 Plan		2008 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Commercial Development	$74,176	$75,149	$139,921	$169,820	$97,286	$154,786	$58,703	$58,703	$33,892	$33,892	$4,729	$4,729
Industrial Development . . .	54,895	54,895	42,527	43,209	28,680	28,680	36,351	36,351	18,865	18,865	18,959	18,959
Market Development	10,787	10,787	13,262	14,262	1,270	1,270	0	0	0	0	6,261	6,261
Neighborhood Revitaliz'n .	1,234	3,722	6,918	7,318	6,280	6,280	0	0	0	0	0	0
Port Development	67,978	70,029	93,794	131,375	46,486	74,236	42,614	42,614	52,482	52,482	43,093	43,093
Rail Development	3,385	3,973	9,075	34,443	15,500	15,500	11,900	11,900	0	0	0	0
Waterfront Development . .	21,505	32,668	82,586	88,047	30,264	45,514	16,730	16,730	27,738	27,738	12,337	12,337
Aviation	0	0	0	7,175	0	0	0	0	0	0	0	0
Miscellaneous	7,412	10,856	27,051	45,512	5,950	5,950	28,000	28,000	7,000	7,000	0	0
Total	$ 241,372	$262,079	$415,134	$541,161	$231,716	$332,216	$194,298	$194,298	$139,977	$139,977	$85,379	$85,379

Highlights of the 2005-2008 Four Year Capital Plan are:

Economic and Port Development

- rehabilitation and modernization of the Passenger Ship Terminal in Manhattan ($166 M)
- redevelopment of Downtown Brooklyn ($89 M)
- infrastructure improvements at the Brooklyn Navy Yard ($60 M)
- infrastructure improvements at Staten Island Homeport ($58 M)
- waterfront rehabilitation at locations citywide ($47 M)
- reconstruction of the Battery Maritime Building ($30 M)
- reactivation and extension of the Staten Island Railroad ($27 M)
- development of the Brooklyn Academy of Music Cultural District ($19 M)
- restoration work at Governor's Island ($15 M)
- waterfront development of Queens West ($14 M)
- new railroad terminal construction at the Farley Post Office ($13 M)

LIBRARIES

The City of New York funds three independently operated public library systems, each administered by a distinct and separate board of trustees. The Brooklyn Public Library oversees the operation of 58 branches, a Business Library and a Central Library. The New York Public Library manages a three-borough library system: the Bronx with 34 branches, Manhattan with 39 branches and Staten Island with 12 branches, and also oversees four Research Libraries: the Humanities and Social Sciences Library, the Library for the Performing Arts at Lincoln Center, the Schomburg Center for Research in Black Culture, and the Science, Industry, and Business Library. The Queens Borough Public Library is comprised of 62 branches and a Central Library.

Financial Review

The 2005 Executive Budget for Libraries provides total operating funds of $224.8 million, an increase of $95.8 million from the 2004 forecast of $129 million. However, this does not take in to account the $107.3 million that was prepaid to all three library systems in 2003. Adjusting for the prepayment, the 2004 forecast of $236.3 million will decrease by $11.5 million in the 2005 Executive Budget. The Executive Budget also provides for City funded capital commitments of $84.5 million in 2005.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

The partial prepayment in 2003 of the 2004 subsidy to all three library systems increased the 2003 budget by $107.3 million and decreased the 2004 budget by a commensurate $107.3 million. The prepayment did not affect library services.

In 2005, there will be an operating subsidy of $63.4 million to Brooklyn Public Library, $85.5 million to The New York Public Library, $16.1 million to New York Research Libraries, and $59.8 for Queens Borough Public Library. Including the subsidy prepayment in 2003, the City's programmatic operating subsidy for 2004 is $66.7 million to Brooklyn Public Library, $89.7 million to The New York Public Library, $16.9 million to New York Research Libraries and $63 million for Queens Borough Public Library.

- the three Library systems have made days and hours of branch service a priority, maintaining at least 5 days of service per week per branch.

- accounting for the subsidy prepayment of $30.1 million in 2003, the City's 2005 subsidy to Brooklyn Public Library will be reduced by $3.3 million from the 2004 forecast of $66.7 million.

- including the subsidy prepayment of $40.9 million in 2003, the City's 2005 subsidy to The New York Public Library will be reduced by $4.2 million from the 2004 forecast of $89.7 million.

- adjusting for the subsidy prepayment of $7.7 million in 2003, the City's 2005 subsidy to New York Research Libraries will be reduced by $0.8 million from the 2004 forecast of $16.9 million.

- including the subsidy prepayment of $28.6 million in 2003, the City's 2005 subsidy to Queens Borough Public Library will be reduced by $3.2 million from the 2004 forecast of $63 million.

Summary of Agency Financial Data
($000's)

	2003 Actual	2004 Forecast	2005 Preliminary Budget	2005 Executive Budget	Increase/(Decrease) 2004 Forecast	Increase/(Decrease) 2005 Preliminary Budget
Expenditures						
Salary and Wages	—	—	—	—	—	—
Fringe Benefits	—	—	—	—	—	—
Other Than Personal Service (OTPS)	$337,640	$129,054	$218,637	$224,841	$95,787	$6,204
Total	$337,640	$129,054	$218,637	$224,841	$95,787	$6,204
Funding						
City	$337,640	$129,054	$218,637	$224,841	$95,787	$6,204
Other Categorical Grants	—	—	—	—	—	—
IFA	—	—	—	—	—	—
State	—	—	—	—	—	—
Federal CD	—	—	—	—	—	—
Federal Other	—	—	—	—	—	—
Intra-City	—	—	—	—	—	—
Total	$337,640	$129,054	$218,637	$224,841	$95,787	$6,204
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	—	—	—	—	—	—
OTPS						
Pensions	$2,801	$8,095	$17,895	$23,393	$15,298	$5,498
Judgments and Claims	—	37	42	39	2	(3)
Debt Service	12,579	18,225	26,100	25,468	7,243	(632)
Total Additional Costs	$15,380	$26,357	$44,037	$48,900	$22,543	$4,863
Funding						
City	15,352	26,170	43,214	48,077	21,907	4,863
Non-City	28	187	823	823	636	—
Total Agency Costs (including Central Accounts)						
Salary and Wages	—	—	—	—	—	—
Fringe Benefits	—	—	—	—	—	—
Total PS	—	—	—	—	—	—
OTPS	$337,640	$129,054	$218,637	$224,841	$95,787	$6,204
Pensions	2,801	8,095	17,895	23,393	15,298	5,498
Judgments and Claims	—	37	42	39	2	(3)
Debt Service	12,579	18,225	26,100	25,468	7,243	(632)
Total OTPS	$353,020	$155,411	$262,674	$273,741	$118,330	$11,067
Total Agency Costs	$353,020	$155,411	$262,674	$273,741	$118,330	$11,067
Less Intra-City	—	—	—	—	—	—
Net Agency Costs	$353,020	$155,411	$262,674	$273,741	$118,330	$11,067
Funding						
City	352,992	155,224	261,851	272,918	117,694	11,067
Non-City	28	187	823	823	636	—
Personnel (includes FTEs at fiscal year-end)						
City	—	—	—	—	—	—
Non-City						
• IFA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	—	—	—	—	—	—
Total	—	—	—	—	—	—

* *The 2005 Executive Budget provides an estimated 3,786 full-time and full-time equivalent positions, which are funded with City subsidies.*
Note: Totals may not add due to rounding.

Programmatic Review

The three library systems will continue to provide services throughout the five boroughs at existing branches and the following recently reopened libraries:

- the Crown Heights branch library in Brooklyn reopened earlier this year after extensive rehabilitation and construction of an addition.

- the Mott Haven and Sedgwick branches in the Bronx were reopened following extensive rehabilitation and expansion.

- the Seward Park branch library in Manhattan was reopened following a major rehabilitation.

- the Poppenhusen branch library in Queens was reopened after an extensive rehabilitation which included ADA compliance of the entire facility.

The three library systems will continue to provide a variety of community programming. These programs include:

- Brooklyn Public Library's specialized programs including resources for children with special needs, adult literacy courses, English for Speakers of Other Languages and services for the aging.

- The New York Public Library's Toddler Time, Story Hour and Picture Book Hour which provide literacy outreach to children ages 2 through 12 years.

- Queens Borough Public Library's New American Program, which offers programs for multicultural/multilingual audiences on topics related to assimilation. The Library also provides literacy and English classes in their Adult Learner Program.

- all three library systems have well-developed computer systems that provide the public with free of charge Internet access and basic PC software applications. The libraries have also implemented interactive reference services that allow patrons to search the reference database and send reference inquiries to professional librarians.

- the three library systems offer web sites designed specifically for children and teens that provide homework help, research databases and education-related activities.

Capital Review

The Four-Year Capital Commitment Plan totals $133.6 million in City funds, and includes $41.1 million for Brooklyn Public Library, $48.4 million for The New York Public Library, $12.6 million for New York Research Libraries, and $31.5 million for Queens Borough Public Library.

Capital Commitments

($000's)

	2003 Actual		2004 Plan		2005 Plan		2006 Plan		2007 Plan		2008 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Brooklyn Public Library	8,566	8,566	12,688	12,688	24,645	24,645	14,857	14,857	792	792	804	804
New York Public Library	34,563	34,563	64,176	64,326	32,430	32,430	16,048	16,048	—	—	—	—
New York Research Library	24,095	24,095	1,342	1,342	9,866	10,041	1,513	1,513	1,128	1,128	—	—
Queens Public Library	8,400	8,400	13,361	13,361	17,595	17,595	7,867	7,867	5,183	5,183	873	873
Total	75,624	75,624	91,567	91,717	84,536	84,711	40,285	40,285	7,103	7,103	1,677	1,677

While some projects have been delayed or reduced in scope due to prior fiscal constraints, several major renovations took place in 2004. Other major projects will be undertaken in 2005. The 2005-2008 Executive Plan includes the following major highlights:

Brooklyn Public Library:

- extensive renovations at the Brooklyn Central Library, which include a new auditorium, a new front plaza, and a major systems upgrade ($21.4 million in 2005-2008, in addition to $6.1 million in 2004).
- rehabilitation and expansion of the Kings Highway Branch Library ($4.9 million).
- rehabilitation and expansion of the Fort Hamilton Branch Library ($3.0 million).
- rehabilitation of the Macon Branch Library and Bedford-Stuyvesant Historical Center ($1.6 million).
- site acquisition and construction of a new Canarsie Branch Library ($1.6 million).

The New York Public Library, which includes projects in Manhattan ($17.5 million), the Bronx ($20.2 million), Staten Island ($10.4 million) and funding for projects in all three boroughs ($0.3 million):

- construction of a new Bronx Borough Center which will include a Puerto Rican and Latino Cultural Center ($1.9 million, in addition to $38.4 million in 2004).
- acquisition and renovation of the Kingsbridge Branch Library in the Bronx ($7.7 million).
- new roof construction and complete renovation of the Washington Heights Branch Library in Manhattan ($5.1 million).
- extensive renovation and ADA compliance work at the St. Agnes Branch Library in Manhattan ($5.1 million).
- second floor renovation and boiler and window replacement at the Woodstock Branch Library in the Bronx ($4.7 million).
- construction of a new branch at Mariners Harbor in Staten Island ($4.4 million).
- acquisition and renovation of the Stapleton Branch Library in Staten Island ($4.4 million, in addition to $2.2 million in 2004).

New York Research Libraries:

- renovation of the General Research Division and the Scholar's Center at the Schomburg Center for Research in Black Culture ($8.6 million).

- restoration and renovation of the Map Division at the Humanities and Social Sciences Library ($3.4 million).

Queens Borough Public Library:

- construction of the new Children's Library and Discovery Center at the Central Library in Jamaica, which encompasses a two-story, 14,000 square foot library for children, and includes planned interactive science exhibits and programs to develop information literacy skills ($8.7 million).

- construction of a new branch in Long Island City ($1.5 million, in addition to $5.8 million in 2004).

- replacement of the Glen Oaks Branch Library ($6.7 million).

- purchase of computer equipment and infrastructure improvements at the Queens Borough Public Library branches ($2.2 million).

- expansion of the Elmhurst Branch Library ($2.1 million).

- expansion of the East Elmhurst Branch Library ($1.7 million).

- ADA compliance renovations at multiple branches ($1.2 million).

THE DEPARTMENT OF CULTURAL AFFAIRS

The Department of Cultural Affairs (DCA) is responsible for sustaining and promoting the cultural quality of life throughout the City. DCA achieves these goals by providing direct financial support to more than 600 museums, performing arts institutions and groups, gardens, zoos and other cultural organizations, while also providing legal, construction, and managerial support services.

The City supports operations at 34 City-owned cultural institutions, which include world-renowned organizations such as the Metropolitan Museum of Art, the Wildlife Conservation Society, the American Museum of Natural History, the Brooklyn Academy of Music, Carnegie Hall, Lincoln Center for the Performing Arts, the Brooklyn Museum of Art, and The New York Botanical Garden. The Cultural Institutions Group (CIG) also includes a number of outstanding smaller and mid-sized institutions such as P.S.1 Contemporary Art Center, Jamaica Center for Arts and Learning, El Museo del Barrio, Snug Harbor Cultural Center, Brooklyn Botanic Garden, New York Shakespeare Festival, and the Museum of Jewish Heritage. DCA supports capital construction and improvement projects at other distinguished cultural institutions, such as the Pierpont Morgan Library, the Brooklyn Historical Society, Alvin Ailey Dance Foundation, the Society for the Preservation of Weeksville and Bedford-Stuyvesant History, and Jazz at Lincoln Center.

DCA provides program grants and support services to more than 600 arts-related organizations citywide, with recipients as diverse as the Children's Arts and Science Workshop, the New York Philharmonic, Museum of Television and Radio, La Mama Theatre, Studio in a School, Louis Armstrong House, Ballet Hispanico, Staten Island Symphony, New York Historical Society, Joyce Theatre, Repertorio Espanol, and the Tibetan Museum.

Financial Review

The Department of Cultural Affairs' 2005 Executive Budget provides for operating expenses of $104 million, a decrease of $16.1 million from the 2004 forecast. It also provides for City funded capital commitments of $113.4 million in 2005.

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- the City will provide operating support subsidies of $88.3 million, including $29.8 million in energy subsidies, to the City's 34 Cultural Institutions (CIGs). The City's subsidy to these institutions will be reduced by a net change of $9.5 million from the 2004 forecast of $97.8 million. A reduction of $12.7 million, due to $4.1 million in one time City Council member items and $8.6 million in one time restorations to 2004, will be offset by an increase of $3.2 million to the energy subsidy.

- the City will provide $12 million in program grants to various cultural organizations citywide. The City allocation to these cultural programs will be reduced by $6.2 million from the 2004 forecast of $18.2 million. $4.9 million of this reduction can be attributed to one time City Council member items and other adjustments in 2004. The remaining $1.3 million reduction in 2005 is a result of one time restorations to 2004.

- the Executive Budget contains $3.7 million in operating funds for the Department of Cultural Affairs' staff, rent, supplies and equipment.

Summary of Agency Financial Data
($000's)

	2003 Actual	2004 Forecast	2005 Preliminary Budget	2005 Executive Budget	Increase/(Decrease) 2004 Forecast	Increase/(Decrease) 2005 Preliminary Budget
Expenditures						
Salary and Wages	$2,110	$2,630	$2,386	$2,415	($215)	$29
Fringe Benefits	—	55	—	—	(55)	—
Other Than Personal Service (OTPS)	118,315	117,433	96,560	101,611	(15,822)	5,051
Total	$120,425	$120,118	$98,946	$104,026	($16,092)	$5,080
Funding						
City	$119,435	$118,790	$98,460	$103,538	($15,252)	$5,078
Other Categorical Grants	—	120	—	—	(120)	—
IFA	41	55	55	55	—	—
State	—	129	—	—	(129)	—
Federal CD	256	672	237	239	(433)	2
Federal Other	63	43	—	—	(43)	—
Intra-City	630	309	194	194	(115)	—
Total	$120,425	$120,118	$98,946	$104,026	($16,092)	$5,080
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$552	$663	$724	$711	$48	($13)
Pensions	3,101	4,310	5,503	5,535	1,225	32
OTPS						
Judgments and Claims	26	21	23	22	1	(1)
Debt Service	26,109	36,889	54,078	52,768	15,879	(1,310)
Total Additional Costs	$29,788	$41,883	$60,328	$59,036	$17,153	($1,292)
Funding						
City	29,683	41,453	58,592	57,303	15,850	(1,289)
Non-City	105	430	1,736	1,733	1,303	(3)
Total Agency Costs (including Central Accounts)						
Salary and Wages	$2,110	$2,630	$2,386	$2,415	($215)	$29
Fringe Benefits	552	718	724	711	(7)	(13)
Pensions	3,101	4,310	5,503	5,535	1,225	32
Total PS	$5,763	$7,658	$8,613	$8,661	$1,003	$48
OTPS	$118,315	$117,433	$96,560	$101,611	($15,822)	$5,051
Judgments and Claims	26	21	23	22	1	(1)
Debt Service	26,109	36,889	54,078	52,768	15,879	(1,310)
Total OTPS	$144,450	$154,343	$150,661	$154,401	$58	$3,740
Total Agency Costs	$150,213	$162,001	$159,274	$163,062	$1,061	$3,788
Less Intra-City	$630	$309	$194	$194	($115)	—
Net Agency Costs	$149,583	$161,692	$159,080	$162,868	$1,176	$3,788
Funding						
City	149,118	160,243	157,052	160,841	598	3,789
Non-City	465	1,449	2,028	2,027	578	(1)
Personnel (includes FTEs at fiscal year-end)						
City	40	48	40	43	(5)	3
Non-City						
• IFA	1	1	1	1	—	—
• CD	1	2	2	2	—	—
• Other	—	3	—	—	(3)	—
Total	42	54	43	46	(8)	3

* *The 2005 Executive Budget provides an estimated 1,589 full-time and full-time equivalent positions, which are funded with City subsidies.*

Note: Totals may not add due to rounding.

Programmatic Review

- the Cultural Development Fund (CDF) awards program grants on a competitive basis. In 2004, close to 350 groups received awards averaging $4,700. In 2005, $1.6 million is allocated for the CDF.

- the Materials for the Arts program, in cooperation with the Department of Sanitation and the Board of Education, provides donated used equipment and supplies to arts organizations, arts education programs in the public schools, and other City agencies. Last year, donated materials were valued at $3.7 million.

- the Community Arts Development Program awards federal grants to arts groups serving low- and moderate-income neighborhoods. In 2005 $0.237 million will be available in Federal funding.

- DCA administers the Percent for Art program which oversees commissions for public works of art as part of City construction projects. Eleven projects have been completed for 2004. Fourteen projects will be completed in 2005.

- DCA continues to work towards increasing attendance and revenue at cultural organizations in all five boroughs. In January, DCA launched Cool New York, a three-week celebration of the arts and parks sponsored by American Express and Con Edison. This was aimed at expanding borough tourism and attracting visitors during the post-holiday season, when attendance is typically at its lowest.

Capital Review

The 2005-2008 Plan totals $274.5 million in City funds.

Capital Commitments

($000's)

	2003 Actual		2004 Plan		2005 Plan		2006 Plan		2007 Plan		2008 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Department of Cultural Affairs	202,972	206,889	228,359	230,940	113,350	116,265	95,697	95,697	40,760	40,760	24,730	24,730
Total	202,972	206,889	228,359	230,940	113,350	116,265	95,697	95,697	40,760	40,760	24,730	24,730

Major Highlights of the 2005-2008 Plan include:

- facility modernization, including infrastructure upgrades for the American Museum of Natural History's original buildings along West 77th Street, and upgrades for the Genomics and Ornithology Departments ($34 million in 2005-2008, in addition to $20.8 million in 2004).

- renovation of the Lion House, to transform it into a multi-purpose public space and exhibit area ($14.1 million in 2005-2008, in addition to $11.1 million in 2004), and upgrade of transportation facilities ($4 million in 2005-2008, in addition to $2.9 million in 2004) at the Wildlife Conservation Society, Bronx Zoo.

- funding for the redevelopment project at Lincoln Center for the Performing Arts ($53.8 million in 2005-2008, in addition to $19.2 million in 2004).

- infrastructure improvements at The New York Botanical Garden, including renovation of the Museum Building ($2 million in 2005-2008, in addition to $2.3 million in 2004), parking, paths, and roadway reconstruction ($1.4 million in 2005-2008), and equipment purchases and improvements ($3.7 million in 2005-2008).

- restoration of the façade facing 5th Avenue at the Metropolitan Museum of Art ($8.8 million in 2004), reconstruction at the Cloisters ($3.5 million in 2005-2008, in addition to $4.3 million in 2004), and other improvements ($4.5 million in 2005-2008).

- reconstruction of the roof, and other improvements to the New York Shakespeare Festival ($6.2 million in 2005-2008, in addition to $1.5 million in 2004).

- restoration of the historic Hunterfly Houses, and construction of a new education building at the Society for Preservation of Weeksville and Bedford-Stuyvesant History ($8.7 million in 2005-2008).

- a variety of new projects, including a Visitor's Center at the Cherry Esplanade ($7.9 million in 2005-2008, in addition to $2.5 million in 2004) and a Science and Learning Center ($2.1 million in 2005-2008, in addition to $2.5 million in 2004), at the Brooklyn Botanic Garden.

- special exhibits, renovations and equipment purchases at the Wildlife Conservation Society, New York Aquarium, including the Shark exhibit ($5.7 million in 2005-2008), the new Animal Medical Facility ($1.5 million in 2005-2008, in addition to $1 million in 2004), and other improvements ($16.7 million in 2005-2008).

- reconstruction of the Reptile Wing Exhibit ($4.5 million in 2005-2008, in addition to $4.5 million in 2004), and site-wide infrastructure upgrades and new facilities such as the Petting Zoo, the Carnivore exhibit, Farm Barn, and the Duck Pond ($2.1 million in 2005-2008) at the Staten Island Zoo.

- restoration and reconstruction of the Music Hall, and other site-wide infrastructure improvements at Snug Harbor Cultural Center ($3 million in 2005-2008, in addition to $3.2 million in 2004).

- major expansion of the Bronx Museum of Art, which will increase exhibition space and further expand the museum's community programs ($2.3 million in 2005-2008, in addition to $2.3 million in 2004).

- construction of a pre-school science playground at the New York Hall of Science, designed to help children learn science through personal discovery and participation ($2.7 million in 2005-2008), and other infrastructure improvements ($2.8 million in 2005-2008, in addition to $4.5 million in 2004).

CITY UNIVERSITY OF NEW YORK

The City University of New York (CUNY) includes ten senior colleges, six community colleges, one technical school, the Graduate Center, a law school, and an affiliated medical school. CUNY also sponsors Hunter Campus Schools. The CUNY colleges, some of which date back to the nineteenth century, were federated in 1961. The University is governed by a 17-member Board of Trustees. Ten members are appointed by the Governor with the advice and consent of the New York State Senate, five are appointed by the Mayor, and two (the chairpersons of the Faculty and Student Senates) serve as ex-officio members.

CUNY is the largest municipal university system in the United States and ranks third in number of students among the public university systems in the nation. In 2004 CUNY will serve approximately 212,600 students in degree programs with approximately 142,700 in the senior colleges and 69,900 in the community colleges. In addition, CUNY will serve approximately 238,300 non-degree students. Similar levels of enrollment are anticipated in 2005.

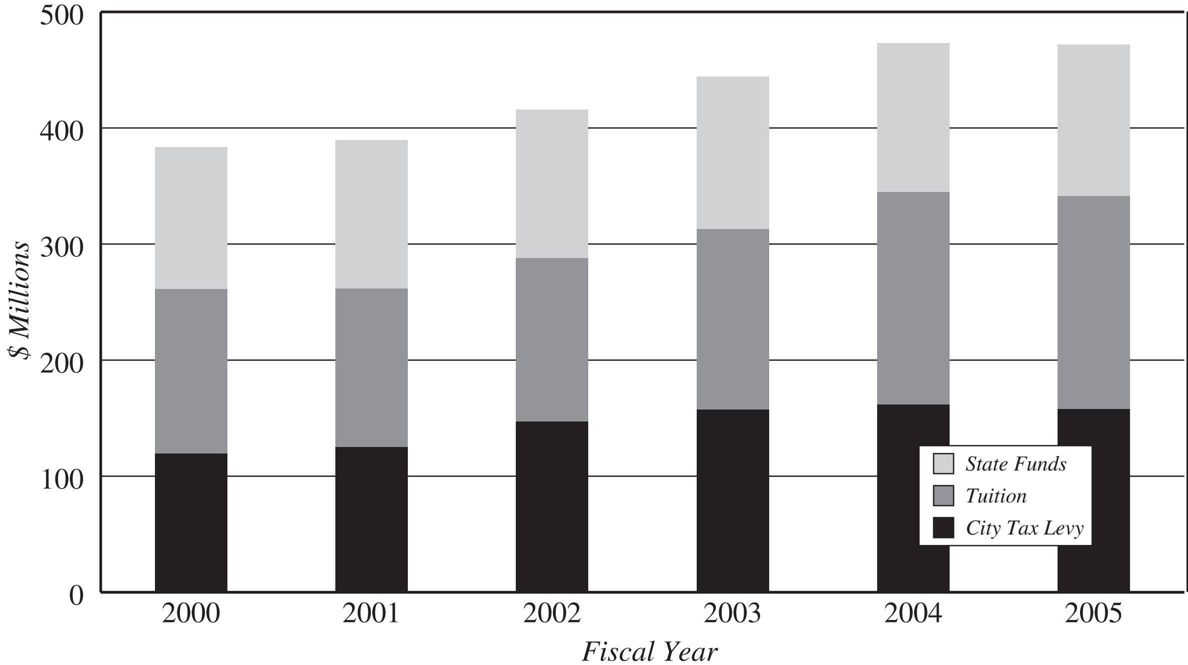
Financial Review

The City University of New York's 2005 Executive Budget is $504.2 million, a net decrease of $51.8 million from the 2004 forecast of $556.0 million. Most of this year to year decrease of $41.4 million is due to a decline in Intra-City funds in 2005 from $48.5 million to $7.1 million. The change also includes a decrease of $12.1 million in City funds, a decrease of $500,000 in Federal-Other funds, and an increase of $2.2 million in State aid. The community college impact of these changes is a $46.2 million decrease, from $504.2 million in 2004 to $457.9 million in 2005. Funding for the Senior and Community College Merit Scholarship program at $5.5 million in 2004 has been eliminated for 2005. The Hunter Campus Schools budget decreased by less than $100,000 from $11.3 million to $11.2 million. Senior College pre-funding remains unchanged at $35.0 million. Due to delays in finalizing the State budget, all State allocations for the 2004-2005 school year contained in these figures are estimates based on State aid adopted levels for 2004.

Revenue Forecast

Four major sources of revenue fund the CUNY expense budget: State aid; tuition, fees and miscellaneous income; City tax levy funds; and other categorical grants. The 2005 Executive Budget appropriates $166.6 million in State aid for CUNY. This funding level is a $2.2 million increase from the 2004 forecast of $164.4 million and is subject to change when the State budget is approved. The other major source of 2005 revenue, namely tuition, fees and miscellaneous income, is projected at $180.8 million, which is the same as the forecast level for 2004 and is subject to enrollment change. The 2005 Executive Budget, including pension contributions budgeted separately in the Pension Agency, provides $170.8 million of City tax levy funds. This is $9.0 million less than the 2004 Forecast of $179.8 million. Other categorical funds, which consist of non-governmental grants, are unchanged at $2.5 million in both 2004 and 2005. These funds were previously included in City funds along with tuition and miscellaneous fees. Intra-City funding decreases $7.1 million from approximately $48.5 million in 2004 million to $41.4 million in 2005. Federal - Other funds, supporting the Invest program, decreased by $500,000 due to the elimination of this 2004 funding source from the 2005 budget.

COMMUNITY COLLEGE FUNDING 2000-2005



* *Funding which supports senior college and Hunter Campus Schools activities is not included here. City tax levy includes pension contributions which are budgeted in the Pension Agency. Tuition includes Tuition and Fees, Miscellaneous Revenues, Adult Continuing Education fees and Other Categorical funds. The 2004 amounts are as per the Executive forecast.*

Expense Budget Highlights

Budgetary Priorities: Providing Core Services

- an increase of $5.0 million, of which $2.8 million is tax levy and $2.2 million is State aid, to provide for the rental of temporary replacement space for the Borough of Manhattan Community College's Fiterman Hall, which was destroyed on September 11.

- an increase of approximately $1.4 million in tax levy funds to adjust for the energy needs of the community colleges and Hunter Campus Schools.

Restructuring and Streamlining

- a reduction of $5.5 million in tax levy funds to adjust administrative services, maintenance, supplies, technical services and adjunct teaching as part of CUNY's 2005 effort to alleviate the City's budget gap.

- a reduction of $5.5 million in tax levy funds for the Merit Scholarship program.

- a reduction of $500,000 in Federal - Other funds for non-recurring Invest program costs.

The following table compares the 2005 Executive Budget with the 2005 Preliminary Budget.

Summary of Agency Financial Data
($000's)

	2003 Actual	2004 Forecast	2005 Preliminary Budget	2005 Executive Budget	Increase/(Decrease) 2004 Forecast	Increase/(Decrease) 2005 Preliminary Budget
Expenditures						
Salary and Wages	$278,214	$295,542	$287,382	$289,061	($6,481)	$1,679
Fringe Benefits	53,825	46,322	46,326	46,326	4	—
Other Than Personal Service (OTPS)	141,140	214,087	169,406	168,769	(45,318)	(637)
Total	$473,179	$555,951	$503,114	$504,156	($51,795)	$1,042
Funding						
City	$309,476	$340,037	$326,072	$327,932	($12,105)	$1,860
Other Categorical Grants	2,474	2,500	2,500	2,500	—	—
IFA	—	—	—	—	—	—
State	132,894	164,364	166,585	166,585	2,221	—
Federal CD	—	—	—	—	—	—
Federal Other	1,129	500	—	—	(500)	—
Intra-City	27,206	48,550	7,957	7,139	(41,411)	(818)
Total	$473,179	$555,951	$503,114	$504,156	($51,795)	$1,042
Additional Costs Centrally Funded						
Personal Services (PS)						
Fringe Benefits	$—	$—	$—	$—	$—	$—
Pensions	20,868	20,583	26,970	23,657	3,074	(3,313)
OTPS						
Judgments and Claims	719	1,000	1,000	1,000	—	—
Debt Service	15,627	27,258	43,831	43,684	16,426	(147)
Total Additional Costs	$37,214	$48,841	$71,801	$68,341	$19,500	($3,460)
Funding						
City	37,203	48,809	71,610	68,149	19,340	(3,461)
Non-City	11	32	191	192	160	1
Total Agency Costs (including Central Accounts)						
Salary and Wages	$278,214	$295,542	$287,382	$289,061	($6,481)	$1,679
Fringe Benefits	53,825	46,322	46,326	46,326	4	—
Pensions	20,868	20,583	26,970	23,657	3,074	(3,313)
Total PS	$352,907	$362,447	$360,678	$359,044	($3,403)	($1,634)
OTPS	$141,140	$214,087	$169,406	$168,769	($45,318)	($637)
Judgments and Claims	719	1,000	1,000	1,000	—	—
Debt Service	15,627	27,258	43,831	43,684	16,426	(147)
Total OTPS	$157,486	$242,345	$214,237	$213,453	($28,892)	($784)
Total Agency Costs	$510,393	$604,792	$574,915	$572,497	($32,295)	($2,418)
Less Intra-City	$27,206	$48,550	$7,957	$7,139	($41,411)	($818)
Net Agency Costs	$483,187	$556,242	$566,958	$565,358	$9,116	($1,600)
Funding						
City	346,679	388,846	397,682	396,081	7,235	(1,601)
Non-City	136,508	167,396	169,276	169,277	1,881	1
Personnel (includes FTEs at fiscal year-end)						
City	6,033	6,185	6,147	6,120	(65)	(27)
Non-City						
• IFA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	6	5	5	5	—	—
Total	6,039	6,190	6,152	6,125	(65)	(27)

Note: Totals may not add due to rounding.

Programmatic Review

The Executive Budget continues City support for CUNY's efforts to raise and maintain high standards and to create a flagship academic environment. Assisted by additional revenues, generated through increases in tuition and technology fees, CUNY will continue to recruit more full-time faculty to improve disciplinary strength and increase the ratio of full-time to adjunct faculty in its schools. Also, CUNY will continue to improve its facilities and incorporate advanced technology and communications to support its curriculum.

CUNY continues its initiative to attract the City's brightest high school graduates for their college education through its CUNY-wide Honors College. This program seeks to attract students with a record of academic achievement and high SAT test scores. Selected students receive free tuition, a laptop computer and a $7,500 academic spending account. These students work with CUNY's most distinguished faculty and receive special attention and academic support throughout their college careers.

Program Highlights

CUNY is expected to engage in numerous independent and collaborative programs, including:

- CUNY/Department of Education Partnerships - CUNY maintains a number of successful collaborative programs with the New York City Department of Education. The College Now/College Tomorrow program expects to register over 56,400 students in approximately 40,000 separate activities (including college credit courses, skill development courses and workshops and various enrichment activities). This program operates in all seventeen undergraduate colleges and instructs students at high schools and in the colleges, helping ninth through twelfth graders acquire skills necessary to graduate, pass Regents and college entrance examinations, and ultimately succeed in college. In addition, the University's campuses are home to the Middle College High School Program, which operates thirteen affiliated high schools at Brooklyn, City, Lehman, York and Medgar Evers colleges, and Hostos, Bronx, LaGuardia, and Kingsborough community colleges. The program operates alternative high schools within college settings for especially talented students as well as for students identified as being at high risk of dropping out.

- Language Immersion Program - This program provides up to 900 hours of classroom work over three or four annual cycles to immigrant students who require better knowledge of English to be more effective students. The program serves over 2,900 immigrants at nine locations.

- Workforce Development Initiative (WDI) - This program promotes and supports small businesses by retraining and upgrading employee skills, meeting qualified teacher shortages, preparing undergraduates for skill-shortage occupations, creating jobs, providing for economic development, and performing labor market research, planning and coordination.

- Adult Literacy Program - This program is budgeted at $3.0 million in 2004. It will help approximately 10,000 students meet program and employment requirements in the labor market, including English-as-a-Second-Language education.

- Child Care - This program provides child care in 17 centers throughout CUNY. The program serves approximately 2,400 children and provides early child care, infant/toddler care, training for families and early childhood education.

Capital Review

The City University of New York's 2005-2008 Four-Year Capital Plan totals $103.0 million to upgrade and maintain the community college physical plant ($94.6 million in City funds and $8.4 million in State funds). The major elements of this program include:

- construction of new buildings ($70.1 million), including a new Academic Building at Medgar Evers College ($66.2 million).
- rehabilitation of roofs, windows, doors and structural elements ($18.1 million).
- purchase and installation of electronic data processing and other equipment ($5.0 million).
- other projects, including Federal, State and local mandates ($9.8 million).

All community college projects approved by the City are eligible for an equal amount of State matching funds. The State provides its 50 percent share for such projects either through its annual State budget appropriation or the sale of bonds by the New York State Dormitory Authority. State matching funds from annual budget appropriations are reflected in the City's capital plan, however, any State match provided through the independent sale of DASNY bonds is excluded.

The table below shows capital commitments by program area over the 2003-2008 period. In addition to the 2005-2008 program listed above this table includes significant projects funded in 2004. These 2004 projects include initial City funding for the replacement of Fiterman Hall ($17.0 million), $2.0 million for on-going renovations of Center III at LaGuardia Community College, $1.0 million for renovations of the Grand Concourse at Hostos Community College, $500,000 each for the design of new academic buildings at Bronx and Queensborough Community Colleges, and $11.4 million for CUNY-Wide Health and Safety/ Facilities Preservation projects in 2004.

Capital Commitments

($000's)

	2003 Actual		2004 Plan		2005 Plan		2006 Plan		2007 Plan		2008 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
New School Construction	$5,192	$5,384	$29,108	$35,975	$9,958	$9,958	$37,245	$37,245	$17,275	$17,369	$5,550	$5,550
Renovation/Rehabilitation of Roofs, Classrooms, etc	7,618	10,274	25,036	26,164	7,601	7,601	1,141	1,218	2,428	4,714	2,292	4,584
Purchase & Installation of EDP and Other Equipment	4,104	4,849	22,871	24,671	1,688	1,688	2,364	2,403	780	792	80	80
Federal, State and Local Mandates	24	48	417	512	25	25	-	-	10	20	-	-
Other Projects	76	94	1,862	2,258	3,892	4,817	142	281	675	1,724	1,464	2,928
Total	$17,014	$20,649	$79,294	$89,580	$23,164	$24,089	$40,892	$41,147	$21,168	$24,619	$9,386	$13,142

PENSIONS AND OTHER FRINGE BENEFITS

Pension Overview

The Executive Budget for 2005 provides for $3,376 million in City pension contributions, an increase of $922 million from the amount forecast for 2004. As listed on the table below, of the total amount for 2005, $3,280 million represents contributions to the City's five actuarial retirement systems, $57 million represents contributions to actuarial systems covering certain non-City employees of the City University, the library system, day care centers, and certain cultural institutions, and $39 million represents, primarily, supplemental payments to widows and widowers of uniformed employees who were killed in the line of duty.

Pension Expenditures and Funding Sources

($000's)

			2005		Increase/(Decrease)	
	2003 Actual	2004 Forecast	Preliminary Budget	Executive Budget	2004 Forecast	Preliminary Budget
Expenditures						
Personal Service						
• City Actuarial	$1,689,761	$2,367,815	$3,075,425	$3,280,284	$912,469	$204,859
• Non-City Actuarial	28,447	38,167	51,967	57,465	19,298	5,498
• Non Actuarial	32,378	48,394	37,479	38,479	(9,915)	1,000
Total	$1,750,586	$2,454,376	$3,164,871	$3,376,228	$921,852	$211,357
Funding						
City	$1,533,918	$2,272,371	$2,992,514	$3,203,871	$931,500	$211,357
State	29,538	43,475	33,827	33,827	(9,648)	—
• JTPA	—	—	—	—	—	—
• CD	—	—	—	—	—	—
• Other	67,125	2,525	2,525	2,525	—	—
Intra-City Other	120,005	136,005	136,005	136,005	—	—
Total	$1,750,586	$2,454,376	$3,164,871	$3,376,228	$921,852	$211,357

The City's five actuarial retirement systems are the New York City Employees' Retirement System, the New York City Teachers' Retirement System, the New York City Police Pension Fund, the New York City Fire Pension Fund, and the Board of Education Retirement System. As of June 2003 these systems covered approximately 593,000 employees, retirees and beneficiaries of the City, the Department of Education, and certain independent agencies. Each system is governed by a board of trustees and functions in accordance with applicable state and local laws. Required contributions are made on a statutory basis based on actuarial valuations of liabilities and assets. The funding assumptions have been approved by the trustees as recommended by the City Actuary, and the statutory interest rate assumption for all five systems is eight percent.

These systems provide "defined" retirement benefits (as well as death and disability benefits) to members based on, or defined by, final pay times years of service. Benefit formulas vary by system and by entry date of pension membership, better known as tiers. Benefit payments are financed with employee and employer contributions, as well as pension asset investment income. In defined benefit plans, employer contributions make up for shortfalls in investment income, while excess investment returns reduce employer contributions.

Starting in the mid 1970s the State legislature instituted new tiers that were expected to provide less costly benefits than provided for under Tier 1. A notable feature of Tier 1 is that it provides civilian employees at age 55 having 25 years of service, a retirement benefit of 55 percent of final pay. Commencing in 1973 with Tier 2, benefits were reduced for new members. Tier 2 members could still retire at age 55, but their benefits would be subject to statutory reductions. Following Tier 2 was Tier 3 in 1976. However, in 1983, Tier 4 virtually replaced Tier 3. Tier 4 provided unreduced pensions which would only begin at age 62, as opposed to the earlier age 55 under Tier 1. Reforms also came to uniformed police and fire pensions under Tier 2 which provided for, among other things, a 20 year service, half-pay pension based on a final three year average pay, as opposed to the Tier 1 final year salary basis.

Throughout the 1980s, the 1990s and up to the present, there have been numerous and significant benefit improvements enacted through state legislation. For example, in 1998, the vesting period for civilians was reduced from 10 years to 5 years (Chapter 389), and the service fraction was raised to two percent at 20 years of service as opposed to waiting until 25 years of service (Chapter 266). In 2000, associated with ratified labor settlements, civilian Tier 1 and 2 members receive an additional two years of service credit (Chapter 126), and employee contributions were completely removed for basic Tier 3 and 4 members having 10 years of membership service. Also, in 2000, Tier 4 members were enabled to retire prior to age 62, but not before age 55, provided they have met the minimum service requirements. Their benefits, like in Tier 2, would be subject to statutory reductions (Chapter 553). Tier 1 police and fire members will receive additional Increased Take Home Pay (Chapter 373), while Tier 2 police and fire members will have their pensions based on a final one year average salary; an improvement from a final three year average (Chapter 372).

In addition to a number of other ad-hoc legislative efforts to increase certain retirees' benefits to be more in line with inflation, in 2000, under Chapter 125, significant upward cost of living adjustments (COLAs) were granted to the pensions of existing retirees. Also the legislation built in permanent annual automatic COLAs to be based on actual future inflation. The significant increased cost of this legislation is being phased-in over a number of years.

Other Fringe Benefits

The City provides a number of fringe benefits to its employees, retirees and eligible dependents. Contribution levels and terms of coverage are governed by various contractual, legal and collective bargaining provisions.

The City's basic Health Insurance program provides comprehensive major medical and hospitalization benefits to its members. In addition, the City makes annual contributions to union-administered Welfare Funds, which typically provide supplemental health insurance benefits to their members. Annual contributions conform to collective bargaining and labor agreements.

The City also participates in federal Social Security and makes the required employer contributions on behalf of covered employees. Under state Worker's Compensation, the City provides statutory wage-replacement and medical benefits to employees who sustain on the job injuries, and under Unemployment Benefits, provides up to 26 weeks of wage-replacement benefits, up to statutory maximum levels. The City also separately provides medical benefits to uniformed employees of the Police, Fire and Sanitation departments who are injured in the line of duty.

In general, the City's Miscellaneous Expense Budget contains the fringe benefit appropriations on behalf of employees and retirees of the mayoral agencies. Separate allocations are included in the Department of Education, the City University system, the Health and Hospitals Corporation, and the various other covered organizations, libraries and cultural institutions, for the fringe benefit costs of their active and retired employees.

The following table sets forth the fringe benefit amounts carried in the Miscellaneous Budget for 2004 and 2005.

Fringe Benefits

($ 000's)

	2004 Forecast	2005 Executive	Increase/ (Decrease)
Workers' Compensation	$ 114,896	$ 127,896	$ 13,000
Health Insurance Plans	1,467,762	1,660,339	192,577
Social Security Contributions	694,914	701,901	6,987
Unemployment Insurance Benefits	44,400	33,000	(11,400)
Supplementary Employee Welfare Benefits	418,834	429,303	10,469
Workers' Compensation - Other	40,200	44,000	3,800
Total	$2,781,006	$2,996,439	$215,433
Funding			
City	$2,547,806	$2,863,443	$315,637
Other Categorical	100,000	—	(100,000)
State	42,349	42,040	(309)
Interfund Agreements	2,450	2,450	—
Federal			
• CD	22,300	23,000	700
• Other	66,101	65,506	(595)
Total...	$2,781,006	$2,996,439	$215,433

JUDGMENTS AND CLAIMS

The Executive Budget for 2005 provides an appropriation of $612 million for Judgments and Claims. These expenditures represent the City's costs for tort and contract liability and are projected to reach $718 million by 2008. Tort expenditures cover both personal injury and property damage claims, and account for approximately 97 percent of total costs. These projections incorporate a substantial amount of claims cost attributed to the Health and Hospitals Corporation for which the Corporation will reimburse the City. These amounts are estimated at $190 million in 2005 through 2008.

The Office of Management and Budget (OMB) employs various statistical methods and financial models to estimate claims costs. In addition, OMB consults the Law Department to provide cost estimates for cases that are expected to settle for $1 million or greater. These are mainly serious personal injury cases that have been in litigation or on appeal for a considerable period of time. These cases represent a significant portion of total tort costs, but their relatively small volumes do not lend themselves to statistical analysis. Historical claim data contained on the Comptroller's Omnibus Automated Image Storage and Information System (OAISIS) are analyzed to determine annual settlement volumes and average cost per claim. Total costs are the product of the volume and average cost projections.

Analysis of Agency Budgets: Covered Organizations

NEW YORK CITY HEALTH AND HOSPITALS CORPORATION

The New York City Health and Hospitals Corporation (HHC) provides comprehensive medical, mental health, and substance abuse services to New York City residents, regardless of their ability to pay. Through its seven regional health care networks, HHC operates eleven acute care hospitals, four long-term care facilities, six diagnostic and treatment centers, a certified home health program, and more than 100 community-based primary care, dental, and child health clinics throughout the five boroughs. In addition, MetroPlus, the wholly-owned HHC health maintenance organization, provides care to 197,241 New Yorkers. HHC also provides emergency and inpatient services to New York City's correctional facilities' inmate population and conducts mental health evaluations for the family courts in the Bronx, Brooklyn, Queens, and Manhattan.

HHC is the nation's largest public hospital system operating 4,592 inpatient beds and 2,700 nursing facility beds. In 2003, at HHC facilities there were 210,709 patient discharges, 4,796,402 clinic visitations and more than one million emergency room visits. In 2003, HHC facilities served more than 1.2 million people, of which 460,000, or 35 percent, lacked any form of health insurance.

Financial Review

The 2003 ending cash balance was $272 million as reported in the New York City Financial Plan; a $170.2 million ending cash balance is projected for 2004. Total expenses in the 2005 Executive Budget are projected at $4.4 billion, and total revenue is projected at $4.2 billion. Revenue derived from third party payors is projected to be $3.4 billion. City support for HHC in 2005, excluding the City portion of Medicaid, is anticipated to be $348 million. This funding provides for the treatment of prisoners and uniformed services personnel at HHC facilities, debt service costs, and support for preventative health programs. It includes all payments associated with intra-city agreements with City agencies. In addition, the City will make payments totaling $739.3 million for the local share of HHC's Medicaid collections and bad debt and charity care pool payments.

HHC is scheduled to pay the City $189.9 million for malpractice settlements in 2005. This payment is consistent with the agreement entered into with the City to make debt service payments on behalf of the Corporation, in exchange for the Corporation assuming full responsibility for malpractice costs up to an annual limit.

Expense Budget Highlights

The Executive Budget includes an additional $200 million of financial support for HHC in 2005, including payment of additional debt service to support the Corporation's major modernization capital program.

HHC, like all major hospitals in the New York Metropolitan area, anticipates significant deficits in the next four years. The Corporation has taken numerous steps to improve its competitive position and expand its revenue base without compromising the quality of care provided.

Additionally, HHC has undertaken several actions during 2003 and 2004 to reduce expenses:

- contracting with a vendor to purchase pharmaceuticals through the Minnesota Multi-State Group Purchasing Organization, a group that combines the purchasing power of more than 40 states to obtain significant discounts from suppliers. This process has resulted in significant economies of scale, reduced hospital pharmaceutical stocks to just-in-time levels, and minimized hospitals' administrative responsibilities. Savings in 2005 could be as much as $5 million.

- a hospital-wide formulary workgroup has been established to examine the drug classes most prescribed by HHC physicians. The workgroup identified one or two clinically-effective brands within each drug class. HHC then implemented a market share competitive contracting process which guarantees 80 to 90 percent of HHC's purchase volume within a drug class to the lowest-bidding drug manufacturer. To date, market-share contracts have been implemented for five of the top twenty drug classes used by HHC hospitals. HHC saves approximately $4.5 million on an annual basis as a result of these contracts.

- HHC is pursuing additional cost reduction strategies in food services by maximizing economies of scale. Savings have resulted from the centralization of multiple hospitals' food preparation services at the Kings County Hospital Center cook/chill facility. Annual savings from this and the implementation of other food service efficiencies are projected to be $1.5 to $2.0 million.

Streamlining/Restructuring

HHC continues to maintain its commitment to providing high quality, technologically advanced health care. To that end, the Corporation has undertaken several initiatives that have resulted in significant progress in improving both health outcomes and hospital operations:

- in an effort to reduce pediatric asthma patients' emergency room utilization and hospitalizations, Coney Island Hospital piloted the innovative Asthma Buddy program. The Asthma Buddy program uses a $300 electronic device attached to a telephone in the child's home. At predetermined times of the day the device beeps and invites the child to answer questions about his asthma symptoms and use of medications. Data from the child's responses is transmitted daily to a central site and reviewed by a pediatric asthma nurse. The program has dramatically reduced hospitalizations and emergency room visits among participants. In 2005, MetroPlus will provide the Asthma Buddy to all of its pediatric enrollees with asthma.

- the Ambulatory Care Restructuring Initiative (ACRI) is a complete re-engineering of outpatient visit procedures. It addresses issues from the patient appointment process to the procedural flow of medical visits. ACRI's goal is to provide patients appointment availability within three business days and reduce visit time at medical clinics to less than 60 minutes. The effort will take place over three years and affect all ambulatory care sites in the Corporation. Nineteen clinics have completed a redesign, and significant reductions in the length of patient visits have been achieved. Clinics report having reduced the average length of a complete medical visit from two hours, 18 minutes to one hour, 13 minutes, a decrease of more than one hour.

- HHC continues to implement the Computerized Patient Record (CPR) program allowing physicians real-time access to all patient records and results at all acute hospitals and diagnostic and treatment centers. A CPR enables physicians to order and store on-line information on all medications, diagnostic test requests, and therapeutic interventions with their results for future reference. This type of physician record system is a nationally recognized best practice to improve patient safety and the quality of clinical care.

- HHC has implemented several Limited English Proficiency (LEP) enhancements to ensure that language is not a barrier to care. This fall, HHC launched an LEP website on its intranet. Here medical forms, links to patient care services and information are provided in more than ten languages.

Medical Initiatives and Quality Reviews

- HHC has launched a significant cancer screening initiative. HHC serves a diverse patient population (90 percent people of color) for whom early identification of diseases and timely interventions have been elusive. For too long, the early identification of cancer has been lacking in some communities. To this end HHC launched a major cancer screening initiative. In calendar year 2002, HHC screened 71,161 women for breast cancer, almost 180,000 women for cervical cancer, and performed more than 11,000 colonoscopies.

- HHC facilities are also developing disease registries to manage cohorts of patients more effectively by using evidence based treatment. HHC physicians are monitoring specific clinical outcomes for patients grouped according to disease and demographic categories.

- HHC facilities are piloting mental health case management programs in five outpatient clinics to promote treatment adherence, to facilitate the transition between inpatient and outpatient care and to engage consumers in decisions about their treatment. HHC is also expanding Assertive Community Treatment Team (ACTT) capacity by adding six new teams with the ability to serve a total of 408 patients by the end of 2004.

- HHC's commitment to service excellence is confirmed by the receipt of accreditation, with full standards compliance, from the Joint Commission on the Accreditation of Healthcare Organizations (JCAHO). During the fall of 2003, Coney Island Hospital, Kings County Hospital Center, Lincoln Medical and Mental Health Center and Sea View Hospital Rehabilitation Center and Home each received full JCAHO accreditation. An average survey score of 97.25 out of a possible 100 reflects the high degree of service excellence these organizations have achieved.

Capital Review

The HHC Four-Year Capital Plan totals $878 million. The Corporation's capital strategy is driven by changes that have occurred in health care delivery and financing. In particular, patient demand for greater privacy, hospital competition for clients, the growth of managed care, and the need for convenient and efficient patient flow, have necessitated reconfigurations of hospital and clinic space. HHC's Four-Year Capital Plan includes funds for five major projects currently under construction and for consolidation and modernization of the Harlem Hospital Center campus.

- Bellevue Hospital Center, which is undergoing a $178 million modernization, is scheduled to be completed in November 2005. The primary component is the construction of a new 207,000 square-foot ambulatory care building.

- the modernization of the Kings County Hospital Center, scheduled to open in the fall of 2005, includes the construction of a new diagnostic, treatment, and emergency/trauma services facility which is estimated to cost $145 million. Phase III of the project will be comprised of the development of outpatient services for the hospital's general care programs at an estimated cost of $50 million, scheduled for completion in December 2005.

- Jacobi Medical Center's modernization involves the construction of a replacement 339 bed acute care facility at an estimated cost of $174 million. This new 390,000 square-foot facility will also house the hospital's operating rooms, critical care units, and emergency department services. The next phase, which includes the construction of a new outpatient facility, will cost $74 million.

- the modernization of Coney Island Hospital, budgeted at $91 million, involves the renovation of the ambulatory and acute care facilities and the construction of a new bed tower. The project is scheduled for completion in May 2006.

- a new 130,000 square-foot Ambulatory Care Pavilion in the Queens Hospital Center will provide space for behavioral health, primary and specialty clinics, and a diabetes center. The project is expected to be completed by March 2006 and is budgeted at $53 million.

- consolidation and modernization of the Harlem Hospital Center campus, budgeted at $225 million, will allow an increase in hospital beds, creation of a more unified, patient friendly and efficient campus, and preservation of existing murals and viable facilities that are important to the local community. In addition, $4.6 million is budgeted for the relocation of the existing EMS garage. Ground breaking is scheduled for October 2005.

NEW YORK CITY TRANSIT

New York City Transit (NYCT) operates the most extensive public transportation system in the nation, serving over 2.1 billion subway and bus passengers in calendar year 2003 with nearly 1.4 billion passengers riding the subway system. NYCT has been a component of the Metropolitan Transportation Authority (MTA) since the Authority's inception in 1968. The MTA is a New York State public authority responsible for coordinating and implementing a mass transportation program for New York City and the seven adjacent counties. The MTA Board also oversees the development of NYCT's operating budget and coordinates its capital expenditures. NYCT is divided into several operating departments, most notably the Department of Subways and the Department of Buses.

The subway system operates 24 hours a day, 7 days a week, on 685 miles of track extending over 238 directional route-miles, serving 468 stations throughout The Bronx, Brooklyn, Manhattan, and Queens. The bus system consists of a fleet of 4,566 buses on 181 local and 38 express routes in all five boroughs. System expansions currently being considered by NYCT include the long-planned Second Avenue Subway and the westward extension of the #7 train to the Jacob Javits Convention Center. If completed, these would be the most significant system expansions since the completion of the IND subway lines in the mid-1940s.

After implementation of a fare increase in May 2003, system-wide ridership decreased by 2.6 percent in CY 2003. Despite the decrease in CY 2003, overall NYCT ridership has still risen by more than 27 percent since January 1997. Nearly 82 percent of NYCT riders currently take advantage of unlimited ride and MetroCard bonus discounts, and that number is expected to increase because NYCT recently phased out tokens and expanded its menu of MetroCard discount options.

The Staten Island Railway (SIR) is also a subsidiary of the MTA. SIR operates a 14-mile rapid transit line which links 22 communities on Staten Island and provides a vital and convenient connection to the Staten Island Ferry. SIR serves approximately 3.4 million passengers per year.

Financial Review

The City's financial plan includes $246.3 million for NYCT in <u>fiscal</u> year 2005. As NYCT operates on a <u>calendar</u> year (CY) basis, the financial plan below is presented in that format. New York City Transit's Financial Plan for CY 2004 through 2007 will be submitted to the Financial Control Board following the presentation of the 2005 Executive Budget. The plan for CY 2004 incorporates the following key elements:

- CY 2004 fare revenue is projected to be $2,544.1 million, a 7.7 percent increase over the CY 2003 total. This change is driven by the recent NYCT subway/bus fare increase (from $1.50 to $2.00), though its effects are partially offset by increased use of fare discounts. NYCT projects that CY 2004 ridership will increase by approximately 2.1 percent.

- tax revenues dedicated for NYCT's use are projected to total $1,234.7 million; $475.1 million from the regional Metropolitan Mass Transportation Operating Assistance Account (MMTOA), $445.4 million from the State "Lock Box" Petroleum Business Tax, $165.1 million from the Urban Mass Transportation Operating Assistance Account (Urban Account), $140.2 million from Mortgage Recording Tax transfers, and $8.9 million from other sources.

- the City's contribution to NYCT's operating budget for CY 2004 totals $246.3 million, including $158.2 million in operating assistance, $45.0 million for student fare discounts, $24.7 million for the Paratransit program, $13.8 million for elderly and disabled fare discounts and $4.6 million for Transit Police.

Based on recent financial reports, NYCT closed CY 2003 with a cash surplus of $56.6 million. Despite this, NYCT has projected substantial budget shortfalls over the next four years.

New York City Transit Financial Plan

($ in millions)

	Calendar Years (1)				
	2003A	2004E	2005E	2006E	2007E
REVENUES					
Subway / Bus Fare Revenue	$2,367.5	$2,544.1	$2,570.7	$2,594.1	$2,630.5
Other Operating Revenue	82.0	71.6	75.5	78.6	81.3
Transit Tax Revenue	1,247.0	1,234.7	1,165.4	1,165.3	1,175.0
City Subsidies	242.4	246.3	251.3	257.2	264.4
State Subsidies	203.2	203.2	203.2	203.2	203.2
TBTA Surplus Transfer	152.7	125.5	84.0	69.7	53.8
Capital Reimbursement	762.9	765.7	702.0	712.8	729.3
TOTAL REVENUES	$5,057.7	$5,191.1	$5,052.1	$5,080.9	$5,137.5
EXPENSES					
Salaries & Wages	$2,482.2	$2,507.1	$2,583.0	$2,666.1	$2,753.0
Fringes	932.9	1,051.3	1,245.1	1,390.4	1,495.1
OTPS	587.0	589.2	609.2	608.3	624.7
Contingency Reserve	0.0	0.0	(25.4)	(49.6)	(92.1)
Paratransit Expenses	150.6	180.7	202.8	234.6	272.5
Transit Police	4.9	4.6	4.6	4.7	4.7
Capital Expenses	762.9	765.7	702.0	712.8	729.3
Debt Service	356.0	378.7	513.0	625.3	723.0
Depreciation (2)	0.0	895.2	965.5	1,035.7	1,111.4
TOTAL EXPENSES	$5,276.5	$6,372.5	$6,799.8	$7,228.3	$7,621.6
OTHER ACTIONS					
Balance before Adjustments	$(218.8)	$(1,181.4)	$(1,747.7)	$(2,147.4)	$(2,484.1)
Gap-Closing Actions (3)	0.0	0.0	544.0	1,020.1	1,307.4
Cash Flow Adjustments (4)	261.7	263.4	204.4	91.6	65.3
Depreciation Adjustment	0.0	895.2	965.5	1,035.7	1,111.4
Net Cash from Prior Year	13.7	56.6	33.8	0.0	0.0
SURPLUS/(DEFICIT)	$56.6	$33.8	$0.0	$0.0	$0.0

(1) All Financial Plan figures were provided by NYCT in February 2004. Because the MTA operates on a Calendar Year basis (January-December) that is not directly comparable to the City's Fiscal Year (July-June), this table shows CY 2003 actuals (A) and CY 2004-2007 estimates (E).

(2) NYCT now includes Depreciation in its Financial Plan (as of February 2004).

(3) Gap-closing actions include items available to offset out-year gaps, including increased subsidies, use of cash reserves, expense reductions and fare increases.

(4) Cash flow adjustments include Operating, Subsidy and Debt Service Cash Flow adjustments.

The City currently manages the subsidized franchise bus program which includes express bus service in The Bronx and local and express bus service in Brooklyn and Queens. This franchise bus service is partially supported by subsidies provided by the City. On April 19, 2004, the Mayor, the Governor and the Chairman of the MTA announced their agreement which provides that by July 1, 2004, the MTA will take over operating responsibilities for the service previously provided by the private bus franchises.

City Subsidies

The City's contribution to New York City Transit's operating budget for CY 2004 will total $246.3 million. The City continues to provide a $45.0 million subsidy to transport school children (one-third of the total estimated program costs), while also subsidizing the elderly and disabled reduced-fare program ($13.8 million) and the paratransit program ($24.7 million). In addition, the City match of State "18b" operating assistance, in the amount of $158.2 million, supports a portion of NYCT's overall operating costs and another $4.6 million is used to fund costs associated with the Transit Police. In CY 2004, the City is providing approximately $74.1 million directly to the MTA to maintain Long Island Railroad and Metro-North Commuter Railroad stations in the five boroughs and for operating assistance for the commuter railroads as part of the local match of State "18b" aid.

The following chart summarizes the City's subsidies to NYCT for CY 2004:

City Subsidies to NYCT, CY 2004
($ in millions)

• Elderly and Disabled Subsidy	$13.8
• School Fare Subsidy	45.0
• Operating Assistance	158.2
• Police Reimbursement	4.6
• Paratransit	24.7
TOTAL	$246.3

Capital Review

The City's four-year Capital Plan totals $274.3 million: $272.5 million for NYCT and an additional $1.8 million for Staten Island Railway. These funds will be used to support NYCT's most essential work: bringing the entire mass transit system to a state of good repair, maintaining that level on a normal replacement cycle, and helping expand the transit system. City capital funds are used in conjunction with other sources (Federal, State, and Private) towards NYCT's Capital Program.

The City's four-year Plan for NYCT and SIR includes the following key elements:

- funds to help provide for various NYCT infrastructure improvements, system enhancements, and bus and subway car upgrades, $112.5 million.

- funds for NYCT trackwork, $140.0 million.

- funds for the NYCT rapid and surface transit revolving funds, $20.0 million.

- funds for SIR's track replacement and infrastructure programs, including improvements at the St. George Station and Ferry Terminal, $1.8 million.

The table below outlines the City's Capital Commitments to NYCT and SIR for the 2003-2008 period:

Capital Commitments

($000's)

	2003 Actual		2004 Plan		2005 Plan		2006 Plan		2007 Plan		2008 Plan	
	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds	City Funds	All Funds
Coliseum Funds	340,422	340,422	0	0	0	0	0	0	0	0	0	0
Infrastructure	39,000	39,000	76,218	76,218	31,907	31,907	27,787	27,787	27,422	27,422	25,329	25,329
Trackwork	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000
Revolving Fund	10,000	10,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
SIRTOA	0	0	1,084	1,084	477	477	450	450	447	447	440	440
Miscellaneous	875	875	250	250	0	0	0	0	0	0	0	0
Total	$425,297	$425,297	$117,552	$117,552	$72,384	$72,384	$68,237	$68,237	$67,869	$67,869	$65,769	$65,769

Appendix

EXHIBIT 1
EXPENDITURE ASSUMPTIONS

Personal Service

The expenditures for personal services in the Executive Budget for 2005 and the three-year projections are as follows:

($ in millions)

	2005	2006	2007	2008
Salaries and Wages	$16,430	$16,649	$16,638	$16,540
Pensions	3,376	4,107	4,515	4,502
Other Fringe Benefits	5,177	5,475	5,788	6,162
Reserve for Collective Bargaining				
Department of Education	204	204	204	204
Other	320	323	323	323
Reserve Subtotal	524	527	527	527
Total	$25,507	$26,758	$27,468	$27,731

Salaries and Wages

The baseline projections for salaries and wages reflect all personnel costs associated with current and projected headcount levels. Excluded from these projections is the cost of collective bargaining which is contained in the Reserve for Collective Bargaining.

Pensions and Other Fringe Benefits

Pension expense estimates for 2005 through 2008 incorporate draft valuation projections prepared by the Office of the Actuary and other financial plan adjustments, primarily related to the City's projected payroll. These projections reflect the costs associated with the pension funds' investment losses that occurred in 2001 and 2002, and lower than expected earnings in 2003. The costs of annual investment losses are phased-in over five year periods. In addition, consistent with State law, the costs of funding a portion of retiree benefit increases are being phased-in over a ten year period.

An independent actuarial firm has recently concluded a statutory audit of the actuarial assumptions and methods governing City pension contributions. The Chief Actuary of the City is currently reviewing their report and may recommend revised funding assumptions to the trustees of the City's pension funds.

Total pension expenses for the four years are as follows:

($ in millions)

	2005	2006	2007	2008
City Actuarial Systems	$3,280	$4,007	$4,412	$4,397
Non-City Actuarial	57	60	63	65
Non-Actuarial	39	40	40	40
Total	$3,376	$4,107	$4,515	$4,502

Social Security cost estimates reflect the projected tax rates and wage ceilings issued by the Social Security Administration as well as planned payroll adjustments. Unemployment Insurance costs are consistent with the statutory maximum weekly benefit levels and planned payroll adjustments. Workers' Compensation costs are consistent with the compensation rate schedule mandated by State law and the projected growth in medical costs. Health Insurance estimates reflect current levels of coverage based on the latest population and premium data available from the City health insurance providers. Out-year projections reflect anticipated increases in hospital and medical trends.

Reserve for Collective Bargaining

The Reserve for Collective Bargaining contains funding for the cost of collective bargaining increases for the 2002-2005 round of bargaining consistent with the recent DC37 settlement, as well as small amounts for the 2000-2002 round. The funding for the new round of bargaining is sufficient to pay for a $1,000 one-time lump sum upon settlement and a 3.0 percent wage increase on the first day of the second year. As with the DC37 settlement, any wage increase(s) beyond that would have to be funded entirely from productivity.

The chart below reflects the transfers:

($ in millions)

	2003	2004	2005	2006	2007	2008
Amount Added to Labor Reserve	—	$332.8	$652.2	$580.4	$574.3	$574.3
Transfer from Labor Reserve to Dept. of Education (DOE)	—	(40.3)	(175.8)	(181.3)	(181.3)	(181.3)
Transfer from Labor Reserve to Pension Agency	—	(7.3)	(190.6)	(113.3)	(107.2)	(107.2)
Transfer from Labor Reserve to other Agencies for DC37	—	(52.1)	(52.1)	(52.1)	(52.1)	(52.1)
Transfer from Labor Reserve to Misc. Budget for FICA	—	(21.2)	(15.7)	(15.9)	(15.9)	(15.9)
(A) Net Added to Labor Reserve 2002 Round	**—**	**$212.0**	**$218.0**	**$217.8**	**$217.8**	**$217.8**
Prior round collective bargaining	—	100.3	101.7	105.1	105.1	105.1
Total in Labor Reserve	**—**	**$312.3**	**$319.7**	**$322.8**	**$322.8**	**$322.8**
Transfer from Labor Reserve to DOE	—	$40.3	$175.8	$181.3	$181.3	$181.3
Transfer from DOE to Pension Agency	—	(0.9)	(63.9)	(69.4)	(69.4)	(69.4)
Net City Funds Added to DOE Labor Reserve	**—**	**$39.4**	**$ 111.9**	**$111.9**	**$111.9**	**$111.9**
Additional State Aid added to DOE Labor Reserve	—	—	74.6	74.6	74.6	74.6
(B) Total Funds Added to DOE Labor Reserve 2002 Round	—	**$39.4**	**$186.5**	**$186.5**	**$186.5**	**$186.5**
Transfer from Labor Reserve to Pension Agency	—	$7.3	$190.6	$113.3	$107.2	$107.2
Transfer from DOE to Pension Agency	—	0.9	63.9	69.4	69.4	69.4
(C) Net Added to Pension Agency 2002 Round	—	**$8.2**	**$254.5**	**$182.7**	**$176.6**	**$176.6**
City Funds Added to other Agencies for DC37	—	$52.1	$ 52.1	$ 52.1	$52.1	$52.1
Non-City Funds Added to other Agencies for DC37	—	14.9	14.9	14.9	14.9	14.9
(D) Total Amount Added to other Agencies for DC37	**—**	**$67.0**	**$67.0**	**$67.0**	**$67.0**	**$67.0**
(E) Amount Added to Misc. Budget for FICA	—	**$21.2**	**$15.7**	**$15.9**	**$15.9**	**$15.9**
All Funds Added to the Budget (A+B+C+D+E)	—	**$347.7**	**$741.7**	**$669.9**	**$663.8**	**$663.8**
Prior Accrual for 2002 Round	200.0	—	—	—	—	—
All Funds Total Budgeted Cost of 2002 Round	**$200.0**	**$347.7**	**$741.7**	**$669.9**	**$663.8**	**$663.8**

Other Than Personal Service

The following items are included in this category:

($ in millions)

	2005	2006	2007	2008
Administrative OTPS	$10,501	$10,430	$10,553	$10,665
Public Assistance	2,295	2,304	2,305	2,305
Medical Assistance	4,766	4,997	5,194	5,401
Health & Hospitals Corporation	346	282	279	273
Covered Agency Support & Other Subsidies	2,209	2,262	2,322	2,391
City and MAC Debt Service	2,109	3,650	4,013	4,285
General Reserve	300	300	300	300
Total	$22,526	$24,225	$24,966	$25,620

Administrative OTPS

Administrative OTPS costs in each agency's baseline four-year financial plan include the ongoing cost of existing programs, planned increases or decreases from PEG initiatives and other adjustments. For 2006 through 2008, the financial plan includes a Citywide appropriation to provide for an increase in OTPS costs resulting from inflation. The inflation adjustment represents a yearly 2.9 percent increase from 2005 through 2008.

Energy

Energy costs in each agency, with the exception of HPD, are held constant for 2005 through 2008. The financial plan includes a Citywide appropriation to provide for the changing cost of energy for 2006 through 2008. Price and usage changes for HPD's In-Rem Program are budgeted in HPD's four-year plan. The In-Rem Program is expected to incur no energy cost in 2007 and 2008. As reflected in the following table, energy costs are expected to increase, mainly due to higher electricity prices.

Energy Cost Comparison
($ in millions)

Estimate as of:	2004	2005	2006	2007
2004 Adopted Budget	$600	$580	$572	$580
2005 Executive Budget	569	599	602	597
Difference	($31)	$19	$30	$17

The cost of gasoline and fuel oil is expected to remain stable, while heat, light and power will increase by $8 million from 2005 through 2008. The annual cost projections are as follows:

Energy Costs
($ in millions)

	2004	2005	2006	2007	2008
Gasoline	$38	$41	$40	$39	$40
Fuel Oil	46	44	43	43	43
HPD-In Rem	6	2	2	—	—
HPD-Emergency Repair	2	2	2	—	—
Heat, Light and Power	477	510	515	515	518
Total	$569	$599	$602	$597	$601

Leases

In each agency the cost of leases is budgeted at a constant level from 2005 through 2008. A citywide adjustment for 2006 through 2008 provides for the increasing cost of leases based on a three percent annual inflator and the annualization of 2005 adjustments, as well as known future leases, where applicable.

In total the four-year plan includes $529 million for leases in 2005, $548 million in 2006, $564 million in 2007 and $580 million in 2008. Of these amounts the citywide adjustment is $19 million, $35 million, and $51 million respectively in 2006 through 2008.

Public Assistance

In 2005, an average of 453,402 persons are projected to receive public assistance, an increase of 23,518 from the 2004 average through March.

Medical Assistance

The financial plan for Medical Assistance assumes growth of 5.1 percent for 2005 (excluding expenditures from the Health and Hospitals Corporation, administration, and adjusted for the conclusion of the enhanced Federal Medical Assistance Percentage). In addition, growth of 5.3 percent is expected for 2006.

Health and Hospitals Corporation

Revenue and expenditure projections for 2005 through 2008 include assumptions related to actual collections experience, the impact of rates by third party payors, and collections performance through a variety of revenue enhancement efforts. Total collections for fiscal years 2005 through 2008 reflect little change for non-Medicaid payors. Medicaid receipts (which includes fee-for-service as well as managed care) is estimated to increase by 8.0 percent over the four years of the plan. A growth in expenditures of 6.4 percent is projected from fiscal year 2005 to 2008.

Covered Agency Support and Other Subsidies

Included in this category are the contributions made by the City to the Transit Authority, Housing Authority, Libraries, and various Cultural Institutions. Also included in this category are the estimated projections for the cost of Judgments and Claims.

General Reserve

The general reserve is projected at $300 million for 2005 through 2008 to provide for uncontrollable increases in expenditures as well as shortfalls in revenues. To allow for any further uncertainties which may occur in the future, the general reserve has been increased above the mandated amount of $100 million.

Debt Service

Debt Service projections cover payments of debt service on currently outstanding City, Lease, and MAC debt as well as future issuances in accordance with the 2004-2008 financing program (See Financing Program). Actual debt service payments in these years will be affected by the timing of bond sales and by market conditions. Estimates of City debt service costs on debt to be issued are based on estimates of the periods of probable usefulness of the capital assets for which the debt will be issued.

City debt service estimates also include payments to MAC for principal and interest on City obligations. MAC debt service funding is shown net of such payments because City debt service payments to MAC have the effect of reducing MAC's funding requirement from revenues otherwise available to the City for budgetary purposes. For Fiscal Year 2004, the City estimates that MAC debt service funding will be $501 million. For Fiscal Years 2005-2008, the City assumes that MAC debt service requirements will be funded from the proceeds of bonds issued by the Sales Tax Asset Receivable ("STAR") Corporation, as contemplated by State legislation enacted in 2003. The State Division of Budget ("DOB") has commenced a lawsuit challenging the constitutionality of that legislation. If DOB prevails in that litigation and no alternative source of funding for MAC debt service is provided, MAC debt service funding would be approximately $500 million in each of the 2005 through 2008 fiscal years.

Below are the detailed estimates for debt service for 2004-2008:

($ in millions)

	2004	2005	2006	2007	2008
Long-Term Funded Debt	$2,399	$1,839	$3,321	$3,688	$3,946
Short-Term Debt	7	67	75	75	75
Lease Purchase Debt	75	203	254	250	264
Budget Stabilization Account (1)	1,306	—	—	—	—
Total City Debt Service	$3,787	$2,109	$3,650	$4,013	$4,285
MAC Debt Service Funding	502	—	—	—	—
Total Debt Service	$4,289	$2,109	$3,650	$4,013	$4,285

(1) Amounts in the Budget Stabilization Account are used to prepay the succeeding year's debt service.

EXHIBIT 2

FISCAL YEAR 2005 EXECUTIVE BUDGET AND PROJECTIONS, FISCAL YEAR 2005 THROUGH FISCAL YEAR 2008

($ in thousands)

			Fiscal Year 2004						
Dept. No.	Agency	FY 2003 Actual Expenditures	Executive Budget	8 Month Actuals July-Feb.	Forecast	FY 2005 Executive Budget	FY 2006 Estimate	FY 2007 Estimate	FY 2008 Estimate
002	Mayoralty	$94,450	$70,676	$48,650	$78,872	$71,858	$71,828	$71,828	$71,828
003	Board of Elections	55,630	76,728	49,406	81,727	74,994	72,683	68,183	68,183
004	Campaign Finance Board	7,245	31,577	15,975	17,587	10,915	17,767	17,767	17,767
008	Office of the Actuary	3,278	3,613	2,515	3,994	4,731	4,681	4,681	4,681
010	President,Borough of Manhattan	3,862	3,160	2,326	4,001	3,175	3,020	3,020	3,020
011	President,Borough of the Bronx	5,358	4,663	3,470	5,477	4,607	4,365	4,365	4,365
012	President,Borough of Brooklyn	5,083	4,288	2,993	5,001	4,175	3,820	3,820	3,820
013	President,Borough of Queens	4,823	4,090	3,464	4,788	4,039	3,578	3,578	3,578
014	President,Borough of S.I.	3,709	3,127	2,211	3,820	3,167	3,037	3,037	3,037
015	Office of the Comptroller	54,970	47,612	36,945	55,078	53,838	53,051	53,051	53,051
017	Dept. of Emergency Management	6,630	3,603	3,606	18,259	4,643	4,763	4,763	4,763
021	Tax Commission	1,879	1,885	1,216	1,952	2,402	2,302	2,302	2,302
025	Law Department	101,995	104,444	69,774	107,033	109,434	108,951	107,105	107,105
030	Department of City Planning	19,190	17,187	12,282	20,644	17,770	17,720	17,720	17,720
032	Department of Investigation	21,360	18,613	13,623	19,667	19,480	19,272	19,272	19,272
035	NY Public Library - Research	24,333	7,780	3,109	9,282	16,116	16,116	16,116	16,116
037	New York Public Library	128,371	40,824	14,955	48,799	85,547	85,547	85,547	85,547
038	Brooklyn Public Library	94,765	30,092	12,210	36,576	63,362	63,362	63,362	63,362
039	Queens Borough Public Library	90,171	28,688	14,183	34,397	59,816	59,816	59,816	59,816
040	Department of Education	12,780,991	12,159,378	7,378,730	12,813,943	13,025,848	13,192,008	13,340,756	13,424,739
042	City University	473,179	464,377	301,696	555,951	504,156	501,224	499,030	499,080
054	Civilian Complaint Review Bd.	8,876	9,287	6,719	10,322	8,962	8,893	8,893	8,893
056	Police Department	3,589,601	3,357,190	2,299,595	3,672,548	3,473,165	3,507,133	3,508,864	3,510,492
057	Fire Department	1,201,249	1,108,041	764,959	1,211,478	1,132,536	1,140,297	1,139,546	1,139,280
068	Admin. for Children Services	2,345,517	2,091,709	1,783,564	2,257,269	2,126,996	2,091,704	2,092,784	2,092,421
069	Department of Social Services	6,159,735	6,118,439	4,689,163	6,613,669	6,858,734	7,091,845	7,300,796	7,507,918
071	Dept. of Homeless Services	632,418	636,264	551,023	670,149	704,820	686,621	687,120	687,119
072	Department of Correction	866,457	830,800	548,439	845,356	823,362	828,754	825,704	825,704
073	Board of Correction	829	791	522	855	803	803	803	803
094	Department of Employment	131,689	—	2,261	1,000	—	—	—	—
095	Citywide Pension Contributions	1,750,586	2,719,320	1,753,433	2,454,376	3,376,228	4,107,091	4,514,850	4,502,386
098	Miscellaneous	5,301,457	4,633,424	2,196,433	4,539,081	5,029,600	5,288,749	5,557,102	5,877,973
099	Debt Service	2,309,251	3,185,652	2,150,168	3,787,231	2,108,740	3,649,699	4,013,119	4,285,388
100	M.A.C. Debt Service	225,236	530,500	117,289	501,535	—	—	—	—
101	Public Advocate	1,854	1,561	1,139	2,514	1,712	1,712	1,712	1,712
102	City Council	44,921	45,831	30,251	47,054	45,824	45,831	45,831	45,831
103	City Clerk	2,586	2,980	1,858	3,067	2,904	2,904	2,904	2,904
125	Department for the Aging	229,491	169,887	207,953	242,581	214,400	199,763	199,763	199,763
126	Department of Cultural Affairs	120,425	94,637	80,150	120,118	104,026	104,026	104,026	104,026
127	Financial Info. Serv. Agency	33,047	35,411	28,509	35,678	37,352	37,411	37,411	37,411
130	Department of Juvenile Justice	108,402	98,994	36,420	105,949	100,646	104,421	104,421	104,421
131	Office of Payroll Admin.	6,733	9,786	7,186	8,601	11,496	10,409	10,362	10,362
132	Independent Budget Office	2,262	2,732	1,644	2,669	2,669	2,669	2,669	2,669
133	Equal Employment Practices Com	475	503	311	512	508	508	508	508
134	Civil Service Commission	480	540	279	541	571	571	571	571
136	Landmarks Preservation Comm.	3,046	3,195	2,183	3,609	3,248	3,248	3,248	3,248

EXHIBIT 2

FISCAL YEAR 2005 EXECUTIVE BUDGET AND PROJECTIONS, FISCAL YEAR 2005 THROUGH FISCAL YEAR 2008

($ in thousands)

Dept. No.	Agency	FY 2003 Actual Expenditures	Fiscal Year 2004 Executive Budget	Fiscal Year 2004 8 Month Actuals July-Feb.	Fiscal Year 2004 Forecast	FY 2005 Executive Budget	FY 2006 Estimate	FY 2007 Estimate	FY 2008 Estimate
138	Districting Commission	1,660	902	4	—	—	—	—	—
156	Taxi & Limousine Commission	21,535	24,068	15,490	24,174	23,404	23,404	23,086	23,086
226	Commission on Human Rights	7,757	6,858	5,125	7,416	6,888	6,888	6,888	6,888
260	Youth & Community Development	157,461	186,432	213,450	255,812	169,416	187,849	187,849	187,849
312	Conflicts of Interest Board	1,547	1,357	901	1,454	1,354	1,354	1,354	1,354
313	Office of Collective Barg.	1,546	1,553	1,110	1,554	1,555	1,555	1,555	1,555
499	Community Boards (All)	11,536	12,039	7,681	12,291	12,384	12,384	12,384	12,384
781	Department of Probation	83,205	71,416	50,218	78,892	73,627	70,743	70,743	70,743
801	Dept. Small Business Services	41,954	26,817	93,173	135,046	87,683	89,377	84,523	84,523
806	Housing Preservation & Dev.	389,902	401,989	325,981	460,954	449,012	439,322	436,855	436,855
810	Department of Buildings	57,863	54,143	35,849	58,934	57,929	52,936	51,165	51,044
816	Dept Health & Mental Hygiene	1,428,496	1,290,996	1,238,997	1,520,235	1,364,818	1,383,249	1,410,594	1,411,374
819	Health and Hospitals Corp.	914,974	921,864	673,964	936,068	1,085,068	1,039,427	1,036,227	1,030,127
826	Dept of Environmental Prot.	701,639	725,984	500,225	723,504	764,367	738,368	736,818	736,818
827	Department of Sanitation	991,439	962,103	742,596	1,015,260	1,065,935	1,080,796	1,079,857	1,079,618
829	Business Integrity Commission	4,685	5,227	3,352	4,949	5,089	5,345	5,345	5,345
836	Department of Finance	181,779	188,944	146,383	220,993	193,631	191,837	193,071	193,140
841	Department of Transportation	501,448	475,697	370,660	547,420	509,036	504,040	505,922	505,922
846	Dept of Parks and Recreation	254,169	183,039	167,564	272,057	255,045	258,045	258,045	252,045
850	Dept. of Design & Construction	162,386	86,143	57,920	100,798	87,413	87,330	87,330	87,330
856	Dept of Citywide Admin Srvces	683,422	729,547	638,286	704,045	733,492	728,901	728,899	729,008
858	D.O.I.T.T.	190,359	189,140	152,606	199,024	236,761	263,720	257,875	258,565
860	Dept of Records & Info Serv.	4,219	3,734	2,970	4,177	3,783	3,783	3,783	3,783
866	Department of Consumer Affairs	13,947	14,232	9,664	15,721	15,044	14,412	14,524	14,552
901	District Attorney - N.Y.	78,975	63,577	52,242	82,464	62,640	62,244	62,244	62,244
902	District Attorney - Bronx	42,730	37,808	26,014	42,846	37,148	36,813	36,813	36,813
903	District Attorney - Kings	72,604	63,961	45,570	71,651	63,406	63,030	63,030	63,030
904	District Attorney - Queens	38,756	33,068	25,568	39,302	32,584	32,274	32,274	32,274
905	District Attorney - Richmond	6,352	5,380	4,121	6,684	5,538	5,276	5,276	5,276
906	Off. of Prosec. & Spec. Narc.	15,109	13,430	9,680	15,076	13,147	13,147	13,147	13,147
941	Public Administrator - N.Y.	991	988	789	1,006	996	996	996	996
942	Public Administrator - Bronx	331	329	195	331	331	331	331	331
943	Public Administrator- Brooklyn	419	454	264	460	460	460	460	460
944	Public Administrator - Queens	343	353	218	359	359	359	359	359
945	Public Administrator -Richmond	223	252	138	252	252	252	252	252
	Prior Payable Adjustment	—	—	—	(300,000)	—	—	—	—
	General Reserve	—	—	—	40,000	300,000	300,000	300,000	300,000
	Energy Adjustment	—	—	—	—	—	2,612	1,780	5,724
	Lease Adjustment	—	—	—	—	—	18,912	34,932	50,609
	OTPS Inflation Adjustment	—	—	—	—	—	36,990	75,022	110,970
	TOTAL EXPENDITURES	$46,123,656	$45,597,703	$30,873,758	$48,365,819	$48,032,970	$50,982,734	$52,433,734	$53,351,348
	LESS: INTRA-CITY EXPENDITURES	1,110,257	1,074,507	448,692	1,219,108	1,133,011	1,132,288	1,131,639	1,131,373
	NET TOTAL EXPENDITURES	$45,013,399	$44,523,196	$30,425,066	$47,146,711	$46,899,959	$49,850,446	$51,302,095	$52,219,975

EXHIBIT 3

ACTUAL REVENUE

	Fiscal Year 2000	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003
Taxes:				
Real Property	$7,850	$8,245	$8,761	$10,063
Personal Income	5,353	5,746	4,539	4,463
General Corporation	1,779	1,735	1,330	1,237
Banking Corporation	347	424	320	213
Unincorporated Business	805	820	790	832
Sales and Use	3,509	3,662	3,360	3,535
Commercial Rent	344	377	380	397
Real Property Transfer	483	473	425	513
Mortgage Recording	403	407	477	526
Utility	247	300	258	295
Stock Transfer	114	0	0	0
Cigarette	31	28	27	158
Hotel	218	242	184	192
All Other	360	350	382	365
Tax Audit Revenue	416	401	485	571
Total Taxes	22,259	23,210	21,718	23,360
Miscellaneous Revenues:				
Licenses, Franchises, Etc.	329	338	356	357
Interest Income	195	245	81	43
Charges for Services	439	439	461	501
Water and Sewer Charges	801	843	858	846
Rental Income	139	154	115	109
Fines and Forfeitures	468	495	485	548
Miscellaneous	718	1,109	1,383	2,244
Intra-City Revenue	1,150	1,330	1,390	1,110
Total Miscellaneous	4,239	4,953	5,129	5,758
Unrestricted Intergovernmental Aid:				
Federal Revenue Sharing	-	-	-	-
N.Y. State Per Capita Aid	$405	$327	$328	$400
Other Federal and State Aid	226	307	338	1,043
Total Unrestricted Intergovernmental Aid	631	634	666	1,443
Other Categorical Grants	432	492	615	1,006
Transfers from Capital Fund:				
Inter Fund Agreements	239	284	305	301
Provision for Disallowance of Categorical Grants	(5)	(46)	0	(47)
Less Intra-City Revenue	(1,150)	(1,330)	(1,390)	(1,110)
Total City Funds	26,645	28,197	27,043	30,711
Federal Categorical Grants:				
Community Development	264	250	281	226
Welfare	2,335	2,339	2,541	2,550
Education	1,127	1,227	1,364	1,595
Other	691	734	1,911	1,247
Total Federal Grants	4,417	4,550	6,097	5,618
State Categorical Grants:				
Welfare	1,382	1,581	1,585	1,576
Education	4,829	5,388	5,592	5,834
Higher Education	124	129	129	133
Health and Mental Health	348	349	434	416
Other	379	321	290	358
Total State Grants	7,062	7,768	8,030	8,317
Total Revenues	$38,124	$40,515	$41,170	$44,646

EXHIBIT 4

REVENUE ESTIMATES

($ in Millions)

	Fiscal Year 2004 8 Months Actual	Fiscal Year 2004 Forecast	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008
Taxes:						
Real Property	10,869	11,353	11,832	12,340	12,931	13,549
Personal Income	3,729	5,240	4,586	4,592	4,602	4,980
General Corporation	657	1,526	1,673	1,760	1,851	1,951
Banking Corporation	171	269	298	348	378	402
Unincorporated Business . .	453	880	934	985	1,031	1,069
Sale and Use	2,512	3,952	3,961	4,029	4,177	4,353
Commercial Rent	211	430	439	451	465	478
Real Property Transfer . . .	325	630	476	488	511	535
Mortgage Recording	504	735	514	481	516	542
Utility	162	294	283	278	284	284
Cigarette	93	139	136	132	129	126
Hotel	109	209	226	240	253	264
All Other	164	459	396	396	369	371
Tax Audit Revenue	383	590	508	508	509	509
Tax Initiatives Program . . .	0	0	(250)	(259)	(263)	(267)
State Tax Relief Program .	497	677	715	722	770	806
Total Taxes	20,839	27,383	26,727	27,491	28,513	29,952
Miscellaneous Revenue:						
Licenses, Franchises, Etc.	258	359	359	354	353	353
Interest Income	15	24	35	56	61	74
Charges for Services	333	565	523	520	514	513
Water and Sewer Charges .	620	888	931	927	943	964
Rental Income	46	107	861	173	176	176
Fines and Forfeitures	444	712	709	705	704	704
Miscellaneous	368	658	1,218	412	350	350
Intra-City Revenue	374	1,219	1,133	1,132	1,132	1,131
Total Miscellaneous . . .	2,458	4,532	5,769	4,279	4,233	4,265
Unrestricted Intergovernmental Aid:						
N.Y. State Per Capita Aid .	0	327	327	327	327	327
Other Federal and State Aid	121	664	235	235	235	235
Total Unrestricted Intergovernmental Aid:	121	991	562	562	562	562
Anticipated State and Federal Aid:						
Anticipated State Aid . .	0	0	400	400	400	400
Anticipated Federal Aid	0	0	150	150	150	150
Total Anticipated Aid . .	0	0	550	550	550	550
Other Categorical Grants	427	921	806	830	840	839
Inter Fund Agreements	74	352	345	332	328	328
Reserve for Disallowance of Categorical Grants	0	(15)	(15)	(15)	(15)	(15)
Less: Intra-City Revenue	(374)	(1,219)	(1,133)	(1,132)	(1,132)	(1,131)
Total City Funds	23,545	32,945	33,611	32,897	33,879	35,350

REVENUE ESTIMATES

($ in Millions)

	Fiscal Year 2004 8 Months Actual	Fiscal Year 2004 Forecast	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008
Federal Categorical Grants:						
Community Development .	137	311	257	240	240	240
Welfare	826	2,372	2,128	2,107	2,114	2,114
Education	251	1,773	1,733	1,733	1,733	1,733
Other	354	1,107	598	564	545	535
Total Federal Grants . . .	1,568	5,563	4,716	4,644	4,632	4,622
State Categorical Grants:						
Welfare	742	1,826	1,734	1,734	1,731	1,730
Education	2,978	5,799	5,871	5,881	5,949	6,019
Higher Education	31	164	167	168	168	168
Department of Health and Mental Hygiene	71	475	470	473	482	482
Other	122	375	331	292	294	295
Total State Grants	3,944	8,639	8,573	8,548	8,624	8,694
TOTAL REVENUE	29,057	47,147	46,900	46,089	47,135	48,666

EXHIBIT 5
FULL-TIME and PART-TIME POSITIONS (FTEs)
City Funds

	12/31/01 Actual [1][5]	2/29/04 Actual [5]	6/30/05 Executive Budget
MAYORAL AGENCIES:			
Uniformed Forces:			
Police -Uniform [2]	39,297	36,185	34,774
-Civilian	14,166	14,277	14,631
Fire -Uniform	11,113	11,076	11,154
-Civilian	4,491	4,381	4,328
Sanitation -Uniform	7,810	7,049	7,630
-Civilian	2,053	1,736	1,846
Correction -Uniform	9,874	8,853	8,740
-Civilian	1,488	1,305	1,397
Sub-Total	*90,292*	*84,862*	*84,500*
Health and Welfare:			
Social Services	13,293	11,418	11,318
Admin. for Children's Services	8,232	6,253	6,545
Homeless Services	2,081	2,094	2,289
Health & Mental Hygiene	4,398	4,279	4,973
Sub-Total	*28,004*	*24,044*	*25,125*
Other Mayoral:			
Housing Preservation and Development	645	499	910
Environmental Protection	376	402	440
Finance	2,685	2,430	2,453
Transportation	2,498	1,990	2,177
Parks	6,231	4,586	4,679
Citywide Administrative Services	1,296	1,242	1,606
All Other Mayoral	13,776	12,731	13,356
Sub-Total	*27,507*	*23,880*	*25,621*
EDUCATION:			
Dept. of Education -Pedagogical	95,407	89,733	90,963
-Non-Pedagogical	22,174	22,684	21,570
City University -Pedagogical	4,273	4,285	3,912
-Non-Pedagogical	2,299	2,420	2,208
Sub-Total	*124,153*	*119,122*	*118,653*
Total	269,956	251,908	253,899
COVERED ORGANIZATION AND NON-CITY EMPLOYEES SUBSTANTIALLY PAID BY CITY SUBSIDIES [3]:			
Health and Hospital Corp.	37,941	37,941	37,308
Housing Authority	–	–	–
Libraries	4,428	4,008	3,786
Cultural Institutions [4]	1,728	1,835	1,589
School Construction Authority	933	529	453
New York City Employees Retirement System	368	383	370
Economic Development Corporation	344	367	385
Teachers Retirement System	308	334	356
Police Pension Fund	66	104	118
All Other	155	163	169
Sub-total	*46,271*	*45,664*	*44,534*
Total	316,227	297,572	298,433

[1] Adjusted for transfers.
[2] Police Department uniform headcount will be at 36,988 with the swearing in of attrition replacement recruit classes July 1, 2004 and January 1, 2005.
[3] Includes non-city employees substantially paid by city subsidies. For these agencies the December 2001 data reflects staffing as of February 2002.
[4] Includes only those employees of the Cultural Institutions Group paid by city fund subsidies.
[5] Includes restatements for positions formerly funded under vendor contracts and for Education part-time positions not previously included in the city headcount.

EXHIBIT 5A
FULL-TIME and PART-TIME POSITIONS (FTEs)
Total Funds

	12/31/01 Actual [1][5]	2/29/04 Actual[5]	6/30/05 Executive Budget
MAYORAL AGENCIES:			
Uniformed Forces:			
Police -Uniform [2]	39,297	36,185	34,774
-Civilian	14,779	14,999	14,920
Fire -Uniform	11,120	11,078	11,163
-Civilian	4,495	4,386	4,333
Sanitation -Uniform	7,957	7,189	7,783
-Civilian	2,265	1,907	2,083
Correction -Uniform	10,617	9,596	9,483
-Civilian	1,603	1,425	1,512
Sub-Total	*92,133*	*86,765*	*86,051*
Health and Welfare:			
Social Services	16,836	15,025	15,001
Admin. for Children's Services	8,286	6,432	6,711
Homeless Services	2,090	2,125	2,292
Health & Mental Hygiene	5,442	5,576	6,029
Sub-Total	*32,654*	*29,158*	*30,033*
Other Mayoral:			
Housing Preservation and Development	2,720	2,490	3,060
Environmental Protection	5,760	6,019	6,313
Finance	2,685	2,431	2,465
Transportation	4,415	4,144	4,273
Parks	6,630	5,007	5,264
Citywide Administrative Services	1,879	1,916	2,320
All Other Mayoral	18,103	16,872	17,260
Sub-Total	*42,192*	*38,879*	*40,955*
EDUCATION:			
Dept. of Education -Pedagogical	112,810	108,982	109,611
-Non-Pedagogical	25,442	24,623	23,965
City University -Pedagogical	4,273	4,290	3,917
-Non-Pedagogical	2,300	2,421	2,208
Sub-Total	*144,825*	*140,316*	*139,701*
Total	311,804	295,118	296,740
COVERED ORGANIZATIONS AND NON-CITY EMPLOYEES SUBSTANTIALLY PAID BY CITY SUBSIDIES [3]:			
Health and Hospital Corp.	37,941	37,941	37,308
Housing Authority	14,863	14,597	14,615
Libraries	4,428	4,008	3,786
Cultural Institutions [4]	1,728	1,835	1,589
School Construction Authority	933	529	453
New York City Employees Retirement System	368	383	370
Economic Development Corporation	344	367	385
Teachers Retirement System	308	334	356
Police Pension Fund	66	104	118
All Other	155	168	174
Sub-total	*61,134*	*60,266*	*59,154*
Total	372,938	355,384	355,894

[1] Adjusted for transfers.
[2] Police Department uniform headcount will be at 36,988 with the swearing in of attrition replacement recruit classes July 1, 2004 and January 1, 2005.
[3] Includes non-city employees substantially paid by city subsidies. For these agencies the December 2001 data reflects staffing as of February 2002.
[4] Includes only those employees of the Cultural Institutions Group paid by city fund subsidies.
[5] Includes restatements for positions formerly funded under vendor contracts and for Education part-time positions not previously included in the city headcount.

EXHIBIT 6

FY 2005 EXECUTIVE BUDGET
CITY GAP CLOSING PROGRAM - 5 YEAR VALUE
(City $ in 000's)

	2004	2005	2006	2007	2008
MAYORAL AGENCIES:					
Uniformed Forces:					
Police	$46,279	$72,420	$5,325	$4,725	$5,325
Fire	12,748	22,273	11,630	11,947	12,213
Correction	11,042	17,608	5,457	5,457	5,457
Sanitation	34,389	20,951	(3,172)	(3,422)	(3,422)
Health and Welfare:					
Admin. for Children's Services	9,143	24,222	11,102	9,572	9,572
Social Services	5,438	9,177	9,276	9,372	9,372
Homeless Services	4,455	4,455	4,455	4,455	3,568
Health & Mental Hygiene	7,280	8,087	8,087	8,087	7,218
Youth & Community Dev.	—	849	849	849	849
Other Mayoral:					
Housing Preservation & Dev.	3,615	1,755	1,755	1,755	1,755
Finance	21,050	6,950	7,000	7,000	6,875
Transportation	26,194	7,786	6,603	6,603	6,603
Parks & Recreation	2,500	4,900	4,900	4,900	4,900
Citywide Admin. Services	17,425	2,461	1,861	1,861	1,861
Other	90,506	19,056	14,340	13,978	12,850
MAJOR ORGANIZATIONS:					
Department of Education	28,380	55,000	55,000	55,000	55,000
Health and Hospitals Corp.	2,987	2,987	2,987	2,987	2,987
CUNY	—	5,425	9,255	10,632	10,632
OTHER:					
Miscellaneous	1,006	1,839	1,938	2,044	1,974
Procurement Savings	—	35,948	35,948	35,948	35,948
Subtotal Agency Programs	**$324,437**	**$324,149**	**$194,596**	**$193,750**	**$191,537**
CITYWIDE INITIATIVES:					
State Actions	—	400,000	400,000	400,000	400,000
Federal Actions	—	150,000	150,000	150,000	150,000
Tax Rebate	—	(250,000)	(259,000)	(263,000)	(267,000)
Pay-As-You-Go Capital for Education	(100,000)	(200,000)	(200,000)	(200,000)	(200,000)
Total Program	**$224,437**	**$424,149**	**$285,596**	**$280,750**	**$274,537**

Technical Note: 1) Gap closing program includes initiatives from the April 22, 2004 Executive Budget and the November 18, 2003 and January 15, 2004 Financial Plans.

EXHIBIT 6A

FY 2005 EXECUTIVE BUDGET
CITY GAP CLOSING PROGRAM – 5 YEAR VALUE
(City $ in 000's)

	2004	2005	2006	2007	2008
OTHER:					
Mayoralty	$58,391	($696)	($866)	($866)	($866)
Campaign Finance Board	10,000	—	—	—	—
Office of the Actuary	100	—	—	—	—
Emergency Management	100	100	100	100	100
Tax Commission	—	1,650	1,650	1,650	1,650
City Planning	141	—	—	—	—
Investigation	405	483	483	483	483
Civilian Complaint Review Bd.	381	317	317	317	317
Board of Correction	26	—	—	—	—
FISA	930	2,364	10	10	10
Juvenile Justice	660	660	660	660	660
Payroll Administration	1,990	257	—	—	—
Independent Budget	64	64	64	64	64
Human Rights	54	99	99	99	99
Conflicts of Interest	45	—	—	—	—
Probation	1,727	1,727	1,727	1,727	1,727
Small Business Services	787	1,624	124	124	124
Environmental Protection	975	975	975	—	—
Business Integrity Commission	159	159	159	159	159
DOITT	5,012	2,222	2,311	2,264	1,823
Consumer Affairs	—	268	(256)	404	(283)
Subtotal	$81,947	$12,273	$7,557	$7,195	$6,067
OTHER ELECTED:					
BP - Manhattan	$55	$192	$192	$192	$192
BP - Bronx	77	91	91	91	91
BP - Brooklyn	72	72	72	72	72
BP - Queens	67	67	67	67	67
BP - Staten Island	221	294	294	294	294
Comptroller	2,300	300	300	300	300
Public Advocate	37	37	37	37	37
DA - Manhattan	1,764	1,764	1,764	1,764	1,764
DA - Bronx	1,033	1,033	1,033	1,033	1,033
DA - Brooklyn	1,517	1,517	1,517	1,517	1,517
DA - Queens	868	868	868	868	868
DA - Staten Island	157	157	157	157	157
Prosec. & Spec. Narc.	391	391	391	391	391
Subtotal	$8,559	$6,783	$6,783	$6,783	$6,783
Total Other	**$90,506**	**$19,056**	**$14,340**	**$13,978**	**$12,850**

Technical Note: 1) Gap closing program includes initiatives from the April 22, 2004 Executive Budget and the November 18, 2003 and January 15, 2004 Financial Plans.

EXHIBIT 6B

FY 2005 EXECUTIVE BUDGET
CITY GAP CLOSING PROGRAM - BY EXPENSE AND REVENUE

(City $ in 000's)

	Expense	Revenue	Total
MAYORAL AGENCIES:			
Uniformed Forces:			
Police	$70,095	$2,325	$72,420
Fire	17,815	4,458	22,273
Correction	15,753	1,855	17,608
Sanitation	23,931	(2,980)	20,951
Health and Welfare:			
Admin. for Children's Services	24,222	—	24,222
Social Services	9,177	—	9,177
Homeless Services	4,455	—	4,455
Health & Mental Hygiene	8,087	—	8,087
Youth & Community Dev.	849	—	849
Other Mayoral:			
Housing Preservation & Dev.	535	1,220	1,755
Finance	(150)	7,100	6,950
Transportation	2,785	5,001	7,786
Parks & Recreation	—	4,900	4,900
Citywide Admin. Services	936	1,525	2,461
Other	15,678	3,378	19,056
MAJOR ORGANIZATIONS:			
Department of Education	55,000	—	55,000
Health and Hospitals Corp.	2,987	—	2,987
CUNY	5,425	—	5,425
OTHER:			
Miscellaneous	1,839	—	1,839
Procurement Savings	35,948	—	35,948
Subtotal Agency Programs	**$295,367**	**$28,782**	**$324,149**
CITYWIDE INITIATIVES:			
State Actions	—	400,000	400,000
Federal Actions	—	150,000	150,000
Tax Rebate	—	(250,000)	(250,000)
Pay-As-You-Go Capital for Education	(200,000)	—	(200,000)
Total Program	**$95,367**	**$328,782**	**$424,149**

Technical Note: 1) Gap closing program includes initiatives from the April 22, 2004 Executive Budget and the November 18, 2003 and January 15, 2004 Financial Plans.

EXHIBIT 7

FY 2005 CITY GAP CLOSING PROGRAMS
SINCE JANUARY 2002

(City $ in 000's)

	1/1/02-6/30/03			New Actions		
	Expense	**Revenue**	**Total**	**Expense**	**Revenue**	**Total**
MAYORAL AGENCIES:						
Uniformed Forces:						
Police	$266,214	$107,600	$373,814	$70,095	$2,325	$72,420
Fire	106,115	7,728	113,843	17,815	4,458	22,273
Correction	168,264	1,320	169,584	15,753	1,855	17,608
Sanitation	53,996	23,850	77,846	23,931	(2,980)	20,951
Health & Welfare:						
Admin. For Children's Services	281,634	1,828	283,462	24,222	—	24,222
Social Services	99,594	—	99,594	9,177	—	9,177
Homeless Services	90,740	—	90,740	4,455	—	4,455
Health & Mental Hygiene	116,120	3,000	119,120	8,087	—	8,087
Other Mayoral:						
Libraries	47,813	—	47,813	—	—	—
Aging	58,914	—	58,914	—	—	—
Cultural Affairs	32,503	—	32,503	—	—	—
Housing Preservation & Dev.	18,295	4,750	23,045	535	1,220	1,755
Environmental Protection	(900)	7,628	6,728	—	975	975
Finance	17,774	86,000	103,774	(150)	7,100	6,950
Transportation	33,009	44,760	77,769	2,785	5,001	7,786
Parks & Recreation	18,361	18,213	36,574	—	4,900	4,900
Citywide Admin. Services	16,236	8,856	25,092	936	1,525	2,461
Other	145,793	37,462	183,255	47,680	1,526	49,206
ELECTED OFFICIALS:						
Office of the Mayor	11,911	1,800	13,711	728	—	728
City Council	1,424	—	1,424	—	—	—
Public Advocate	1,027	—	1,027	37	—	37
Office of the Comptroller	7,477	2,700	10,177	—	300	300
Borough Presidents	11,209	375	11,584	139	577	716
District Attorneys	33,512	—	33,512	5,730	—	5,730
MAJOR ORGANIZATIONS:						
Health and Hospitals Corp.	27,963	—	27,963	2,987	—	2,987
Department of Education	808,758	—	808,758	55,000	—	55,000
CUNY	14,246	—	14,246	5,425	—	5,425
Subtotal Agency Programs	**$2,488,002**	**$357,870**	**$2,845,872**	**$295,367**	**$28,782**	**$324,149**
Citywide Pension Contributions	54,963	—	54,963	—	—	—
Debt Service	75,573	—	75,573	—	—	—
Total Program	**$2,618,538**	**$357,870**	**$2,976,408**	**$295,367**	**$28,782**	**$324,149**

recycled paper